Dividend

The Magazine of the Graduate School of Business Administration • University of Michigan • Spring/Summer 1983

THE UNIVERSITY OF MICHIGAN
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
ANN ARBOR, MICHIGAN 48109

Gilbert R. Whitaker, Jr.
Dean

June, 1983

To all Alumni and Friends of the Business School:

A look at page 42 tells the story: we have already raised nearly $12 million towards our $15 million goal! And we have raised it during a severe economic downturn. I report this with great pride and gratitude.

I think you will find the statistics impressive. Over 50% of the commitments to the campaign are from Michigan corporations, and 38% are from Michigan foundations. I find this particularly gratifying: it indicates not only a vote of confidence in the future of the Business School but--equally important--a vote of confidence in the future of Michigan's economy.

There are many of you who, I trust, will want to be part of our campaign's success. In the next months, campaign efforts will have a sharper focus. There will be a concerted effort to complete funding for the building project, increasing the cash flow to pay construction costs as they are incurred. We will begin to reach more out of the State: each and every one of you will be asked to participate in this important and exciting endeavor.

This is an exciting time for the Business School. It is personally gratifying to be a part of it. It would not have been possible without your interest and support.

My deepest appreciation for all you have done and will continue to do.

Sincerely,

Gilbert R. Whitaker, Jr.

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Dividend

Volume XIV, No. 3 *Spring-Summer, 1983*

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Printed by The University of Michigan Printing Services. This publication is made possible through the generosity of private donations.

How relevant for finding the right answers are all those tools you acquired along with your BBA or MBA or Ph.D.?

by W. Michael Blumenthal
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About the author: W. Michael Blumenthal has had distinguished careers in business and government, and in the academic world as well. He served as chairman, president, and chief executive officer of the Bendix Corporation from 1972 to 1977 when he became Secretary of the U.S. Treasury, a post he held until 1979, when he went to Burroughs Corporation. He received a bachelor's degree in international economics from the University of California at Berkeley, and later attended Princeton University where he received a master's degree in public affairs and a Ph.D. in economics. From 1954 to 1957 he taught economics at Princeton. He was a U.S. Ambassador and served as the President's Deputy Special Representative for Trade Negotiations from 1963 to 1967 under Presidents Kennedy and Johnson. In this assignment, he was Chairman of the U.S. Delegation to the Kennedy Round of Trade Negotiations, with headquarters in Geneva, Switzerland. From 1961 to 1963 he served as Deputy Assistant Secretary of State for Economic Affairs and from 1957 to 1961 he was a vice-president and director of the Crown Cork International Corporation. This article is adapted from the commencement address he gave this spring at Business School graduation ceremonies.

I

You are leaving the B-School and entering — or re-entering — the business world at an interesting and uncertain time. We are emerging from the worst recession of the post-war period, amidst doubt and uncertainty about the road ahead. More than 11 million Americans are officially listed as unemployed, and at least two million more are too discouraged to look for work. Many others who would like to work full-time can only come up with part-time jobs.

We have a painful period of unprecedented double-digit inflation behind us and no one would today lay odds that it couldn't happen again.

In industry after industry, we seem to have lost or to be losing our competitive edge and our position of technological leadership in the world: in autos, steel, ships and machine tools, as well as in consumer electronics, photographic equipment and perhaps soon — as some are predicting — in computers and semiconductors as well.

The fact is that during much of the last decade-and-a-half, the U.S. economy has performed below par. Growth and productivity have lagged. There is a risk that we will become followers on the world economic scene rather than leaders. More and more people are asking how this has come about and what can be done to put us back out in front.

A growing national debate over this issue is, I believe, a good thing —

and long overdue. It is unfolding and increasing in intensity in the boardroom and on the campuses, in the popular press and the scholarly journals, and next year no doubt on the political stump as well. As it does, we had better make sure that we produce a few rays of light along with a lot of hot air and heat. Already, we are not lacking for theories, explanations and prescriptions for sure-fire cures.

Some point to the heavy hand of the federal government, interfering in the free market and burdening U.S. industry with excessive regulation, as the prime cause of our troubles. Others blame our tax system for encouraging consumption at the expense of investment in the future.

The Reagan Administration came into office with the view that the *general* level of taxes was too high and that large across-the-board tax cuts would quickly re-energize the American economy back to high levels of sustained growth and productivity.

The political left, on the other hand, has blamed an overly tight monetary policy, arguing that cheap money and low interest rates are the way to a better future. In their view, Fed Chairman, Paul Volker, standing tall at 6 foot 7 inches in his stocking feet, has had the height, but not the stature, to see that he alone holds the key to our economic resurgence.

Furthermore, the explanations have recently gone well beyond traditional debates over monetary or fiscal policies, over macroeconomics as the economists would say. Now there is also a burgeoning debate over a corollary set of issues having to do with what has come to be called "industrial policy."

No clear agreement exists about exactly what "industrial policy" means or how it might function in the United States. Basically though, its proponents hold the view that government attention to macroeconomic measures alone is no longer enough. They argue that a wide range of government decisions and rules in taxes, trade regulations, agriculture and antitrust, among others, affects the pattern of economic growth, but that they lack a central thrust and coordination at the present time.

So, some feel that a more conscious and coordinated policy is needed here and that the federal government should participate more actively in guiding and supporting particular industries and sectors to advance their position in the world economy. Others identify "industrial policy" more with the need for the government to focus on decisions dealing with infrastructure items, like education, health, transportation, or spending for R & D.

And then there are those who point to an inadequate internal functioning of the U.S. corporation itself as the main reason for our difficulties.

It has been said, for example, that it is the Business Schools, with their excessive emphasis on quantitative analysis, which are the root of all evil. It is they who have perverted American business practice to go for the short run over a longer-run view, turning managers away from the qualitative aspects of management and investment decisions to a form of risk aversion which blunts our long run competitive edge.

Incidentally, I suppose that after you have amused yourselves for two years or more with the arcane pleasures of Net Present Values, Discounted Cash Flows, efficient market hypotheses and similar wonderfully precise concepts, this accusation must give you all a particular thrill — or jolt, as the case may be.

The list of explanations can be expanded at will. The surfeit of lawyers, the magic of quality circles, the lack of venture capital — you name it. Chances are that someone out there has said it is *that* which needs fixing in America today.

II

Well, then, what of it? How do we proceed from here? Or, more particularly, how do *you* proceed? What does all this mean to you, the future generation of business managers and corporate executives? How relevant for finding the right answers are all those tools you acquired along with your BBA or MBA or Ph.D.? What role can *you* play in finding the right answers and in implementing them in the years to come?

If I have now got you on the edge of your seats waiting for *my* answer, for *my* blueprint for the American economy and for the Corporate America of tomorrow, I suggest you relax and lean back. For I'm not about to tell you. With a fair amount of experience in the private as well as the public sectors I, for one, have a keen appreciation for the complexities of these issues, and a rather highly developed sense of caution and reluctance to suggest simple solutions where none are yet at hand.

What I *can* do, however, is to make a few suggestions as to how we might all proceed in making progress towards some fresh inputs and new solutions for the management of our affairs within a company and at the national level.

Let me first suggest for your consideration two simple concepts about thinking and acting as business managers within the corporate scene:

One: Be prepared to find that not all you have learned at the B-School will necessarily be of much help to you in your next assignment, though some things clearly will. Take those "Golden Rules" for excellently managed companies that you have heard so much about. How often were you told, for example, that — in Marketing, "the smart thing to do is to go for the market share." Or in Finance, that "anything with a net present value greater than zero is worth doing." Or, in Organization Behavior, that "the right kind of 'culture' or shared set of corporate values is the key to success?"

Be a bit cautious about when and how to spring these concepts on your boss. You may just find that he will look at things somewhat differently. So be patient with him. He isn't necessarily all that ignorant. There are quite a few circumstances when you'll find that none of this will make much sense or be very practical when you confront the particular realities.

My advice is that you apply these concepts critically and with caution rather than as the gospel truths. But don't reject them out of hand either. For they *can* and sometimes *do* provide you with valuable insights and they can be good tools as long as you learn when to use them and when to turn elsewhere. And secondly: Here at Michigan, I would hope you have been trained to analyze critically and to make up your own mind. That's the most valuable part of your education. Don't lose it, don't compromise it. Study the facts and don't take anything for granted. Look for new ways of managing and doing things and try them. Have the courage to speak your mind and to stand your ground if you think you're right — with diplomacy to be sure, but also with courage and always with integrity. Winning popularity contests is not what good corporate management is all about!

We need fresh thinking in our companies and in the country. We need hard questioning of the handed-down truths. Remember that the corporate executives you'll meet are no more often right — or wrong — than the faculty who lectured you, often with such utter certainty, these last two years.

For altogether too long, the U.S. corporation has looked too much at the military as its organizational model.

III

Let me be just a bit more specific and apply these ideas to possible approaches for dealing with the kinds of issues that need solving today and tomorrow.

At the corporate level, we surely have made our share of mistakes and failed to do our part in keeping the United States in the forefront of economic competitiveness in an interrelated world. Not all of the blame should be placed at the government's door.

Take the important issue of time horizons, for example. Why is it that American industry has been so absorbed with maximizing the returns of today, at the expense of investing for the day after tomorrow?

Is it really because the B-Schools have honed your analytic skills in quantitative analysis and that it was your predecessors who distorted our focus?

The business journal authors who make this claim may just possibly give themselves altogether too much credit, or perhaps blame, for what's been happening on the corporate scene. They may be putting the cart before the horse. Isn't it at least as likely, if not more so, that it was the other way around, that we asked for these tools — and that the B-Schools merely responded by giving us exactly what we wanted?

Believe me — most corporate executives understand the difference between the short and the long run. But they are faced with pressures for short run thinking, pressures which are enormous and frequently close to irresistible.

The reality is that Wall Street has made the quarter by quarter yardstick a fact of life. It's our report card and a poor grade can have serious consequences.

Security analysts and institutional investors, by and large, love predictable quarterly increases in sales and earnings. When we give it to them they rate us highly and buy our stocks. Breaks in the pattern are most unpopular and lead to selling.

So what, you ask? Well, if your stock price is down, it is hard to raise equity capital, for one thing. It also makes you vulnerable to unwelcome takeover bids, for another. And don't forget those stock options which are a competitive fact of life, a part of the standard compensation package for our key staff. To attract and keep the best people when your stock languishes in the cellar is no easy task.

So, it's one thing to note that we are overly mesmerized by the quarterly P & L. We are. That's true. But you must understand why that is and how difficult it is for any one corporation to swim against the stream.

Is it really surprising, then, that risk aversion is so common? No wonder so many CEO's prefer the seemingly safer route of acquisitions, for to buy earnings in other fields has the allure of spreading one's risks, not adding to them.

Is it surprising that some CEO's are experts mainly in accounting tricks, in tax planning, if not manipulation — in the shuffling of assets rather than in the creation of lasting asset values? In tinkering with the old, rather than the creation of the new?

The results for Corporate America have not been good. It is perhaps one reason why the average G.M. plant life has been 39 years while the average Japanese plant is only one third as old.

To attract and keep the best people when your stock languishes in the cellar is no easy task.

And perhaps it is because of this that our Japanese competitors can develop new markets long before they are ripe — and then dominate them, while we shun these same areas because the risk is high and the NPV calculation decidedly unattractive. Think of Sony's successes in that light, and you may see at least part of the reason for their success!

We must invest more in R & D. We must develop new markets rather than just exploit existing ones. We must invest heavily in new technologies. The risks here will always be great and the payoff frequently uncertain and slow. There is no sure financial winning formula for that, but if we fail to do this, the United States can never regain its competitive edge.

IV

Let's turn for a moment to the issue of management styles. You have heard and read a lot about this subject. The literature, after all, is replete these days with descriptions of the seemingly more felicitous management ways of the Japanese or of our other competitors in Germany, Sweden and elsewhere.

I suggest that this is indeed a vital issue for us in the corporate world, and a fruitful avenue for inquiry and experimentation in the years to come. It is also an excellent area for you to apply precisely the kind of fresh thinking, independence of mind, and courage in working for much needed change . . . the qualities which I urged upon you a few minutes ago.

Let me warn you, though, that it will not be simple. Old habits are deeply engrained and resistance to change can be quite formidable — not only at the top of the heap, but at the middle levels as well. For altogether too long, the U.S. corporation has looked too much at the military as its organizational model, with its groups and divisions, its field forces and headquarters staff.

The more participative management styles have been shunned as inappropriate and unworkable in large scale industry — a view, incidentally, which has more often than not been shared by management and labor alike.

Corporate executives have believed that what counts most is the efficiency of the management structure and that the key to low cost production is primarily volume and the right ratio of workers to machines. Decisions are passed down the line and the "troops," as they are called, are expected to carry them out.

Labor's view, with few exceptions, has dovetailed these perceptions. The spirit of Samuel Gompers has remained a pervasive force in the American plant, a world where management manages and workers bargain collectively for "more, more,

more" — for the largest possible piece of the pie. As one labor leader put it to me the other day, ". . . If I'd wanted to be a participant in management, I would have taken *your* job and not mine. Management — that's *your* responsibility!"

Slowly, though, new ideas are beginning to come to the fore — and you can do much to hurry the process along.

Surely, productivity gains arise not only from the quasi-military organization of people and machines, but also from a great many incremental improvements in processes and products. And that is a human problem — a problem of people, of cooperation, of team effort and of the pooling of skills and experience.

Everyone can contribute here, and will do it best when he or she feels a stake, and has the chance to play a part. People are best motivated when they can share in the process with individual responsibility, within an open environment where all work together to increase the size of the pie — before arguing over who is entitled to what share.

These are not new concepts. Decades ago scholars like Agyris, Likert and others did work in this field. And, believe it or not, about 30 years ago, my own Ph.D. dissertation studied labor codetermination in Germany, because I felt even then that there were concepts here which merited serious thought.

"People are our most important asset" may sound like a buzz phrase, if not a cliche. But it is true. So let's develop that asset — let us plan how to use it, motivate it, involve it — and a key prerequisite for higher

Too many corporate executives know little about our government and its workings and often care even less, except to condemn or to petition for help when nothing else works.

productivity growth will have been achieved. That is one of the great challenges we face in American business today. And you are the ones who can help to make it happen.

That also, finally, is what corporate management is all about. I simply reject the view that the good CEO is the one who knows how to shuffle his asset portfolio, without managing the assets; that building shareholder value means maximizing earnings over the relatively short run, or hyping the price of your stock.

A good CEO and his management team must play a much broader role. True values come from the managing of people in a cooperative setting, in risk taking with new markets and products in a continuum of time. And a good corporate executive understands that his or her responsibilities encompass more than securing a good quote for the company stock on the Big Board. That's important, to be sure. But so are responsibilities to the staff, the customers, the suppliers and to the communities whose lives a corporation can so deeply affect.

Our country will not be worth living in — and the corporate job not worth doing — if that broader concept of management is not clearly understood.

As a businessman with two tours of duty in the public sector behind him, let me close on this final note.

There is yet another time-honored but inappropriate concept to be rejected firmly by you as you begin your business careers. I refer to the notion that government is a nuisance at best and an impediment more often than not to the conduct of business affairs.

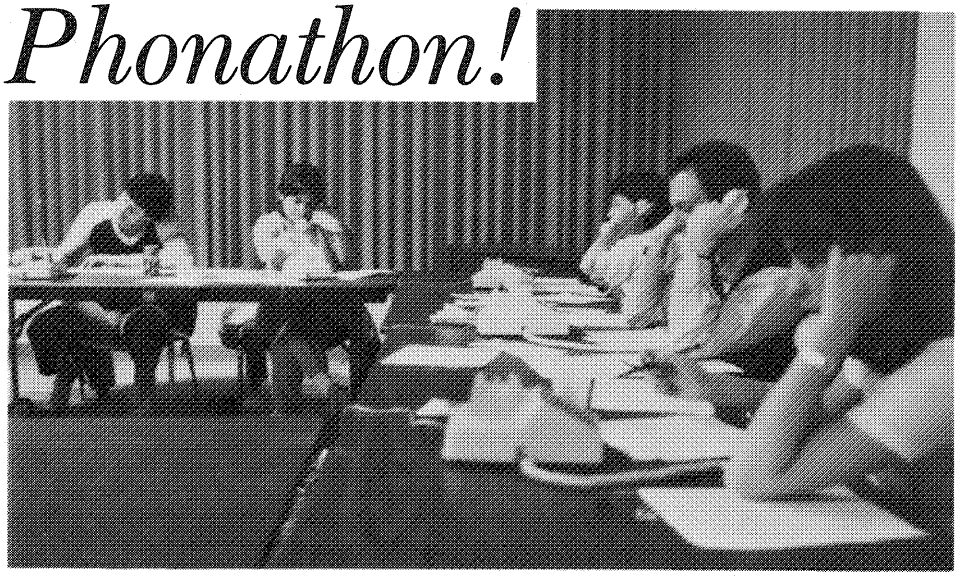
Too many corporate executives know little about our government and its workings and often care even less, except to condemn or to petition for help when nothing else works.

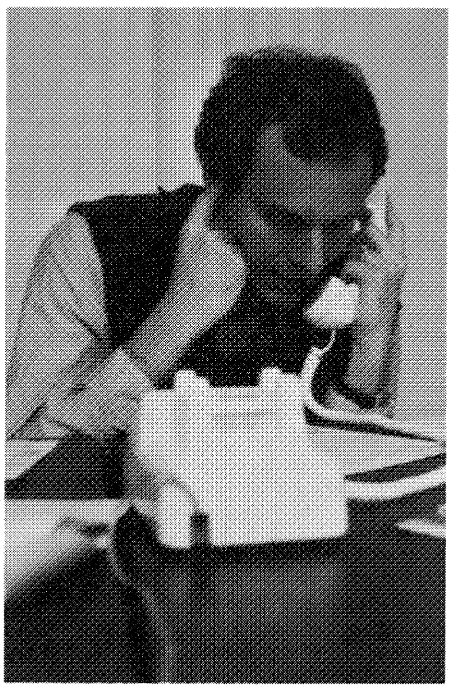
Don't make that mistake. The government/business relationship is a vital one and you will ignore it only at your peril. Corporate productivity and growth depends not only on what we do *within* companies; it is as importantly a function of what takes place in the country and even the world at large.

The social and economic context in which business takes place determines how well we will do in a company and in the country. Inflation, for example, makes for unpredictability, inhibits capital investments and motivates the drive for short-term gains. Unemployment shrinks markets. Wasteful government expenditures divert needed resources.

The modern business executive is learning this lesson well. So take an interest in Washington and in the wider world. Cooperative management means all of us. Never forget it.

Phonathon!



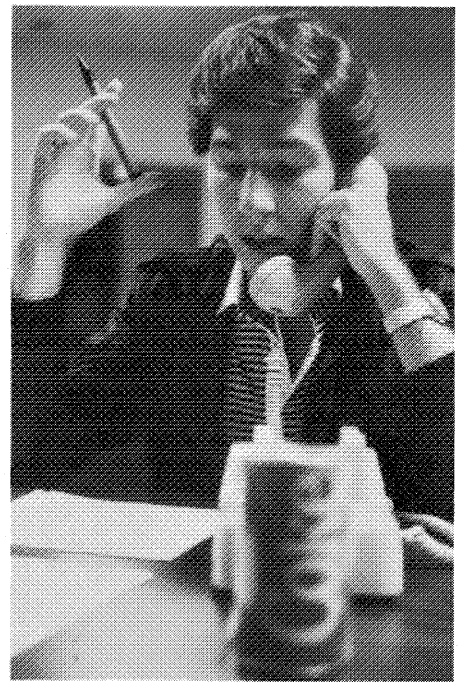


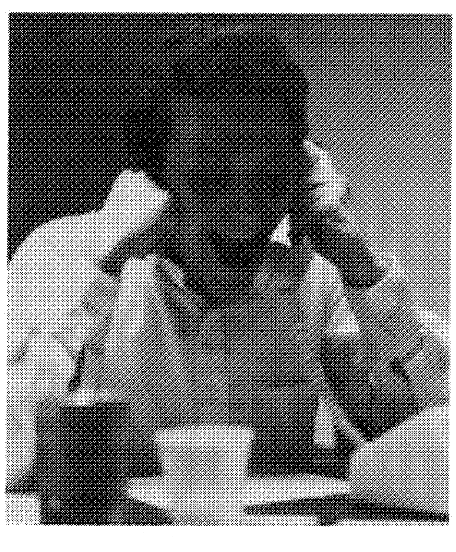
"For the first half hour you're sort of timid," said a student who was a first time caller in the 1983 phonathon. "But when you get warmed up, and as money starts coming in, people start to get excited. One caller was told the alumnus would give if he would sing the Alma Mater. So sing he did." On the night these pictures were taken, more than $8,000 was pledged.

Over 200 alumni and students participated as callers in the phonathons, which this year were held in Chicago, New York, and San Francisco as well as Ann Arbor. Dohn Kalmbach, BBA '60, MBA '62, Business School Fund chairman, says that in the 1982-83 season, more than 4,000 alumni were contacted.

Special thanks go to all our donors and phoners for their support and interest.

(Photos by David Kwan.)





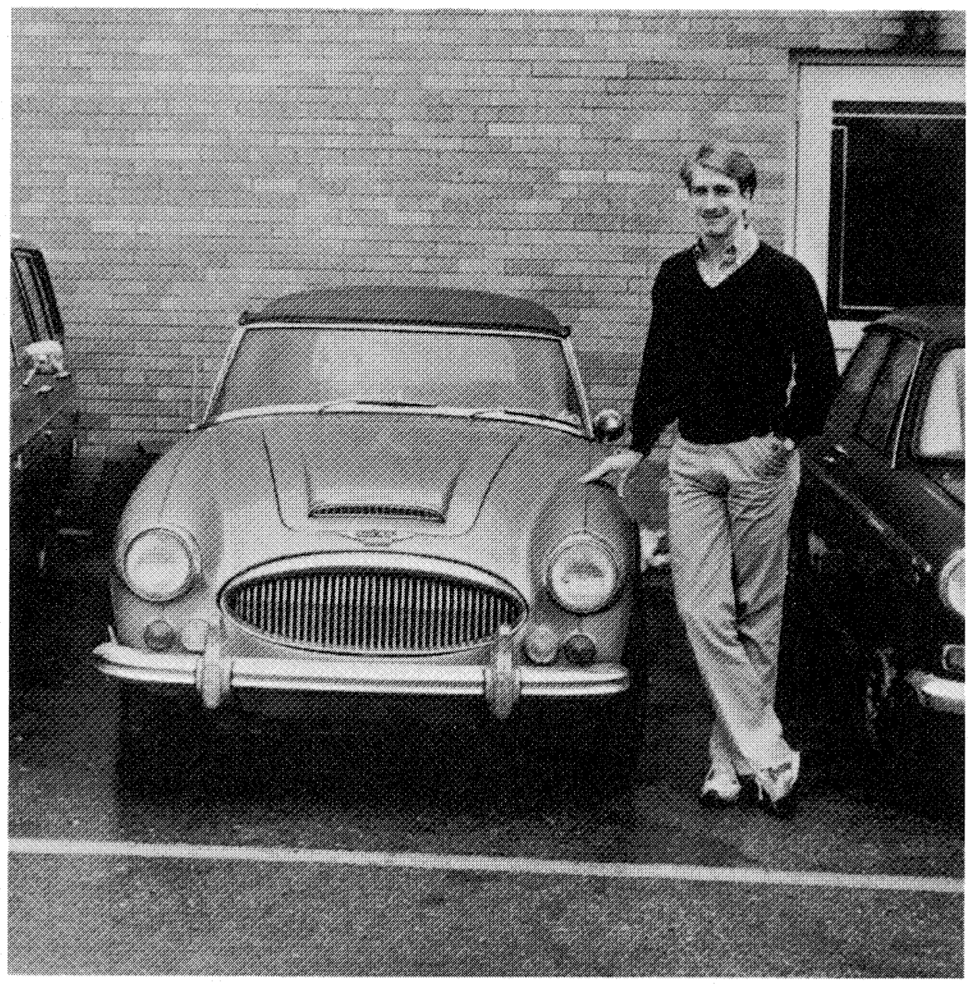
Balancing the Books

With the Business

Running your own business teaches lessons you can't learn any other way, say enterprising students as they juggle studies with real live entrepreneurship.

Ken Kelly
MBA '83

"A three day weekend was about all any of us could afford to be away."



The four years he spent at Sports Car Service of Ann Arbor were highly educational ones for Ken Kelly, BBA '77, MBA '83. "I learned how hard it is to be in charge of all these different variables and try to coordinate them in such a way as to actually have some money left over at the end of the year," he says. "People talk about how it's great to run your own business, and control your own destiny and so forth, but in reality it's SUCH a test. At Sports Car Service we put in *tremendous* hours. You hated to go on vacation because you were such an integral part of the business that the responsibilities you dealt with would just wait until you came back. A three day weekend was about all any of us could afford to be away."

Now that Ken is working toward his MBA, he is seeing the other end of the scale — that is, what it's like to work in a large corporation. Last summer he was an account executive intern with Foote Cone and Belding in Chicago. "I learned that the long hours will still be there," he says, "but you can spend more time on planning. You are able to specialize in your area of responsibility. In our small business we had no time to do any strategic planning. We did a lot of shooting from the hip in making judgments because we had no time to do a detailed analysis. On the other hand, in a small business you learn the coordination tradeoffs between the different functions — finance, production, marketing, personnel — and how they all fit together. That bit of insight — what it takes to put the whole works together on a small scale — is a real advantage as you move into a bigger firm and have to interact with people who are in some other functional area."

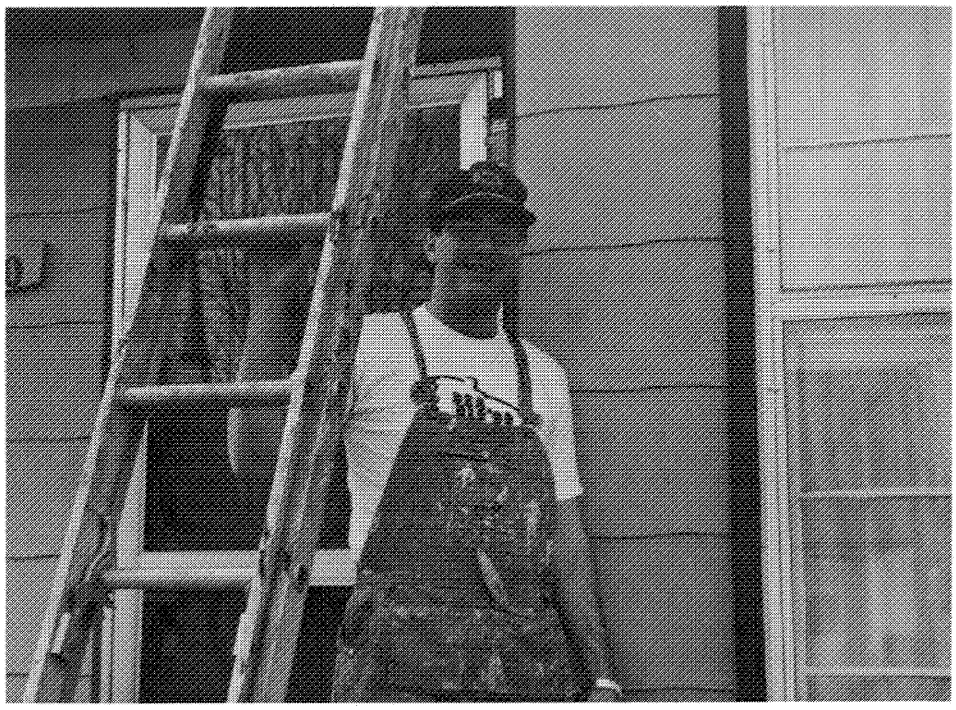
Ken was first involved with Sports Car Service as a customer. He is a car collector on a small scale; and at one time or another has owned 1970, '71, and '73 MG Midgets, a '77 Datsun 280Z, and a '73 Lotus Europa. Essential to Ken's owning these cars has been his ability to sell them at a profit. He does not invest any new money in this hobby, but depends on profitable sales of existing cars to finance expanding his collection. Currently he owns a 1969 Alpha Romeo GTV, a '59 MGA, and a '74 MG Midget, not to mention a '66 rusty but trusty Volkswagen for winter driving. At one point while he was a BBA student, he owed so much in repair debts to Sports Car Service that he started working off the bill by doing odd jobs around the shop. One thing led to another, and he was offered a summer job as office manager. By the time he received his BBA, he was offered the job of general manager.

As general manager, Ken was

head of all functional areas and responsible for profit and loss. The staff consisted of five mechanics, two parts men, a service manager and several part-time helpers. Ken became the person in the middle — between the mechanic who wanted to bill as many repair hours as he could, and the customer who wanted his car fixed as inexpensively as possible. "One of the basic problems with the auto repair business is that it tends to be negative," says Ken. "When customers come in, it's because their car broke down, and that doesn't put them in a very good mood. That can be a rough environment to face day after day. A big challenge was to keep employe morale high and customers happy in that environment. It was a great job for developing my 'people skills.' You have to be flexible, patient, and take the time to show the customer what you did to the car, how that relates to the problem they had, and why it costs as much as it does."

One accomplishment of which Ken is particularly proud was the decision he made to reduce the size of the shop. "We had a prime street-front location," he explains, "which is really not necessary for the success of an automotive repair facility. So we remodeled the front third of the shop and leased it to a business that needed a high visibility, high traffic location. We did not lose any of our actual work space, because in the remodeling we double-decked our parts area, but we significantly reduced our overhead with the rental income from the tenant." As general manager, Ken increased total sales by 60%, reduced promotional expenditures and increased consumer response by targeting the market more exactly, established financial controls that provided tools for cash management, and established scheduling and quality controls that increased production by 15%.

Ken is now a partner in Sports Car Service, but his current involvement is in planning rather than in the day to day operation of the business. After receiving his MBA, he plans to go into marketing management.



Terry Bates
BBA '84

"It tore me apart to see my money sitting there doing nothing."

"When I put my money in the bank, something inside me said, 'this is too conservative.' I did it anyway." Terry Bates, first year BBA student, is referring to the proceeds from the sale of the second house he bought as a real estate entrepreneur. "But it tore me apart to see my money sitting there doing nothing," he says with a grin, "so one day I went to the real estate broker and said, 'Joe, I think I'd like to buy another house.' "

After graduation from high school, Terry worked full time in the pro shop at his local golf course and went to community college studying prebusiness at night. "The boss really let me run the shop," he says, "so I started making the decisions about what type of merchandise to sell, what to buy and when to buy. I watched the customers to see what they liked and didn't like. I found I really loved the responsibility of making my own decisions." He got started buying houses because there was a house in his neighborhood that was very run down. "I thought if someone would just fix that house up it would appreciate in value," he explains, "so when the house went up for sale my father and I went through it to see just what the condition of it was and what needed to be done. We decided it would be a good investment, so I took what money I had saved from my job at the pro shop, borrowed some more from a friend of the family and made an offer which was accepted. This was in the fall of 1981, and I really wanted to get the house ready for the market by the spring of 1982. I was still working at the pro shop, so I hired my three sisters and my brother part time, and we all worked cleaning up and fixing up, putting new ceramic tile in the bathroom, painting everything, replacing carpeting, etc. And before we even had the house finished, it was sold on a land contract."

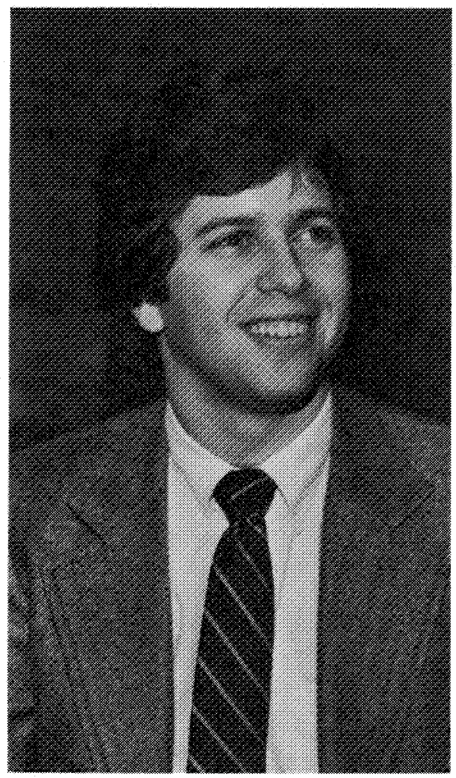
After that sale, Terry promptly went looking for another property. He found a farmhouse on 9/10 of an acre which was surrounded by a new subdivision where the lots were much smaller. Some research into the township's ordinance on subdivision showed that three more houses could fit on the lot where the farmhouse sat. Terry also discovered that the property was in foreclosure. After making seven different offers, he bought the house — then sold it to a developer two weeks later for a 20% profit.

By this time, he had been accepted at Business School for the fall of 1982. "I thought maybe at this point I ought to be conservative and put the money from the second house in the bank," he says, "but after working for myself with good results I found I wanted to take a chance and do things. I like making the decisions and taking the consequences, and I'm willing to work very hard for results."

Terry soon found a third house, and made an offer below what he thought the market value was. "I thought I could turn the house over before I went to Business School," he says, "but that didn't happen, so I rented it instead. Renting is terrific if you have good tenants, and I do." Meanwhile, Terry has gotten his real estate license, and plans this summer to work both for the golf course and sell real estate. In his spare time, he wants to learn about the growth of a city and what makes a city tick. He plans to talk to city council members, the city manager, the transportation people, the city planners in his home town of Mt. Clemens this summer to learn all he can about what makes a city run.

"One thing I have learned about real estate," muses Terry, "is that most people only look at the short term when buying a house — that is, they want to know what's the monthly payment going to be? That means they're really more interested in the terms than they are in the price. But for the long term, the price and the house's potential for appreciation are important factors to consider. I had a very useful course in finance here at the Business School, which taught me that there are so many ways to structure a deal."

Terry plans to become a CPA, and eventually wants to have his own business. "Also," he says with conviction, "I'll always invest in real estate, either as my primary business, or as a sideline."



Jeff Nagel
MBA '83

"You have to be able to work in an unstructured environment, because you're building your own structure."

"I like to set my goals slightly beyond my reach," says Jeff Nagel, MBA '83. Once I attain that goal, then I set another one that's higher. I like the challenge and the autonomy of working for myself, and the tougher the business the more enjoyable I find it."

When Jeff was an engineering student at Cornell, he started working with a wholesale candy company that was having distribution problems. So Jeff did a product flow analysis for them, then worked with them on the acquisition of an effective computer system. "I enjoyed the whole process," he says. "I went into engineering because I wanted to have a degree that was worthwhile, but engineering seemed kind of boring until I got into operations research, and that was interesting because all we did was work on solving business problems. It was a short step from there to realizing that I wanted to get an MBA."

By the time Jeff entered Business School, he was working with the candy company on several different projects, including sales and personnel problems. They had a subsidiary cookie company that was losing money and were trying to decide whether or not to liquidate it. Instead they invited Jeff to take it over and see if he could turn it around. He spent last summer working on that project.

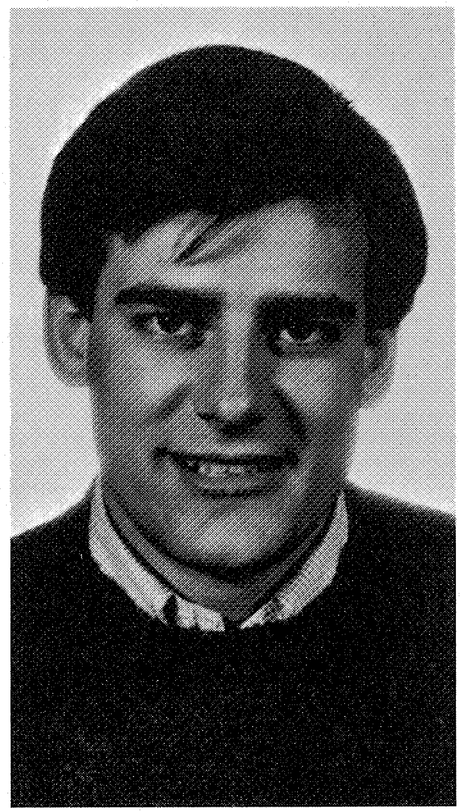
"First, I spent time with the salesmen on the road seeing what the problems were. It's a tough business, and the name of the game is shelf space. That can be a dirty battle. I've even seen instances where the competition used a razor blade to slash the packaging of another company, rendering the contents unsaleable. Also, when you're on the road selling you've always got to be enthusiastic and "up." I started working with the salespeople teaching them selling techniques. We did a lot of role playing. I would be the customer and they had to try and sell me. It was quite a challenge."

After his time on the road, Jeff spent a month inside organizing the company, setting up policies, inventory control systems, and doing financial planning. Then he looked at the marketing end of the business and developed a promotion campaign. By the end of the summer he also had a computer system in place, so that weekly sales reports could be easily obtained.

"One major quality an entrepreneur has to have," says Jeff, "is energy — drive. You have to go out and get things because they don't fall in your lap. You have to be able to work in an unstructured environment, because you're building your own structure. What motivates an entrepreneur, it seems to me, is *challenge.*"

And what was the most challenging part of his work? "The most difficult thing turned out to be how to motivate people," Jeff says thoughtfully. "I tried everything — money, recognition, counseling, a pat on the back — everything from the carrot and the stick to the whip. It wasn't easy. The toughest thing of all was to fire somebody. I knew it would be tough but it was worse than I thought it would be. I tried to retrain the person, but that didn't work out and there was nothing else to do but fire him. I'd love to have done something else, but my salary was based on how the company did, and it was either him or me."

The company is now profitable. Operations have been simplified and the product line has been pared. Jeff now flies to New York about once a month to keep an eye on how things are going. His plans for the future definitely include having his own business in a consumer product or service industry.



Andy Richner BBA '82

"When you get out there and your money is on the line it's a different story."

"There are so many sail board companies on the market right now it's turning out to be very competitive," says Andy Richner, BBA '82, who started a dealership for windsurfing equipment last year. "A lot of people are cutting prices. The problems of running a business seem fairly straightforward to solve in class when you're in business school. But when you get out there and your money is on the line it's a different story. And very educational."

Andy bought his own equipment three years ago to go windsurfing on Lake Michigan (one of the best bodies of water in the world for the sport, he says). Then he and a business school friend formed a windsurfing club at the U-M, and Andy began to consider the possibility of selling the equipment. "It's the largest participant sport there is in Europe," he explains, "and business is booming there. The U.S. market has a lot of room for growth. Once you've tried windsurfing it's addictive. The feeling of being in the water is different and more exhilarating than sailing. The board is so maneuverable and so fast."

Through the windsurfing club Andy located a man interested in starting a dealership at his store in Charlevoix. So Andy scraped together his personal savings (some of them collected from a lawnmowing business he ran all through high school), and bought the inventory. His partner remodeled part of his Charlevoix store, and they were in business.

"I thought everything would fall into place but it didn't," recalls Andy. "I didn't expect the competition to be as stiff as it was because we had a superior product, but I found out that even a good product doesn't sell itself. A competitor right across the street from us sold about six times as many boards as we did, because his whole marketing effort was better. He had an established sporting goods store and he had advertising, whereas we just passed out brochures. Plus, you really need a person to sell who knows the sport well, because windsurfing is so new people don't know how to measure quality or how to pick a board for their needs. To move the equipment, you should have a good demonstration program and give lessons. I had another job for the summer, and my partner is not a windsurfer, so we couldn't do those things. Besides that, it turned out that many potential customers came to look but not to buy, because they figured equipment in a resort area would be more expensive than at home. Now, you expect when you go through business school that you're prepared for anything, but you're not. How could I have predicted that people would think those boards were overpriced just because they were for sale in Charlevoix?"

Even with the unforeseen

problems, however, and Michigan's severe recession, the business broke even and Andy is far from being discouraged. He graduated in December with his BBA and went to work doing surveys and statistical work for the A. C. Nielson company. He plans to go on to law school next year and eventually make a career in corporate law. However, the windsurfing business will continue as a sideline. "This summer," he says enthusiastically, "we'll have someone selling the equipment who knows a lot about windsurfing and who can give lessons and demonstrations. We're going to have a rental program. The store is in an excellent location right on the water, and there are a lot of professionals in the area. It's a matter of learning from our mistakes and going on from there."

Pete Maglocci MBA '83

"If it works I'll get the credit and if it doesn't I'll take the blame."

Pete Maglocci, MBA '83, thinks of himself as an entrepreneur because, he says, "I look at new ways to do things. I want the responsibility to do it better, and I'll take the risk too. An entrepreneur has to be willing to put himself on the line. If it works I'll get the credit and if it doesn't I'll take the blame."

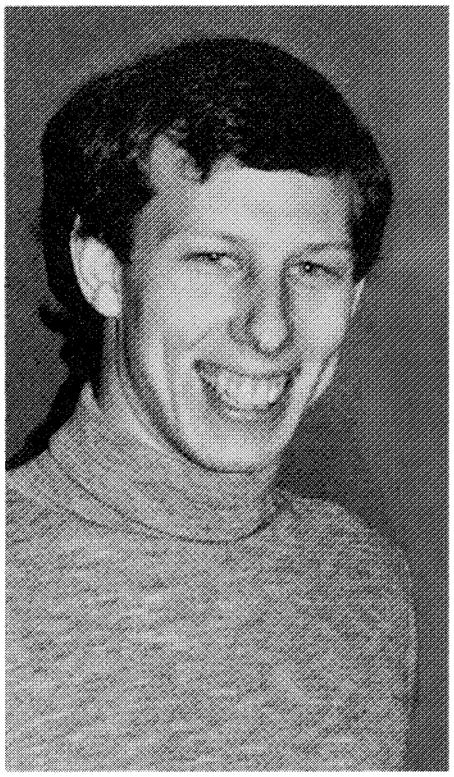
Pete went to work as an account executive with a financial consulting firm after getting his BBA in 1977, and in 1980 formed his own financial consulting business with three other partners. The company worked with professionals, small business owners and highly paid executives to help reduce income taxes and maximize assets through investments. "We would meet a client and show what our services were, then gather the information we needed, and make recommendations to the client. Our services could end there, or he could then choose to implement those recommendations through us," explains Pete.

"One thing an entrepreneur needs," says Pete, "is a capacity to change and an ability to change others as well, because in many cases an entrepreneur does things differently, and he's got to convince others that his way is a better way." Pete explains, "Really, the mistake I made that taught me the most was when I told a client what was good for him instead of letting him tell me what he was comfortable with. His taxes were too high, and I suggested oil and gas tax shelters, which he was not comfortable with. What I should have done then was to get him in good real estate, and then after he saw how those tax shelters work, suggest the oil and gas shelters. But I was more concerned with how good my own ideas were rather than with how comfortable my client was. Of course, this problem can happen in a corporation too. You can have a terrific program or a terrific idea, but if your superior doesn't want it and isn't comfortable with it, it doesn't fly, even if it might work."

"The thing is," Pete continues thoughtfully, "knowing how to bring the other person along is not necessarily an entrepreneurial trait. Entrepreneurs tend to have big egos — we think we can do it better, and don't tell us we can't. Thus we may lose the support of the other person. It's something we need to work on."

"Another thing I have discovered is that if you can cut through all the barriers and get to the actual people who make the decisions you can effect change. To take a small example — if I have a problem on my credit card records, I just have to find the right clerk who makes the computer entry, and I can eliminate all the red tape, because the person who actually performs the function is much more important than the procedures. If you can find the person who has control over the function, you don't have to get involved in all these systems and procedures that prevent you from doing what you want to do. That's also the entrepreneurial spirit. The entrepreneur looks for ways to do things differently, more efficiently, and with less cost."

Pete decided to come back to school for his MBA when he realized that he was enjoying the marketing and planning aspects of the business more than the financial aspects. "I liked the strategic planning," he says enthusiastically. "I wanted to work on questions like how do we get new clients, can we segment our market and approach it more effectively, should we specialize in a certain type of investment, should we expand our services, should we look outside Michigan for clients? I was spending most of my time on questions like these, and got more and more serious about strategic planning as a career. And for that, you need an MBA."



Jeff Ewald
MBA '84

"The road will kill you if you're not ready for it. Every mile you travel is money out of your pocket."

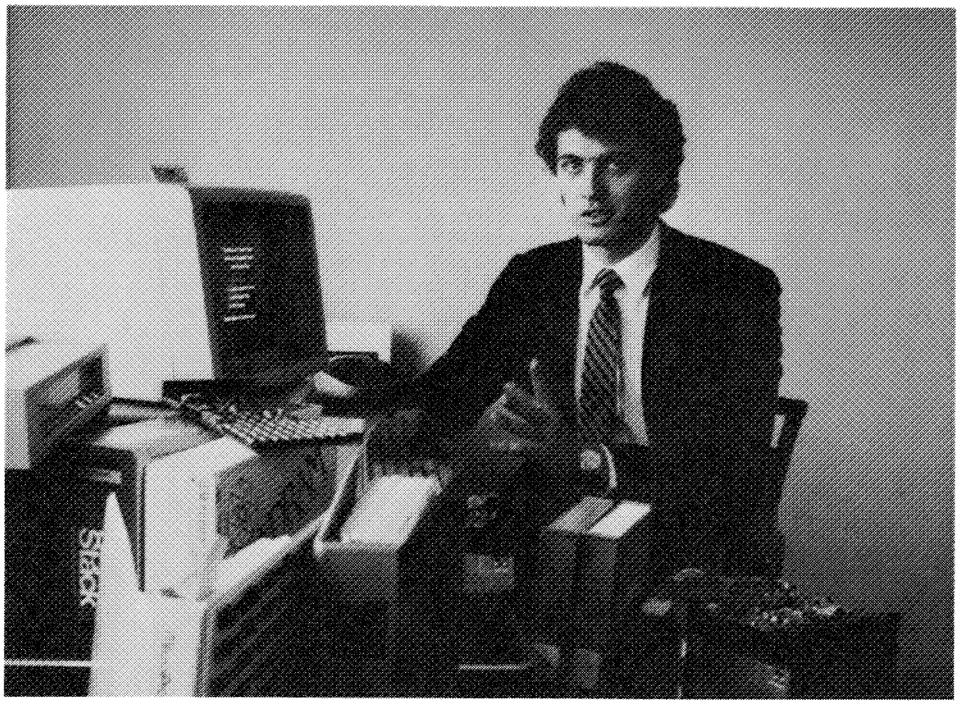
"Business know-how makes or breaks bands," says first year MBA student Jeff Ewald, who has played professionally in two different bands. "The road will kill you if you're not ready for it. Every mile you travel is money out of your pocket. In the first band I was in, we traveled up to 1500 miles *a week.*

Managing bands is what Jeff wants to do after he gets his MBA. He already has quite a bit of experience. When he was 14, he started his own band, and in 1975 it won the "Battle of the Bands" in the Detroit area. Forty-eight bands competed in four rounds of competition for a $10,000 first prize. Jeff went on to college at Indiana University, where he majored in music, and after graduation promptly went on the road with a band as a keyboard player. After seven months he joined the Riverside Band, and was with them full time for two years. "We were on the road 50 weeks out of the year," he says, "playing everything from local low rent bars to Sheratons. That's where I really became involved in managing the band. We got into doing our own promotion, contracting local radio stations and so forth. When we started it was a lounge band, and we wanted to become a top act. If you want to be top you've got to have top equipment and that is *expensive.* We got new light systems and new costumes that added pizzazz to our act. We had an 18 foot flatbed truck to cart all the stuff around. At first the band was earning about $1000 a week, but after upgrading everything we grossed over $150,000 the next year. Agents will sell you if you've got the product." The band is still active, and Jeff still plays in it (he is now a partner), but going to school has leveled off his involvement considerably. "I decided to go for my MBA," he says, "because musicians tend to have low credibility in the business community, and I thought that by going to a very solid business school I could develop some credentials. And I am learning so much in terms of strategies and growth and dealing with competition. I've developed a notebook of information I hear in class that's helpful to the music business. A good example is the technique of market segmentation. I've taken a map and broken it down to show how a band could penetrate a particular area. Most bands travel on a hit or miss basis. They don't really know why they're going where they're going — they just have a job there. But when you apply market segmentation techniques you have the band play in communities surrounding a big city, and you saturate the area as much as possible so that the band gets known there, it gets air play on the local radio stations, and you get the most population for the mile, so that the band doesn't have to travel as far. Then, when you build up regional support in an area, you have something to show the record companies."

Jeff thinks of himself as an entrepreneur because, he says, "I look for an opportunity, and then I want to develop it to its maximum potential, and then get out of it. I'm easy to please materially. I'd rather have money invested in thousands of projects than to have possessions. What I would do for a hobby is play music or go scuba diving."

Scuba diving is another of Jeff's projects. He is a part owner in a scuba diving shop in Bloomington, Indiana, that does about $250,000 a year in sales, and in 1981-82 was the most productive scuba shop in a 17 state area. As part of the shop's services, Jeff and his partner ran trips to Grand Cayman Island, and now they have invested in land in Grand Cayman Island on which they plan to develop a diving resort.

"Scuba diving is a lot of fun, but managing bands is my major interest," says Jeff. "I'd love to keep playing too, but it's a full time job to manage bands effectively. There are not enough people to handle the business side of bands, whereas there are a lot of keyboard players that are as good or better than I am. Also, with an MBA I can attract investors into bands."



Ed Fleckenstein BBA '83

"You're on this train, but where is the train going?"

Last year when he was a first year BBA student, Ed Fleckenstein, BBA '83, spent his spare time doing research on stock market options and honing his technical theory of the stock market, using a computer at the Learning Resource Center on campus. This stood him in good stead when he founded The Technavest Corporation Inc. to do consulting on the applications of personal computers.

Before founding his company, Ed went to France in winter, 1982 on a program sponsored by the U-M Center for Western European Studies. There he took economics and a seminar course in international business. He also discovered the World Computing Center for Human Resource Development in Paris, which had been set up by the government to promote computer literacy among the French.

"The place was amazing," says Ed. "They were just getting started when I was there, and equipment was coming in every day. Most of the equipment was American, and so the installation instructions were all in English. There were American students there from MIT, and we were helping wire up terminals to a $2½ million computer being set up in the basement! There was also an IBM personal computer just sitting there in a crate. I set it up and started using it." After finishing his course work in France, Ed moved to England where he took courses in economics with professors at the London School of Economics.

By the time Ed returned home at the end of the summer, he had decided to buy himself a personal computer. "But when I started to figure out what I needed, what was available, and how to get it at a good price, I found the information difficult to get," he explains. "I looked carefully through magazines on personal computers, and then did an intense study on what the various component parts were. In the course of my research I found out that I could save a substantial amount of money by buying directly from companies selling component parts. That's when I thought of selling computer software through Technavest."

By the time Ed was back in Business School full time, he had obtained dealer terms from a software company, and was selling to his customers at substantial discounts. "Whenever anyone would call to ask about software," he says, "I would ask about their hardware system — what they had and how they liked it, and if they needed anything else. Finally I zeroxed a sheet about what I could offer — that is, consulting and computer products at discounts, and distributed them around campus. Business started taking off. I did $35,000 worth of sales in the first two months."

Ed believes he did not lay the groundwork for his company as carefully as he should have, so he is taking some time out now to "do it right. A complex organization needs more than one person to run it," he explains. "There were times when I would establish policy on the spur of the moment during a telephone call. For instance, somebody would ask me what are the terms of sale, and I'd just make the policy right then and there. When you're running a business day to day, you tend to lose sight of the long term strategic aspects. You're on this train, but where is the train going? You can be selling happily along and then be out of a job because everything has changed and you're suddenly obsolete. I feel that to be a decision maker you have to have a grounding in all aspects of business. That's the kind of education I'm trying to give myself, rather than specializing in a specific functional area."

"The computer is going to change the world," says Ed. "Early humans passed knowledge on orally — then it was written down, but now the computer is going to make all the information that humankind ever developed available to be channeled to one terminal. I want to play a part in computerizing society — either with my own company or as part of a larger company. The main thing is to be open minded, and to educate yourself as a generalist. I'm planning now for what's going to be happening five years down the road. But the first thing I'm going to do is get my MBA."

Gil Whitaker on "Focus"

Excerpts from an interview between Dean Whitaker and J. P. McCarthy on the "Focus" Program of Station WJR-Detroit

J.P.: *My first guest is the Dean of the Graduate School of Business Administration at The University of Michigan. The U of M Business School has long had an excellent reputation. Let's find out about MBAs, and the future of American business, from a man who should be in a pretty good position to know, Dean Gilbert R. Whitaker from The University of Michigan. Dean, nice to see you.*

Dean: Thank you, pleased to be here.

J.P.: *Tell us about the MBA degree. Although the degree has been around for some time, it really didn't gain popularity until the 1950's, and now you need an MBA to get in the door of any personnel section of a major company, don't you?*

Dean: It's a very helpful educational experience for people who want to go into business. It's not the sole ticket of admission, but it is a helpful one.

J.P.: *But why is it suddenly necessary for people to have a master's degree to carry on in business? Before the fifties and the rush for MBAs, the training was done pretty much on the job, wasn't it?*

Dean: We now have a lot more knowledge about analytical techniques and the methods that can be helpful in analyzing business problems. That knowledge can be acquired more quickly and painlessly in educational programs than on the job. The cost of a mistake in school is not nearly as bad as the cost of a mistake on the job.

J.P.: *Since the economic downturn, many knowledgeable people are suggesting that maybe the industrial revolution for the U.S. is in its waning years, and that America will turn from an industrial base to something more technologically oriented. Do you believe that's true?*

Dean: I believe our industrial base as a percentage of the total economy will diminish and will move to more knowledge-based kinds of industries. You know, as productivity increased in agriculture, we shifted from many, many people in agriculture to very few. We are now experiencing great gains in productivity in manufacturing through the application of technology. At the same time we've had substantial growth in service-based industries.

J.P.: *But the growth in agriculture and the subsequent lessening of the numbers of people involved did not lessen America's share of the world agriculture market. But as I understand it, our industrial output is going to be reduced, is it not?*

Dean: I think there will be some shifts. The labor cost component has been quite high, and that's shifting towards lower labor cost areas both within the U.S. and within the world. I don't see anything happening as rapidly as the doom-sayers suggest, but there will be shifts.

J.P.: *What happens to a country when the basic industries change so dramatically? That is, what happens as we move from an industrial base to a more technological, more knowledge-oriented base? What will that do? It seems to me that England has gone that way to their detriment.*

Dean: I don't believe England has had the country-wide history of an educated population through the college level that this country has, and they are more tradition bound than we are. I think we've got a much better chance of having people able and willing to manage and be involved in all kinds of shifting industry than England has.

J.P.: *Would we become an all "white collar" society?*

Dean: I think there will be fewer blue collar jobs.

J.P.: *As American business changes, will the educational institutions producing our new business leaders have to change too?*

Dean: That's absolutely true. Schools will need to be ahead of the field, and the research activities of the faculty will need to be such that they will be educating people for the future. That is really what a first-class institution should be doing — investing their resources in the direction that they see the future taking.

J.P.: *So computers will become a more important part of the curriculum if they aren't already?*

Dean: I think I would say more information science, rather than computer science. That is, how to use and deliver the information, rather than the mechanics of the system itself.

J.P.: *The information being more important than the process.*

Dean: Yes.

J.P.: *What else do you think graduate schools of business might change to better prepare future business leaders?*

Dean: I think the first step is for our faculty who are at the state of the art in their discipline to be current with what problems are troubling business, so that their research will be devoted to solving those problems in the real world. Also, bringing those research ideas into the classroom is very beneficial for our degree candidates, so that when they leave school they won't be surprised by what they find in the business world. We need to be doing research ahead of current practice, so that we prepare students for what future practice is likely to be as well as teaching them the best of current practices.

J.P.: *There's been a connection between institutions of higher learning and business in recent years, and industries have been locating close to brain centers like Ann Arbor to tap those great resources. I assume more of that will be happening in the future?*

Dean: I think there's a trend for business schools and engineering schools to have a closer relationship with what is going on in business, so that we can share experiences and knowledge and both grow from the interaction. I think particularly in the non-credit executive education activities there will be even more sharing than there has been in the past.

"I think MBA programs that are doing the job right, focus not only on the analytical skills, but also on the application of human judgment and sensitivity to problems."

J.P.: *Do you have those programs at the U of M Business School where executives are sent in for a week or two weeks?*

Dean: We have programs that run from three days to four weeks in length. Last year we offered 255 sessions in about 55 different programs. I think somewhere over 5500 different businessmen attended the programs. This is a great way for faculty and practitioners to interact. The exchange of ideas in the classroom and during the coffee hours and at dinner is, I think, an important activity for our faculty, and they bring these experiences to the classroom and to their research.

J.P.: *Could you describe a typical three-day event for me?*

Dean: You start at eight in the morning with the first class and you might finish about ten in the evening. Of course it's not all in the form of classroom work — you'd have some time to work in groups or maybe to work on the computer. But it's a draining experience for an intensive period of time. The participants benefit not only from their interaction with faculty, but also from their interaction with each other.

J.P.: *Are these classes relatively small? Ten or twelve people or so?*

Dean: They range from ten to thirty or forty, depending on the subject matter and the economy. We don't like them too small.

J.P.: *Because the U of M happens to be in business too?*

Dean: This is a program that stands on its own bottom, and therefore it must pay all its own bills.

J.P.: *There seem to be some things in common that many of the MBAs that I know have. First, their interest in the business world — that really covers a multitude of fields and disciplines. Many of them also happen to be CPAs and many of them are very financially oriented. Is that typical?*

Dean: Focusing on analytical skills is one of the things that MBAs do well. Accounting and finance are activities that generate numbers, and those numbers can be analyzed and laid out in neat fashion. Still, some human judgment needs to be applied to those analytical skills, and I think MBA programs that are doing the job right, focus not only on the analytical skills but also on the application of human judgment and sensitivity to problems.

J.P.: *As I look around the country at the chief executive officers of major companies, I see that most of them have been involved in financial careers. It would seem that is the way to the top. Is that the formula these days?*

Dean: I think having that skill is an important part of the arsenal. But it's important that young people aiming for the top get some diversity in their educational background. They should not put all of their electives into finance, but spread them around a bit, and then get into a company and really learn the business so that when they are called on for a leadership role they have, not only some tools, but they know the business. I think MBAs who job-hop a lot miss that important

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The Michigan Connection

An interview with Peter deVaux, chairman of the newly created Alumni Society Board of Governors

Editor's Note: Peter deVaux got his BBA from Michigan in 1966, then spent two years in the Army Finance Corps based in Panama before coming back to Michigan for his MBA. After his MBA, he went to Rhode Island where he worked for a venture capital firm for a year and a half. "That was a tremendously educational job," he says. "By the time I'd had my MBA for three months I was on the board of four companies." He then spent four years in New York as a financial analyst for TWA. One day during an airline flight he happened to sit next to the vice chairman and chief financial officer of Young & Rubicam. That meeting led to his joining Young & Rubicam a month and a half later as treasurer. He was vice president and treasurer for two years, controller for three years, then became head of corporate information services. He is now senior vice president, director of administration and finance, for the USA division of Young & Rubicam. He has been instrumental in helping the New York Alumni Club to get started, and is chairman of the program committee for that club. He talked with *Dividend* during his visit here to chair the new Alumni Society Board of Governors about his ideas on the best ways the School can serve its alumni, as well as how alumni can help the School.

Q: *You are a very busy man. Why are you giving so much of your time to alumni work for the Business School?*

A: When I came out of Business School I had 15 job offers running the entire gamut of everything I was remotely interested in. They never would have been there if I hadn't gone to Michigan, so I feel I owe something to the School, because the School was very good to me. You know, there's no such thing as an MBA degree any more. There are only hyphenated MBAs. MBA-Michigan, MBA-Stanford, MBA-Harvard, and so forth. It's the second part of the hyphenated phrase that counts these days. Also, I'm a Michigan guy. Every member of my immediate family went to Michigan. That includes my mother, my father, my brother, and two sisters. Also two aunts, three uncles and a grandfather. One of the uncles also went to the Business School (John Fordney, MBA '55).

Q: *What do you think the School should be doing for its alumni?*

A: I think there is more the School can do to bring alumni together so that they can build their own personal relationships. When I was working on the phonathon for the School I called two alumni in a very small town in Vermont. They knew each other, but neither one knew the other one had gone to Michigan. I called about 15 people in Rhode Island, and ten of them asked me for a list of other alumni in their area. Alumni will keep the momentum going, the School just has to get it started, to be the vehicle by which people can get together.

Q: *What about alumni clubs as a vehicle for people to get together?*

A: They are important. The School can't have 17,000 direct relationships with its graduates, but an indirect relationship can be built partially by alumni being proud of the other alumni they know. Also, the common ground of having gone to Michigan provides a good way to get to know people. For instance, New York can be a lonely, large, faceless sort of place. It's very important there to have a sense of affiliation. Our Business School alumni club helps provide that.

Q: *What role do you see the Alumni Board playing?*

A: I see the Board partially as a surrogate for the large mass of alumni out there who don't have a means of communicating effectively with the School. It can function as a focus group would in advertising. Since we can't talk to everybody who would be a user of a proposed product, we bring together a group of people from a target audience, show them descriptions of the product, mock ups of ads and so forth, and get their reactions. Focus groups represent a way for the consumer to talk to the producer. Obviously, the School can't talk to 17,000 alumni in a two-way dialogue. But our Board can act as a focus group for these 17,000 alumni. There are a couple of other important services the Board can perform.

Q: *What other services?*

A: I think the Board can help the School's image by helping to develop programs that can give the School more presence in business communities outside Detroit. For example, if the School gave a faculty program in a particular city, there might be more public relations coverage for it because of the personal contacts of people on the Board with the local press. Also, we have a very influential group of alumni who can influence their companies to support the School in all sorts of ways. And the Board can give the School help in an outreach program — it can give the School some direction on what the alumni would like to have the School do for them, and it can be an extension of the School's resources for building that connection — that feeling of affiliation. If you are physically remote from Michigan you can become remote from the School as well, because there haven't been enough outreach programs. Of course, it's all going to take time, as we are in the early stages.

Q: *Are there any specific projects the Board is going to be involved in?*

A: We have four committees already. One is going to be looking at ways alumni can help with student recruitment at the MBA level. Another is considering what alumni can do to develop a network of people who will talk to students about career development. A third is thinking about programs for an alumni weekend and for reunions, a fourth is working on the alumni annual fund campaign.

Q: *Anthing else you'd like to say about the Board?*

A: I think we want our members to develop a familiarity with the School and its current progress and problems. We want to help build that sense of obligation and "ownership" of the School among our fellow alumni. And I think because in many cases members of the Board represent junior executives and middle managers, the Board will provide a natural complement to the School's Visiting Committee and Development Advisory Board.

"Focus"

Continued from page 19

experience-base in a firm that will help them reach the very top position.

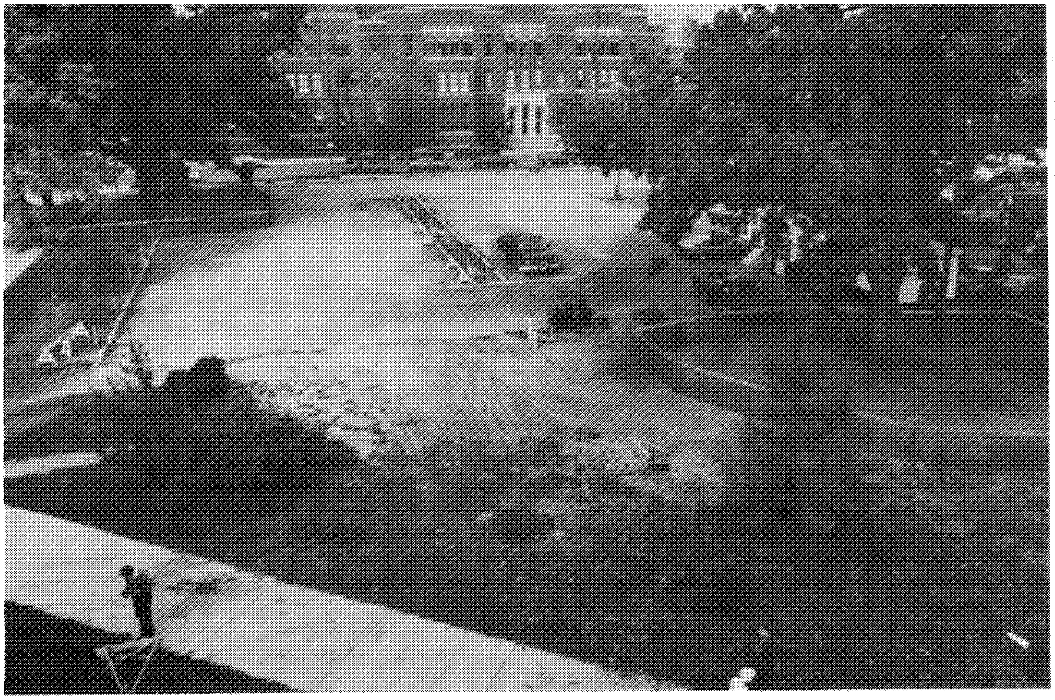
J.P.: *Some people believe that a good manager should be able to run any kind of company. That you should be able to move from heavy industry to the television business, for example, or from the carnival business to the boat business. In other words, if you can run one business, you can run them all. Do you believe that's true?*

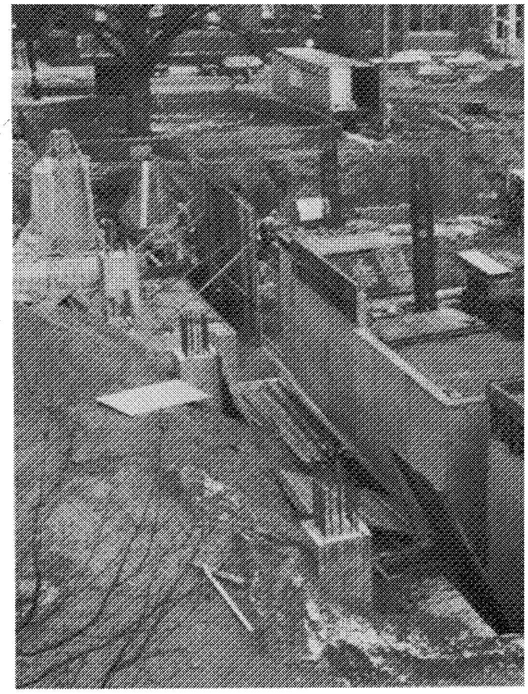
Dean: No. Although there are many counter-examples of successes, I think that knowledge of the industry and the business you're in is a very important part of management. Until you come into a new venture and get up to speed in whatever business it is, you will not be as successful as one who has learned the business well.

J.P.: *Do styles of educating MBAs change dramatically from school to school? Is there a Harvard style, a Michigan style, a Wharton style?*

Dean: The Harvard style would be one extreme, where the entire focus of the educational experience is on analyzing cases. At the other extreme might be the University of Chicago, which is a very theoretically dominated program. The thinking behind that is that when you have the theory you can apply it to any new situation. Most of the other strong schools are more eclectic and draw from both of these streams. Michigan is a middle ground school. We use cases for 30 to 40 percent of the instruction and lecture discussion for the balance. And the other strong schools would be very similar, I think. We have some faculty members who are very theoretically minded and stick to that — others teach primarily through the case method. The students see all of these different styles and form their own judgments and their own style and skill as they leave the School.

J.P.: *Thank you very much for being with us, Dean Whitaker.*





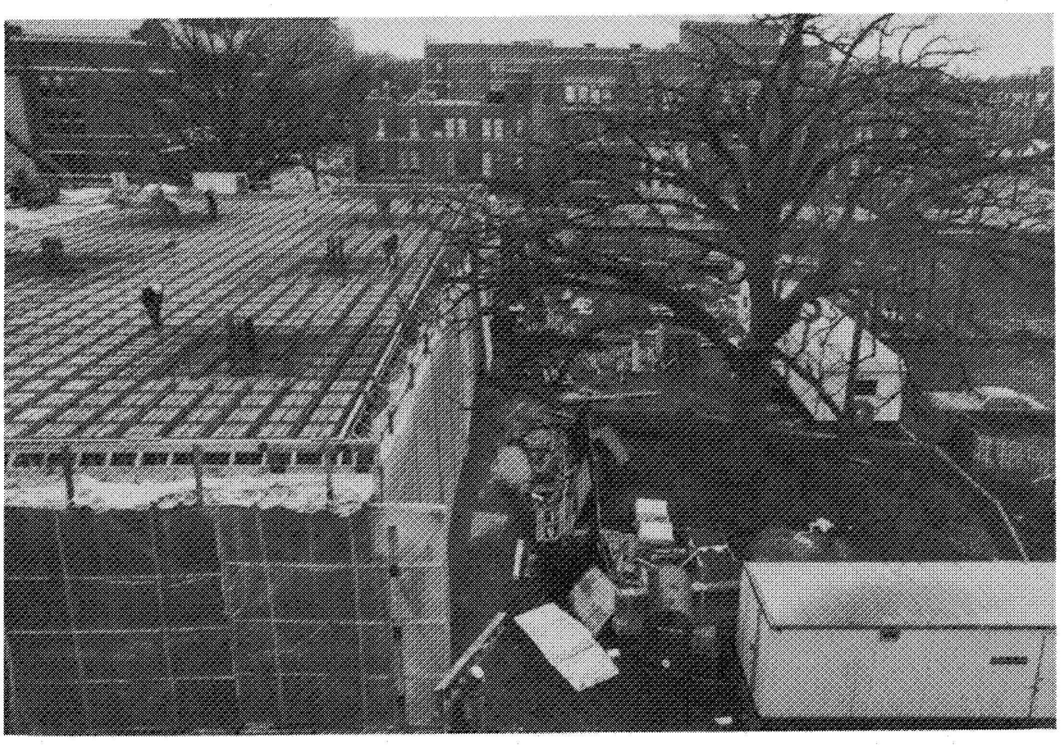
Higher and Higher!

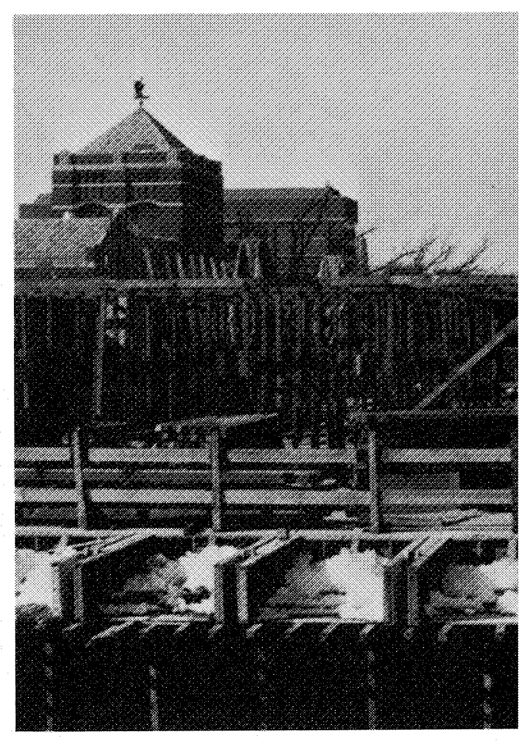
As the new buildings progress, the big old oak tree (in the upper left hand corner of the first picture) slowly disappears.

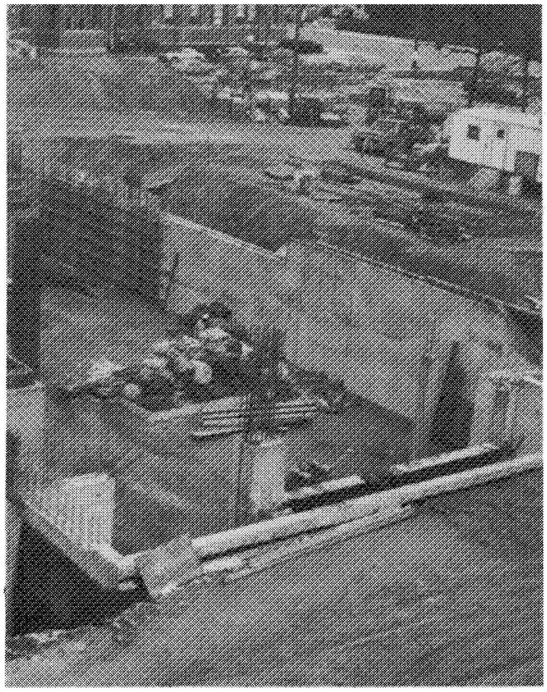
In picture one, you see the site right before groundbreaking ceremonies. Picture two shows the second basement level machinery room of the Kresge Business Administration Library. This will house the machinery for heating, ventilating and air conditioning systems for both the library and the computer/executive education building.

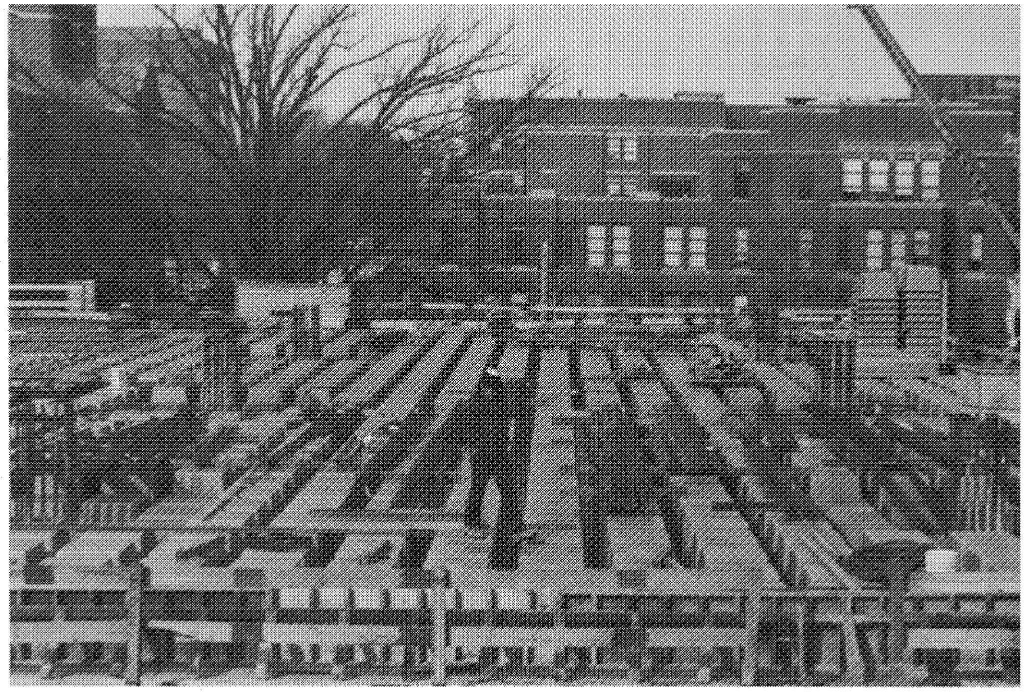
Picture three shows the forms in place for the second floor of the library. This floor will contain the reserve collection, the reserve circulation desk, the career resource center, and group study rooms.

Picture four shows the lower part of the building enclosed to keep the forms warm so that the concrete will not freeze when it is poured into them. The steel rods shown sticking up from the floor of the building are reinforcing rods for the columns that will support the third floor.









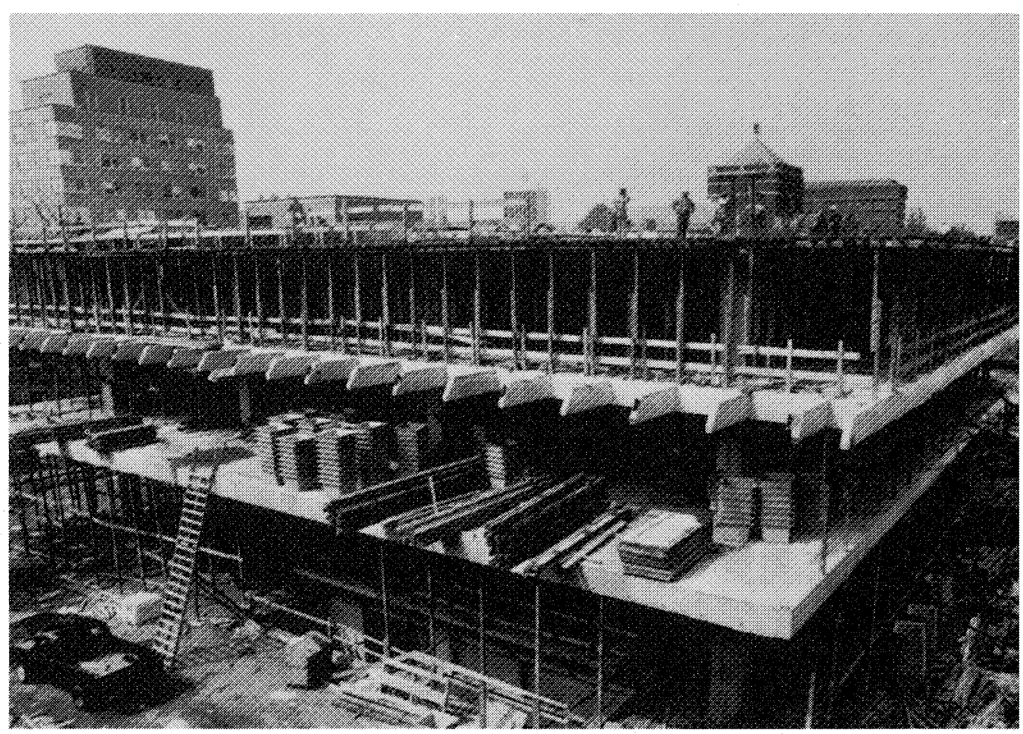
Picture five shows insulation wrapping around a column which has just been poured. It's there to insure that freezing doesn't occur during the concrete curing process.

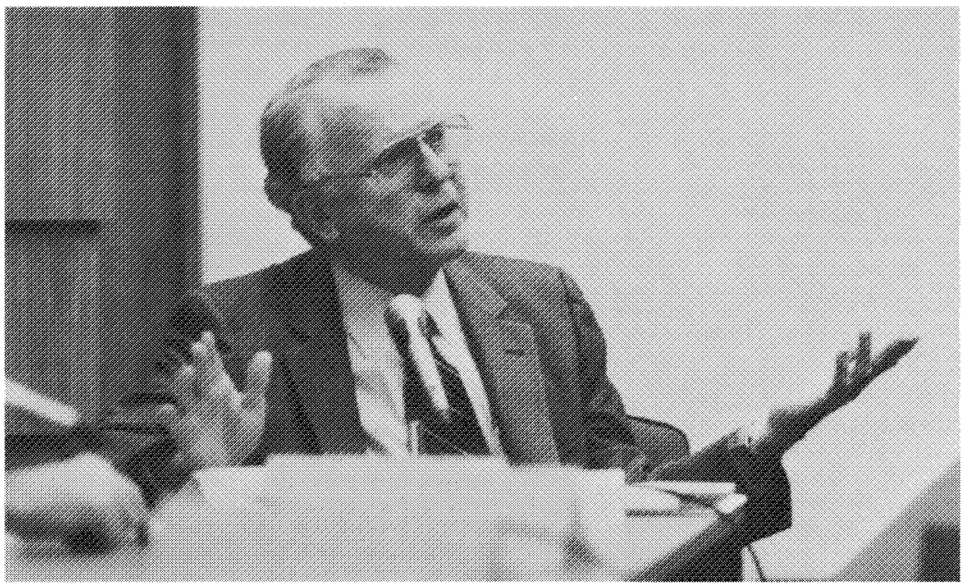
In the sixth picture, you can see the second and third floors of the library building. At the top, forms are being constructed for the fourth floor. Notice that the oak tree has entirely disappeared.

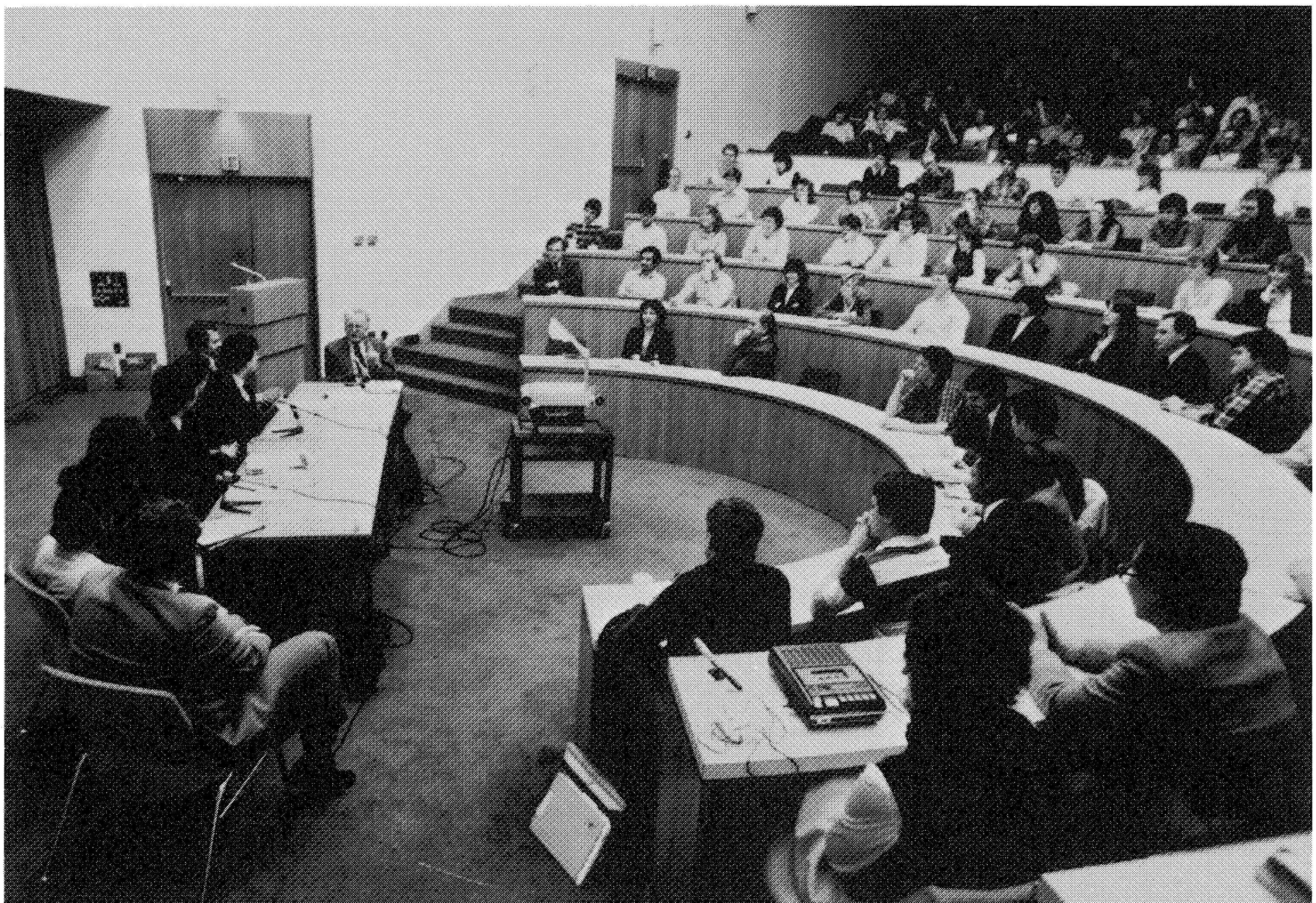
William J. Moller, Jr., associate dean, who is the liaison between the School and the University's construction engineers, noted that construction is 20 weeks ahead of schedule, largely because of the unusually mild winter weather Ann Arbor enjoyed this year.

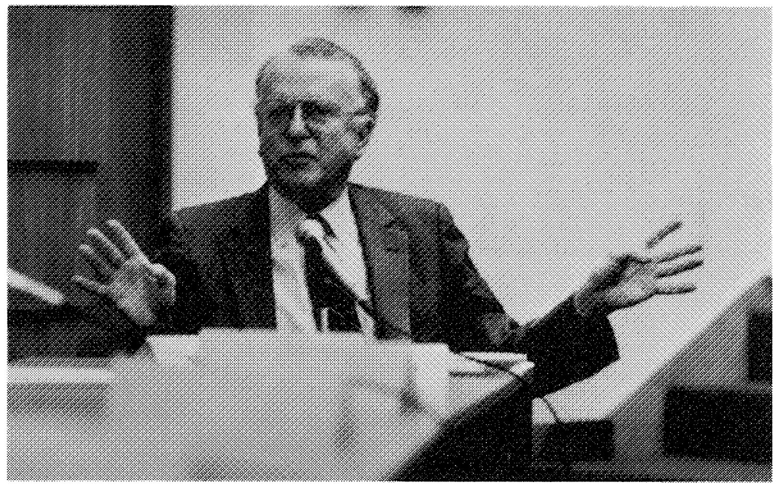
By the end of April, the library's reinforced concrete structure was complete to the fourth floor. Excavation for the computing/executive education facility was also complete. A landscaped pedestrian mall will replace the portion of Monroe Street between East University and Tappan that is closed now.

Construction of the executive dormitory, to house participants in Division of Management Education programs, may begin soon. Bids are to be let after the Capital Campaign receives another $1 million in pledges. All the buildings are being financed entirely by private contributions from individuals, foundations, and corporations. For a progress report on the Capital Campaign, see page 42.









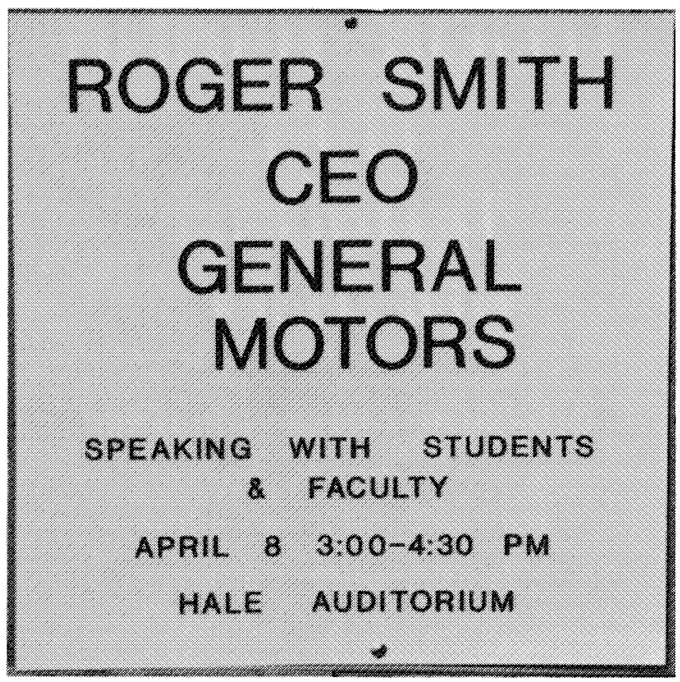
Mr. Smith Comes to Town

"General Motors — A Strategic Management Change Case" was the title of one of the five winning group papers on GM and change strategies written in the OBIR 501 class taught by Professors Noel Tichy, David Ulrich, Delf Dodge, and Vladimir Pucik. All five were sent to Roger Smith, chairman and CEO of General Motors, along with an invitation to visit the School and respond to the issues raised in the papers.

Roger Smith responded that he would like to come to the School and meet with the students, and thus a very interesting and educational dialogue took place. Pictures on these pages are from that event.

The afternoon began by student members of the winning teams summarizing their findings. Three minutes were allowed each team. After the presentations, Roger Smith responded to the key points, then the team members and the audience asked questions. A reception followed in the executive lounge.

The plan is to continue this pattern in future years, inviting another chief executive to come to the School and respond to student analyses of his company.



The Emerging No-Fault Society

by George J. Siedel
Associate Professor of Business Law

In recent years, social critics have perceived a deterioration in the moral climate of the United States. In their analyses, these critics often overlook the role of the legal system as a causal factor in this change. However, in a movement that parallels the changing moral climate, the U.S. legal system has been restructured over the past decade from a system that focused on fault and personal responsibility in resolving disputes to a no-fault system that often separates fault from responsibility.

This change in focus can be illustrated with examples from a wide range of legal subjects. For instance, in the divorce area, the first no-fault divorce law was signed in 1969 by then-Governor Reagan of California and, since that time, virtually every state has adopted some type of no-fault divorce law. State legislatures have also been concerned with litigation resulting from automobile accidents and, over the past decade, half of the states have adopted no-fault automobile laws in one form or another.

For many years, corporation law has exemplified another no-fault system. One of the basic reasons for incorporating a business is to avoid personal liability for the company's debts. As explained by attorney William S. Gilbert (of the partnership Gilbert and Sullivan) in the opera *Utopia, Ltd.*:

> Though a Rothchild you may be in
> your own capacity,
> As a company you've come to utter
> sorrow —
> But the liquidators say, "Never
> mind, you needn't pay,"
> So you start another company
> tomorrow.

In his 1978 William K. McInally Lecture in the Business School, Professor Francis A. Allen discussed a more recent no-fault development in corporation law in his address on criminal law as an instrument of economic control. In his words, with criminal sanctions in the economic area, "often the search for the responsible human party in the corporate hierarchy proves unavailing."

We could also find examples of no-fault concepts in many other areas of the law, such as bankruptcy and product liability. However, we will focus on two areas of law that are sometimes overlooked in discussions of no-fault: criminal law and worker's compensation. These two areas have been chosen because they are representative of the two basic no-fault concepts that have developed in our society. Under one concept, illustrated by selected criminal law cases, fault is separated from responsibility. Under the other no-fault concept, which is used in worker's compensation cases, legal responsibility is actually shifted to a party who may or may not be at fault. Let us first examine the criminal law no-fault concept.

About the author: Professor Siedel received the 1981 University of Michigan Faculty Recognition Award for teaching and research, and has been elected a visiting fellow at Wolfson College, Cambridge University. He has a B.A. from the College of Wooster, a J.D. from the University of Michigan, and a Diploma in Comparative Legal Studies from Cambridge University. He is chief editor of the *Michigan Real Property Review* and a staff editor of the *American Business Law Journal.* This article is adapted from a talk Professor Siedel gave at a recognition assembly for Business School students.

No-Fault Criminal Law

Criminal law, at least in theory, is based on the idea that persons committing criminal acts should be held accountable in order to deter others from committing crimes. As paraphrased by Richard A. Posner, in his book, *Economic Analysis of Law,* 19th century lawyer and economist Jeremy Bentham considered people to be "rational maximizers of satisfaction. They will therefore avoid committing an act that yields more pain than pleasure, so crime can be prevented by subjecting the criminal offender to punishment more painful to him than the commission of the crime is pleasurable." Despite Bentham's theory, however, it is clear that certain legal doctrines allow persons who unquestionably have committed criminal acts to avoid responsibility for those acts. Let us consider two examples — the exclusionary rule and the use of insanity pleas.

In the leading case of *Mapp v. Ohio*, decided by the Supreme Court in 1961, three Cleveland police officers went to the residence of a woman by the name of Mapp and demanded entrance, claiming that they were looking for someone wanted for questioning in connection with a bombing. Mapp refused to admit them because they did not have a search warrant. Three hours later, the officers returned to the residence and forced open a door. Mapp demanded to see a search warrant and, when one of the officers held up a paper which he claimed to be a warrant, she grabbed it. The police then retrieved the paper and handcuffed Miss Mapp. The document was never produced at a later trial and it is unlikely that there ever was a warrant for the search of the house.

The police then proceeded to search the home and, in a trunk in the basement, discovered obscene books and pictures. Mapp was later convicted for possession of the materials and she appealed her conviction to the Supreme Court.

There was no doubt in this case that Miss Mapp had committed a criminal act in possessing the materials. There also was no doubt that the Cleveland police had made an illegal search and seizure in violation of Mapp's constitutional rights. The tough issue was in determining how the police should be punished for their illegal activities. The solution adopted by the Supreme Court was to reverse the conviction of Miss Mapp on the grounds that unconstitutionally seized evidence — here the obscene materials — should be excluded from the trial. This is called the exclusionary rule.

The exclusionary rule has created a type of no-fault system in which, in the words of Justice Cardozo, "The criminal is to go free because the constable has blundered." And to the average citizen this might appear to be a sensible rule in Miss Mapp's case, especially given the nature of the police activities and the crime committed by Miss Mapp.

The exclusionary rule has created a type of no-fault system in which, in the words of Justice Cardozo, "The criminal is to go free because the constable has blundered."

The problem, however, is that the Mapp decision established a precedent that has been followed in other cases as well. Consider, for example, the case of *Coolidge v. New Hampshire*, which was decided by the Supreme Court in 1971, ten years after *Mapp*. The case involved what the Supreme Court described as a "particularly brutal murder of a 14-year-old girl. During the course of the murder investigation, the police obtained a warrant to search the car of a person charged with the murder. The car was vacuumed and, during the murder trial, the vacuum sweepings (including particles of gun powder) were introduced as evidence in an attempt by the prosecution to show that the murder victim had been in the car. A jury found the defendant guilty, and he was sentenced to life imprisonment.

When the defendant appealed the case, the Supreme Court decided that the warrant was invalid because it was issued by the state's attorney general, who was in charge of the investigation, rather than by a "neutral and detached magistrate." Since the police acted without a valid warrant in vacuuming the car, the search of the car was unconstitutional. As a result, the Supreme Court decided that the vacuum sweepings should not have been admitted into evidence at trial and the murder conviction had to be reversed under the *Mapp* decision.

It is "no-fault" cases like this that cause both American citizens and foreign legal experts to question our system of criminal justice. In the words of Lord Widgery, Chief Justice of England, speaking to the American Bar Association in 1971, "To most foreign jurists it is a mystery why the United States would adopt a rule which deprives the prosecution of reliable evidence of guilt." And according to U.S. Circuit Judge Malcolm R. Wilkey, writing in the *Wall Street Journal*, "Among nations of the civilized world we are unique in two respects: 1) We suffer the most extraordinary crime rate with firearms, 2) in criminal prosecutions, by a rule of evidence which exists in no other country, we exclude the most trustworthy and convincing evidence. These two aberrations are not unconnected."

The other example of a no-fault concept in the criminal law area — the use of insanity pleas — has become a popular topic in the press after John W. Hinckley, Jr., who attempted the assassination of President Reagan, was found not guilty by reason of insanity. The traditional meaning of insanity, when used as a defense in a criminal proceeding, was that the accused was in such a deranged condition of mind that he could not distinguish between right and wrong. In recent years, as the legal concept of insanity has broadened, the use of the insanity defense has increased. For instance, an article in *U.S. News & World Report* noted that there are more than 50 acquittals on grounds of insanity every year in New York state, seven times as many as a decade ago. The same article gave examples of how the defense is subject to manipulation by clever defendants. For instance, one person wrote a letter entitled, "How to beat a murder rap by insanity," to a fellow inmate at Cook County Jail. The letter explained that, to be acquitted, one should claim to hear voices and "act crazy" in front of doctors. The person who wrote the letter spoke with authority. He was arrested for murder in 1975 but was released 15 months after the trial, supposedly cured of insanity. After his release he was arrested for another murder and again entered a plea of "not guilty by reason of insanity."

It can be argued that the two criminal law no-fault concepts — the exclusionary rule and the insanity defense — are successful in only a small number of cases. Furthermore, it can be argued that there are strong policy reasons for both the rule and the defense. My purpose here is not to debate the relative merits of these concepts but, instead, merely to point out that no-fault elements can be found in our criminal justice system. As *Wall Street Journal* columnist Vermont Royster observed, in an article on the exclusionary rule, when we discuss "fair" trials, we tend to think only in terms of fairness to the defendant, rather than fairness to the other side — "The People," society, you and me.

Worker's Compensation

As noted earlier, the criminal cases illustrate a type of no-fault concept in which fault (here based on commission of a criminal act) is separated from responsibility. The other type of no-fault concept in our society, which shifts legal responsibility to a party who may or may not be at fault, is illustrated by the law of worker's compensation.

Under the legal approach used before 1910, most workers injured on the job were not able to recover compensation for their injuries because of difficulty in proving that the injuries resulted from the employer's negligence. Beginning in 1910, however, states began to enact a no-fault system, called worker's compensation, for work-related injuries. Under this system, workers gained the right to compensation from the employer for work-related injuries even when the employer is not at fault but, in turn, gave up the right to sue the employer in a tort action. Worker's compensation is based on an economic theory which is best illustrated by an old campaign slogan attributed to Lloyd George: "The cost of the product should bear the blood of the workman."

The no-fault system of worker's compensation is easy to explain in theory but difficult to implement in practice. Let us examine just one of a number of troublesome issues plaguing the worker's compensation system.

A 1975 New York case, *Wolfe v. Sibley, Lindsay and Curr Company,* involved the worker's compensation claim of a woman who worked in a department store as a secretary for the store's security director. Every year during the Christmas holidays the security director became extremely agitated and nervous, but the anxiety would disappear after the holiday season. One year, however, the anxiety remained and the security director confided to the secretary that he was concerned about his job performance. He became withdrawn and relied heavily on the secretary to handle his work. One morning he called the secretary on the intercom and told her to call the police. She did so and then went to his office, where she discovered he had committed suicide.

After the incident, the secretary suffered an acute depressive reaction. She remained in bed for long periods of time staring at the ceiling and was hospitalized on two different occasions, once for two months of psychotherapy and later for three weeks of electroshock treatment. She finally recovered but was left with $20,000 of medical bills. She filed for worker's compensation benefits, which were denied, and eventually her case reached the New York Court of Appeals.

The Court of Appeals decided that the secretary was entitled to benefits. The court noted that the purpose of worker's compensation is to shift losses caused by industrial accidents from the worker to industry and, ultimately, to the consumer. The court felt that, based on her psychiatrist's testimony, it was obvious that the injury arose out of her employment and was caused by the discovery of the supervisor's body. The only question was whether psychological, as opposed to physical, injuries should be compensated and the court decided that they should.

An article in U.S. News and World Report noted that there are more than 50 acquittals on grounds of insanity every year in New York State, seven times as many as a decade ago.

This might appear to be a good decision; that is, it might seem fair to place the tremendous economic loss in this case on industry and consumers rather than on the worker. But if we award compensation in this case, should compensation also be awarded in a hypothetical later case in which a worker suffers severe depression as a result of working for several years in a stressful job situation? This is the difficult question now being faced in state courts and legislatures and, to date, several states have decided to allow awards for stress accumulated over a period of time on the job. These decisions open the floodgates to a multitude of claims by persons in stressful jobs. According to an article in the *Wall Street Journal,* in California, where compensation for such job-related stress was first allowed in 1971, at least 3,000 to 4,000 psychiatric claims are made each year, with about half of the workers receiving awards. The same article, by the way, noted that the first successful cumulative stress claim involved a southerner by the name of Jimmy E. Carter — a worker in an automobile plant, not the former holder of a stressful job in Washington.

The extension of the worker's compensation no-fault system to cover cumulative injury clearly has a price, as illustrated by the closing of a California Uniroyal plant which had employed more than 1000 persons. The plant paid out more than $75,000 per month in worker's compensation claims and the cost of the claims, including claims under the cumulative trauma law, was cited by the plant manager as the reason for the closing. In another example, it has been estimated that Budd

Continued on page 44

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.

Dwight F. Benton Bequest Establishes Professorships and Scholarship Funds

A seven million dollar gift to The University of Michigan, from an alumnus, will be used to establish two endowed professorships and two endowed scholarship funds.

The $7 million bequest came from the estate of Dwight F. Benton, a 1923 graduate of the U-M College of Engineering and former executive vice president of the Standard Oil Company of Indiana.

"The University is indeed fortunate to be the beneficiary of such a generous gift, which exemplifies the long and great tradition of alumni loyalty and commitment to the University," said B. E. Frye, vice-president for academic affairs and provost, and James F. Brinkerhoff, vice-president and chief financial officer.

"Michigan alumni and friends have always provided that margin of vitality which makes the University a distinguished institution. Considering the financial dilemma of higher education, private gifts will be even more critical to the maintenance and enhancement of the University's excellence."

Six million dollars of the Benton bequest, as directed by the will, will be used as follows:

— $1.5 million as a permanent endowment of a Dwight F. Benton Professorship in the Graduate School of Business Administration, "with the request that the primary emphasis of this professorship be directed toward the teaching of students in the field of marketing, merchandising, sales and related activities."

— $1.5 million as a permanent endowment of a Dwight F. Benton Professorship in the College of Engineering, emphasizing the teaching of students in the field of chemical engineering and advanced technology.

— $1.5 million for the permanent endowment of Dwight F. Benton Scholarships in the Graduate School of Business Administration.

— $1.5 million for the permanent endowment of Dwight F. Benton Scholarships in the College of Engineering.

The balance of the funds will be divided equally for scholarship endowment.

The establishment of the Benton Professorships and Scholarships was approved by the U-M Regents at their April 14-15 meeting.

Benton received his bachelor of science degree in chemical engineering from U-M in 1923, and became a member of the U-M Presidents Club in 1977. He joined the Standard Oil Company of Indiana in 1923 and retired in 1965 as executive vice president, member of the board of directors and executive committee of that company. He died in 1982.

C. K. Prahalad Receives Award for Teaching Excellence

"He lifts students beyond their most ambitious self-expectations," was the comment of one student about the teaching of C. K. Prahalad, associate professor of policy and control, who is the recipient of the second annual Student Award for Teaching Excellence. The award is given to the instructor who demonstrates superior teaching abilities and methods in and out of the classroom.

In teaching his P.C. classes, Prof. Prahalad has dedicated himself to the highest standard of instruction and has shown a great concern for his students, both academically and professionally in their career paths. This is demonstrated in the following student's opinion, "He inspires excellence, expects consistent and superior performance and gets it. (He) challenges students to come to grips with extremely complex situations and technologies by a function of his expectations, his clarity of thought, and his respect for the learning process."

Professor Prahalad received his Doctor of Business Administration from Harvard University in 1975 before coming to The University of Michigan in 1977. He has published numerous articles in major business journals and holds offices in several professional associations.

The Teaching Excellence

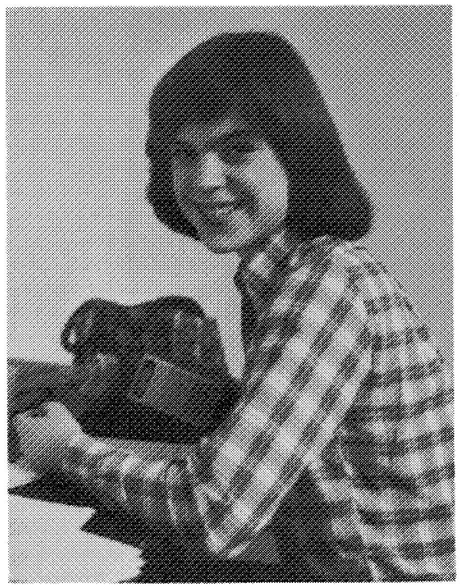
Committee of the Student Council, comprised of four MBA and BBA students, processed student nomination ballots and course evaluations for the past two years to arrive at the decision. A total of 300 nominations were received for 33 professors, all of whom had to have taught at the University for at least five years.

Professor Prahalad received the award at the Business School Commencement exercises on April 30, 1983 in Hill Auditorium. His name will be added to the Teaching Excellence Plaque located in the Office of Admissions and Student Services. Last year's winner of the award was George Cameron, professor of business law.

Alumni Clubs Schedule Interesting Spring Programs

Business School speakers presented some lively programs this spring at Washington, D.C., New York and Chicago alumni gatherings.

Paul McCracken, Edmund Ezra Day University Professor of Business Administration, spoke May 3 at a dinner meeting of the Washington, D.C. alumni. His topic was "A New Age of Economic Strategy?" New York alumni heard a program on microcomputers in the workplace given by Marilyn Mantei, assistant professor of computer and information systems, and Peter deVaux, MBA '70, senior vice president of Young & Rubicam, on May 18. Edward Mitchell, professor of business economics, participated in a program entitled "Industry Reactions to Deregulation" held May 24 at the University Club of Chicago.



Melanie C. Allewelt

Introducing Our New Assistant Director of Alumni Relations

Melanie C. Allewelt is the new assistant director of alumni relations at the Business School. She will be developing alumni programs, coordinating phonathons, and helping with the annual fund.

She comes to us from Cornell University, where she was assistant director of the Western regional office. There she helped coordinate and implement alumni, development, and admissions activities in seven Western states.

School's First Directory of Alumni is Published

A directory of the alumni of the Business School has just been published. More than 11,000 alumni answered questionnaires to bring their records up to date. The directory is organized into three different listings — one by geographical area, one by class date and one by alphabetical listing. Those readers who have not yet ordered their directory may do so by notifying the Alumni Relations Office, Room 200, Business Administration Building, University of Michigan, Ann Arbor, Michigan 48109. The cost is $25.00.

Professor Hildebrandt Elected Chairman of SACUA

Herbert Hildebrandt, professor of business administration and professor of communication, is the newly elected chairman of the Senate Advisory Committee on University Activities (SACUA). His duties include presiding over the 74 member faculty Senate Assembly, as well as chairing the 9 member senate advisory committee which serves as the presidential advisory committee and meets regularly with President Shapiro.

The tradition of faculty governance is strong and thriving at the U-M, said Hildebrandt, adding that four areas of concern will likely dominate the work of SACUA in the coming year. "Some of the issues we are going to be confronted with are tenure protection for faculty whose programs are facing reductions; secondly, a new grievance procedure for faculty; and thirdly, we will be concerned with being the oversight committee for the review process — not of the content, but of the legitimacy of the process of review.

"There is a fourth one too. We are going to be concerned with the integrity of scholarship," Hildebrandt said. "Vice President Frye is going to appoint a committee in conjunction with SACUA to look into whether there have been any abrogations in integrity or honesty of research, publications or findings."

An incident at Harvard University involving falsified research data had made the committee aware of the need to develop a policy regarding integrity of research at the University, he said.

DOR Publishes Listing of Recent Research Papers

A listing of recent research papers, dating since January, 1982, has been published by the Division of Research. They include working papers and reprints. Copies of the list are available from the Division of Research, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109.

Herbert F. Taggart Dies at 81

Herbert F. Taggart, professor of accounting at the School for many years, died March 28 at the age of 84. He was a member of the School's faculty from 1924 until his retirement in 1971, and held the post of assistant dean of the Business School from 1946 to 1956. Several times during his career, he took leaves of absence from the University to serve with U.S. government agencies.

What sort of man was he? "He was a Scotsman with very definite opinions and unswerving loyalties," said D. Maynard Phelps, professor emeritus of marketing, who was his lifelong friend. "He was very devoted to his family and friends, and to the organizations which he served. Herb and I not only worked together, but played together. We were a part, with two math professors, of one of the slowest foursomes at the Ann Arbor Golf and Outing Club; I suspect that we were not popular to say the least. Neither of us ever learned to play well, but as fishermen we excelled. We went up to Canada each year for many years on fishing trips. He was almost like a second brother to me, and I will miss him very much indeed."

He was born April 5, 1898 in Elk Point, S.D., the son of a congregational minister and his wife, and moved to Michigan as a child. He received his bachelor's degree from the U-M in 1920, graduating Phi Beta Kappa. His master's degree in business administration and Ph.D. degree in 1928 were also earned at the U-M. William A. Paton, professor emeritus of accounting and economics, remembers Taggart as a student: "I first recall Herb as a student in one of my classes in Tappan Hall," said Paton. "He sat well back, under my alphabetic arrangement, but I soon noticed him. He was already slightly bald, but that was not the main reason I singled him out. Unlike the rest of the class, he seldom looked at me. Instead he

Herbert F. Taggart

gazed at a nearby window with a sort of dreamy expression, as if oblivious to what was going on. I expected him to flunk the first exam, and was astonished when his paper proved to be the best in the class. The fact was that Herb was listening with both ears, and pondering what he was hearing. I happened to chat with Professor Fred M. Taylor one day about Herb and found that his experience with him paralleled mine — inattentive in appearance but best in the class in examinations."

Taggart taught at the U-M while a graduate student and was for two years an assistant professor of accounting at the University of Kansas before returning to his alma mater in 1924 as an instructor in the department of economics. He became an assistant professor in the Business School in 1929, advancing to full professor in 1938.

Merwin H. Waterman, professor emeritus of finance, remembers Herb as "a person who was comfortable to be with. He was not a demonstrative person, but you always knew where he stood, and his friends could count on him to the last ditch. His sense of humor was the 'chuckle' kind rather than boisterous. When I had occasion to work with Herb on a project I had every confidence in his professionalism and objectivity. But he was also very much a family person who did not let his professional activities get in the way of enjoying his family."

Besides his teaching and administrative posts, Taggart also held positions in the federal government and in professional associations. He was chief of a cost accounting unit in the National Recovery Administration in Washington, D.C. in 1933-34; consultant in distribution cost analysis for the U.S. Bureau of Foreign and Domestic Commerce, 1938; director of accounting for the Office of Price Administration, 1940-43, while on leave from the University. During the World War II years he also served as lieutenant colonel in the U.S. Army finance department. During most of the 1950s he was a member of the Advisory Board on Contract Appeals of the Atomic Energy Commission, and also was adviser to the Federal Trade Commission and the Michigan Governor's Commission on Prepaid Hospital and Medical Care Plans.

He was president of the American Accounting Association in 1942; president of the Washington Chapter of the National Association of Cost Accountants in 1945, and national director of the National Association of Cost Accountants in 1947-48.

His major publications include: "Real Property Leases and the Federal Income Tax," "Cost Justification," "Minimum Prices under the NRA," and "The Cost Principle in Minimum Price Regulation."

While speaking at the memorial service held for Taggart on April 5, Professor Phelps said: "So our good friend Herb has passed on. No one should mourn his passing for his time had come. He had had a long life of achievement, a fine family, and had served many people and organizations well. What more could anyone wish?"

Student Award Fund Set Up by Dykstra Estate

A new fund, to be called the Gerald Oscar and Lillian Green Dykstra Student Award Fund, will be set up from a bequest of more than $500,000 from the estate of Lillian Green Dykstra. Her husband, Professor Dykstra, taught business law at the School for many years, and he and Mrs. Dykstra, who was also a lawyer, co-authored a very well known textbook, *Business Law — Text and Cases,* which was regarded as outstanding in its field. They also co-authored other texts, including *Business Law of Real Estate.*

Income from the endowment of the fund will be used to grant awards to students at the Business School who intend a career in teaching business administration. Most of the recipients will be candidates in the Ph.D. program, but exceptions may be made for the MBA who is looking forward to a career in teaching.

Professor Dykstra, who died in 1970, received three degrees from Michigan: a bachelor of arts in 1927, bachelor of laws in 1930, and master of business administration, cum laude, in 1936. He joined the U-M faculty in 1950 after teaching at Ohio University for many years. In 1968, students honored him with the Distinguished Teacher Award. He taught with spirit and devotion, and his lectures were superb.

New Management Approaches to the Computer Emphasized at IC4GL Conference

How can functional managers make use of the computer without being totally dependent on the information systems department? About 300 senior executives from all over the country gathered at the Business School in April to learn answers to this question at a Conference on Information Centers and Fourth Generation Languages (IC4GL) sponsored jointly by the Business School and Database Design, Inc. of Ann Arbor.

Senior executives from American Natural Resources, Bank of America, British Petroleum, Dow Chemical, Equitable Life Assurance, Firestone Tire and Rubber, the Harris Corporation, Morgan Stanley, and Standard Oil of California, provided user's perspectives on the benefits, potential pitfalls, and key success factors in the acquisition and use of new technologies.

Fourth generation languages are designed to generate working programs up to ten times faster than other kinds of computer languages. Because fourth generation languages make it possible to tell the computer in English what to do without, in many cases, having to tell the computer how to do it, they shift the focus from knowledge about computer technology to an understanding of the business problem and the business solution it requires.

"Fourth generation languages and Information Centers are the bright lights at the end of the Information Management tunnel," said Donald R. Brown, president of Database Design, Inc. "IC4GL affords a unique opportunity to learn from those who have reached those lights."

Dean Gilbert R. Whitaker, Jr. commented on the conference as follows: "IC4GL is a prime example of the University's firm commitment to leveraging Michigan's high-technology expertise for the benefit of the nation's business community. IC4GL's very practical orientation goes far beyond the typical 'Ivory Tower' emphasis that might be expected from a conference of this type. It was Database Design Inc.'s and the University's goal that each and every executive who attended IC4GL leave with immediately useful advice that will make one more effective in addressing these important technologies."

Subjects addressed at the conference included how to integrate business strategy with a systems strategy that supports it; how 4th generation languages can help users meet their own systems needs, and so reduce the huge backlog of systems awaiting development by technicians; how to promote, guide and control user involvement with the computer; how information centers help control and leverage the personal computer explosion; and what are the key success factors in achieving the benefits offered by 4th generation languages.

High-Tech Presidents Share Their Expertise at Seminar

More than a dozen high-tech company presidents shared their experiences and expertise in the second annual seminar on "Starting a High-Tech Company," May 7 in Hale Auditorium. The seminar was sponsored by the Graduate School of Business Administration and the Innovation Center of the Industrial Development Division of the U-M Institute of Science and Technology (IST), in cooperation with the Michigan Technology Council.

Keynote speaker for the event was Robert K. Vincent, president of GeoSpectra Corporation, who discussed how to recognize new business opportunities in technical fields.

Other speakers and their topics included Edward F. Zimmer, president of Ann Arbor Terminals, Inc., on business formation motives; Joseph Flowers, Jr., president of Ann Arbor Engineering Company, on challenges of company growth; Meade A. Gougeon, chairman of Gougeon Brothers, Inc., on how to respond to opportunity; Gregory J. Winterhalter, president of Winterhalter & Associates, Inc., on computer software development; and Kenneth R. Stephanz, former president of Manufacturing Data Systems, Inc., on attracting equity investment and going public.

Three panel discussions during the seminar focused on government programs which assist entrepreneurs, when and how to seek venture capital, and professional services available to small business operators.

A special feature was "Lunch with a President," during which attendees had an opportunity to seek advice from senior executives of area high-technology companies.

Ross J. Wilhelm Dies Suddenly

When former students of his would call the Student Services Office to ask if dates for some particularly famous Wilhelm lectures were known, the office would respond that only Professor Wilhelm could give them that information. The caller would reply that Professor Wilhelm refused to do so, saying that the student should listen to something else; students should learn something new rather than to hear, for example, the Oak Island Mystery Lecture one more time. Intellectually nimble, deeply committed to a liberal (in the basic sense), market-organized economic order, reflecting an extraordinary breadth of interest, never pandering to trendy issues of the moment — that was Ross J. Wilhelm.

Professor of Business Economics for many years in this School, Ross J. Wilhelm died suddenly on March 21 at the age of 63, just a few weeks before his anticipated retirement to pursue his wide array of other interests in business and communications. Professor Wilhelm single-handedly taught the required MBA, BE 601 course, Business, the Economy and Public Policy, for some ten years. As a result he touched the lives of virtually every student who went through the program during that period, plus many more during his long years of service.

Professor Wilhelm was well known for taking a firm stand on whatever subject was being discussed. This led to strong differences of opinion between some students and their professor. Wilhelm maintained that he preferred to be "a lightswitch" kind of professor, that is, as long as most students felt he was either "on" or "off," and as long as the percentage of students thinking he was "on" remained high over some time period, he felt he was accomplishing his goals. Over any

Ross J. Wilhelm

period, he achieved about 90% "on" and 10% "off" ratings. Some years the percentages would be substantially different. Wilhelm maintained that clearly this proved that students were changing since he didn't!

Linda Berns Wright, a 1983 MBA graduate, captured and stated a student's view as follows:

"Ross Wilhelm was a special person; a man with the strength to be true to himself. His style was his own, his lectures ranged from controversial to current topics, certainly not reiterations of Harvard Business School Case Studies. Professor Wilhelm's interest in and concern for his students was sincere. He was not one to say what you wanted to hear, no banal pleasantries; but you could rely on what he said as being an expression and reflection of his thoughts and feelings — a bit of himself. He was bright and insightful, seeming to know something about everything, or at least having something to say about everything. I will miss him for selfish reasons; I wanted to know him better. I still look for him in the halls of the business school, and I am sad that the time he shared with us was so short."

A member of the U-M faculty since 1949, Professor Wilhelm was born January 24, 1920, in Arlington, N.J. He attended Otterbein College, Ohio State University, and Case Western Reserve University, where he received B.B.A. and M.B.A. degrees. He continued graduate studies after joining the U-M faculty and was awarded a Ph.D. degree in 1963.

Professor Wilhelm had a nationally syndicated radio program called "Business Review," which originated in the U-M Broadcasting Service from 1961 to 1981. He authored a regular newspaper column, "Inside Business," which was carried by over 300 weekly newspapers across the country. In 1973, he received the Janus Award for the best business radio program in the nation. In addition to many other awards, he received the U-M Distinguished Service Award in 1963. He published widely.

Dr. Wilhelm had broad experience in business and government. In addition to executive experience in national advertising and marketing firms, he served on corporate boards of directors and was active in both state and local political campaigns and committees.

Survivors include his widow Dr. Rowena M. Wilhelm, Director of the U-M Reading and Learning Skills Center on campus, a son, Dr. Peter B. Wilhelm of Ann Arbor, and two grandchildren, Peter and Andrew. In keeping with Professor Wilhelm's deep interest in students, the family and friends are making memorial contributions to the student scholarship and loan funds in the Business School.

Corporations and Students Compare Notes During Career Awareness Day

What are the five most important qualities a student should pay attention to during an MBA program? What qualities do companies look for in the MBAs they hire? What is the culture of a particular firm? How can a person learn what a firm's culture is and decide whether he or she would fit into it?

Representatives of 26 firms met with 400 first year MBA students to explore these questions during Career Awareness Day, sponsored by the faculty of the Organizational Behavior and Industrial Relations Group.

In the morning, students developed lists of the five most important things they thought they should be getting from their MBA program. At the same time, teams of five industry representatives met separately to develop lists of qualities *they* considered most important. Then the groups met and compared lists.

Dividend sat in with an industry team as they developed their list. The five qualities they decided upon (after much thoughtful discussion) included: 1) Sensitivity skills (this did not just mean "people skills" but included sensitivity to the environment); 2) a strong sense of the individual's own strengths, weaknesses, and goals; 3) the development of a personal style; 4) functional excellence, and 5) strong communication skills. They also wanted good problem solving skills, but decided that "you can't teach maturity or perspective." There was considerable discussion about whether MBAs should be generalists or specialists. The answer seemed to be that it depends on the firm that's doing the hiring. Some want generalists, some want specialists, and some hire specialists, but move them into generalist positions after they have been with the company a while.

One group of students agreed on the following characteristics for their list: 1) maturity; 2) analytic skills; 3) people skills; 4) awareness of the limitations of formal education, and 5) developing a business oriented mind-set.

An interesting exchange took place during one "comparing notes" session between students and an industry group. This particular industry group said an important characteristic was "risk taking potential." As they put it, they wanted people who could "broaden their perspective in terms of possible solutions to problems, and who could be comfortable with taking risks."

"I have trouble with that," objected an MBA student. "Some of us came here in order to *avert* risk. We want to be able to look at a situation more objectively so that risk-taking might be minimized."

"But," countered the industry team member, "what do you think people should do who may have a conflicting view in a company situation? Should they speak up? What does it mean for the organization if people at lower levels don't speak up if they feel a management decision is bad? The safe road is not always the best road."

Comparing notes allowed participants to explore differences between lists, and to think about ways to use the MBA program to attain the best possible training.

The afternoon session focused on corporate culture. Student groups gave reports on various firms, having collected information from a variety of sources aimed at answering these questions: what is it like to work at a particular firm? what does it take to succeed? why would I want to work there? why would I not want to work there? what are the core values of the firm? what is the image of the firm? Representatives of the firms then responded to the student reports, and there was a general discussion about what firm cultures are, how to learn what a firm's culture is, and how to decide whether or not you would fit into a particular firm.

"Our first Career Awareness Day was very successful," commented Noel Tichy, associate professor of organizational behavior and industrial relations, "and we are looking forward to repeating it next year."

The Newly Promoted Executive: A Study in Corporate Leadership

Four out of five newly-promoted top executives of American business firms were elevated from within — after an average of 11.4 years with the firm, a University of Michigan study reveals.

With promotion to chairman, president, or vice president went an average salary increase of nearly 17 percent and in most cases a cash bonus.

Profs. Floyd A. Bond, Herbert W. Hildebrandt, Edwin L. Miller, and Alfred W. Swinyard of the U-M Graduate School of Business Administration, in their 12th annual survey of management succession, posed a variety of questions to newly-promoted top executives of American companies.

Responses from 1,661 executives across the country (nearly 50 percent replied) are reported in a monograph entitled "The Newly Promoted Executive: A Study in Corporate Leadership," published by the U-M business school's Division of Research (32 pages, $2).

Asked to name the three most important considerations in their division to change positions, more than half (50.2 percent) of the executives cited "personal challenge." Next most frequently mentioned were "normal career advancement pattern" (39.6 percent), "importance of job" (36.2 percent), and "future opportunity for advancement" (30.1 percent).

"Monetary considerations" (21.8 percent) and "prestige and recognition" (17.2 percent) ranked relatively far down the list as a major consideration in the decision to change positions. Other factors mentioned: anticipated success, working relationships, type of work, and family considerations, in that order.

The major promotions achieved by the executive respondents earned them salary increases from a median salary of $89,991 before promotion to $104,985 after promotion, a rise of 16.7 percent.

A year ago, the authors wrote, the median salary increase was 25 percent, significantly higher than this year's figures.

Some 87 percent of top executives say they receive cash bonuses and 53.3 percent participate in a deferred compensation plan. The granting of stock options at the time of promotion increased this year, being reported by 39.3 percent of the respondents, compared to 35.3 percent in the previous year.

Approximately one in five of the newly-promoted executives has worked abroad. The median length of time in a previous position before promotion was 3.28 years.

Approximately 23 percent of the chairmen and vice presidents have worked for no other company, and the same is true of just over 19 percent of the presidents, the report reveals. About half of the newly-promoted executives in all three categories had had business experience with at least two different companies prior to promotion.

Finance/accounting (25.8 percent), marketing/sales (22.3 percent), and production/operations (17.9 percent) were the three major areas of responsibility in which newly-promoted executives began their careers. These were followed by research/development (10.5 percent), law (7.8 percent), and personnel/industrial relations (4.8 percent).

The study reveals a dramatic shift on the route upward from functional fields of specialization to general management. General management, in which only 4.3 percent started their careers, was the major area of responsibility in which 48.9 percent were last employed prior to their recent promotion.

In terms of upward mobility, marketing/sales (30.1 percent) and general management/administration (28.4 percent) are again identified as the two fastest routes to the top, followed closely by finance/accounting (21.9 percent). All other functional positions rate significantly lower in the judgment of the executives.

The study confirms that newly-promoted top executives as a group are highly educated — 93.1 percent hold college degrees and another 5.5 percent attended some college — and the U-M researchers say that the education level of top officers is rising higher and higher each year.

"The proportion of executives with an advanced degree at the graduate/professional level has increased more than 25 percent," the report notes. "The average for the past decade was 38.1 percent of respondents, while the figure for the current year is 49.4 percent.

"Evidence that the same trends will continue in the future is to be found in the fact that vice presidents have completed more formal schooling than presidents, and that presidents have completed more formal education than chairmen."

Newly-promoted executives' major fields of study at the undergraduate level were business administration (33.8 percent), engineering (26 percent), and social science, including economics (15.2 percent).

Universities of Illinois and Michigan were at the top of the list among the executive undergraduate degree holders, closely followed by Yale, Cornell, and Minnesota. At the graduate level, Harvard led all other universities by a substantial margin, followed by Michigan, New York University, Columbia, Chicago, MIT, Stanford, and Pennsylvania.

About two-thirds of the newly-promoted executives recommend business administration or engineering at the undergraduate level as preparation for a career in management. In ranking the importance of individual courses, the highest ranking was given to business communication, followed by finance and accounting, business policy and planning, marketing, and computer/information systems.

The age of the newly-promoted executives has not changed significantly in recent years. The median age during the last decade was 47.1, as compared with 46.8 for the current year. But on the whole, the report adds, executives appear to be getting younger.

The vast majority (98.9 percent) of the newly-promoted executives are male, but the report notes that "the beginning of a new trend is clearly visible in the rising participation of women, even though the current figures are small. Combining dates for the last two years of the study finds 29 female vice presidents, two presidents, and one chief executive. As the study progresses, it will be interesting to see if the female vice presidents advance to become president or chief executive officer."

Most of the respondents are married (93.2 percent) and few (3.5 percent) are divorced. Nearly all said their spouses are important to their business success.

Philosophically, a large majority of the business executives agreed with these propositions:

1. "Regardless of the diversity among business firms there is a common core of requirements for successful business leadership" (96.6 percent).
2. "A common characteristic of outstanding business leaders is their desire and drive for achievement" (97.8 percent).
3. "A truly liberal education requires an understanding of the role and problems of business in our society" (81.7 percent).

They disagreed with this proposition: "Achieving a position of business leadership is largely the result of fortuitous circumstances rather than the individual's education and abilities" (26.2 percent).

Robert Lutz Speaks on the Response of Ford to Global Competition

Robert A. Lutz, executive vice president for International Automotive Operations at Ford Motor Company, recently spoke to business school students and faculty on global competition. Before assuming his present position, Lutz was chairman, Ford of Europe. He is given substantial credit for integrating European and American operations.

Lutz discussed the economic, technological, and competitive forces that have combined to internationalize the structure of the automobile industry, and the organizational initiatives that have been necessary to respond to the emerging global nature of the industry.

"One lesson we have painfully learned," said Lutz, "is that as Western executives we cannot manage by just receiving a problem, shooting it out to the staffs and saying 'look at this and come back with a recommendation.' Management might not look at it until all the staffs have reviewed it and come up with position papers, and then management might say, 'Well, I assume we all agree on this,' and away it goes. And management has not necessarily done *its* job of grappling with the problems and coming up with *its* analysis of what's wrong and what needs to be done. In a way, it's an abrogation of management's responsibilities to say yes just because the whole staff agrees on it. You may think 'Well, I'll go along with the majority.' This attitude is well described by the phrase, 'There go my troops. I must hurry and follow them, for I am their leader.'

"Despite everything you hear about Japanese management by consensus, it is consensus among managements and not among huge staffs. If you look at successful companies in the United States, senior management does a lot of the analysis and the thinking. The people with the experience sit around and talk about the problem, work out figures with a pocket calculator, make notes on scratch pads, and come up with a working hypothesis which the staffs can then contest. That approach to management may be onerous, but then what isn't? Just because 200 staff have been working on it for seven weeks doesn't make the recommendation correct."

DME to Present Seminar on the Japanese Challenge

The continuing industrial challenge from Japan will be examined in a seminar titled, "Meeting the Japanese Challenge: An Integrated Approach for American Industry," June 13-14 at the Business School.

Upper-level managers who are involved in decision making and implementation of production, quality control and human resource management systems will make up the audience.

Vladimir Pucik, a U-M business school lecturer who studied comparative management and innovative strategies in his native Czechoslovakia and at Columbia University, and colleague F. Brian Talbot, a specialist in project planning and control, will lead the seminar.

Pucik said of the Japanese Challenge seminar: "What we teach in our seminar is not how to copy the Japanese, rather, how to compete with them. We discuss in detail what are the strong points of the Japanese, emphasizing those which are transferable to the United States.

"We also focus on shortcomings of the Japanese system, and how to avoid repeating them. The objective is simple: help the participants to understand their principal competitors, to think about changes necessary to meet the challenge, and to design methods of implementing a winning strategy.

"With the flood of news about Japan in the last several years, many managers and executives now believe that after reading two best sellers and perhaps dashing through several Japanese manufacturing facilities, they know all the answers. But they do not see that the nature of the challenge from Japan is constantly changing, they fail to anticipate future developments, and they only react, and usually too late and too little.

"Sure, the Japanese have their own share of problems. The population is aging, the economic growth is slowing down and the government deficit is out of control. However, can we afford to wait for their challenge to weaken? We might find out in five years that the pessimism about Japan's prospects was unwarranted. Then it might be too late to develop a credible competitive response. Isn't it more prudent to get ready for the worst? And if they falter, the task will just get a bit easier.

"The American corporate cemetery is full of firms that tried to ignore or run away from the Japanese. There is only one way to respond to the Japanese challenge: winning in the market place."

In addition to detailed examination of Japanese production and innovation techniques, human resource management, production management and work organization, the seminar will include a panel discussion involving Japanese and American managers experienced in the application of Japanese-style management techniques in the United States.

Another seminar on this subject will be presented August 17-19.

Registration and other information on the "Japanese Challenge" seminars may be obtained from Gail Benninghoff or Lucy Chin of the U-M Division of Management Education, 1735 Washtenaw Ave., Ann Arbor, Mich. 48104, telephone (313) 763-4395.

Class Notes

'38 Howard C. Parsons, MBA '38, writes from Brownsville, Texas, where he spends the winter, that because of the devaluation of the Mexican peso (between 147 to 150 to the dollar when he wrote us in February), small merchants are having a very difficult time. "In all of the larger border towns stores are being forced to close," he says, "and even the larger stores are feeling the pinch."

'40 George K. Barrett, MBA '40, after a career in industry with General Electric and Marathon Oil, "retired" to his present position as Associate Professor at Findlay College five years ago. He says that had he realized the true facts he never would have stood in awe of Professors Taggert, Reigel, Waters, Griffin and those who overwhelmed him as he struggled thru his actuarial courses.

'48 Edward A. Van Dyke, BBA '48, has been appointed senior vice president/hospital services at Berkshire Medical Center in Pittsfield, Massachusetts. He has been with the Berkshire Medical Center for 13 years and was formerly administrator of professional services. Ed is a member of the American College of Hospital Administrators, New England Hospital Assembly, and the Massachusetts Hospital Association, also, vice president of the Berkshire Community College Foundation, Inc. In the community, he is a member of the Friends of Berkshire Community College, Berkshire Museum, Berkshire County Historical Society, and the Berkshire Art Association. He is a former member of the Area Agency on Aging Board of Directors, and on the Boards of Governors of the Berkshire Council on Alcoholism and the United Way of Central Berkshire and has served on the Berkshire Advisors of the Western Massachusetts Health Planning Council.

'52 Leo E. Kivela, BBA '51, MBA '52, has been elected president of the Finnish-American Chamber of Commerce of the Midwest which covers a 12 state area. Leo, an attorney, is fluent in Finnish and participated in a two-day international trade seminar in Helsinki in February. He has over twenty years of practical experience in all phases of labor relations and human resources and for many years was Divisional Industrial Relations Manager of Westinghouse Electric Corporation. He is an active member of the American, Illinois, and Chicago Bar Associations, Society of Personnel Administrators, Rotary International Finnish-American Chamber of Commerce and a member of the faculty of the Aurora College Center for Graduate Study. He lives in Hinsdale, Illinois.

'54 Eugene R. Levering, BBA '54, has been promoted to senior vice president-sales for Noxell Corporation, and is in charge of nationwide sales operations for both toiletries and cosmetics brands. He also oversees the food broker sales network for household products. He lives in Phoenix, Maryland.

'55 Edwin C. Parker, BBA '54, MBA '55, was senior vice president finance of Gould, Inc. until 1981 when he bought Dur-o-wal, Inc., the largest producer and distributor of steel reinforcement products for masonry construction. It has eight plants in the U.S. and Canada, and is headquartered in Northbrook, Ill.

'58 John H. Emery, BBA '58, has become an independent copywriter and communications consultant in Chicago, with two advertising agencies as his principal clients. Accounts he has written for include Bard Biomedical Division, C. R. Bard Corp.; American Hospital Publishing Co.; and Trimedyne, Inc., a venture-capital firm developing a laser catheter for treating coronary artery disease. Emery entered broadcasting after his graduation and later became an employee publications editor for Abbott Laboratories. He left Abbott in 1970 to become a copywriter, and later product advertising manager, for the health-care firm of Hollister Incorporated.

'60 L. Dickson Flake, BBA '60, MBA '63, was a 1982 recipient of the Clinton B. Snyder Award given by the Marketing Institute of the National Association of Realtors. The award was given in recognition of a transaction involving a four-property exchange, a syndication and three land leases, and included as participants six corporate entities, two individuals, two partnerships and three live estates.

'61 David A. Skovron, BBA '61, has been named chief operating partner of Kwasha Lipton, an employee benefits and actuarial consulting firm located in Fort Lee, New Jersey. He and his wife live in Saddle River, New Jersey.

'62 Richard E. Kors, BBA '62, is vice president of Fujitsu, Ltd.'s new professional microsystems division, located in Santa Clara, Calif. He was founder and president of Entro Inc., a San Jose manufacturer of microcomputer systems, before joining Fujitsu. In his new position, he is responsible for marketing Fujitsu's new Micro 16S personal business computer in North America and for managing the division's software development group. He has 20 years of experience in management, sales and marketing in the electronics industry.

'64 E. Burton Swanson, MBA '64, is currently assistant dean, Doctoral and Academic Master's Programs, in the Graduate School of Management at U.C.L.A. He was also a visiting professor at

IBM European Systems Research Institute at LaHulpe, Belgium, in the fall of 1982.

'65 NORMAN S. MILLER, BBA '65, MBA '66, has recently been promoted to vice president and trust officer at Manufacturers National Bank of Detroit.

'66 JAMES B. COMBER, MBA '66, has been named national merchandising manager of Star-Kist Foods after spending the past four years at Hunt-Wesson Foods. He will be responsible for all consumer promotion and merchandising for the U.S. and Canada, the major brands being Star-Kist Tuna and Nine-Lives Cat Food (Charlie and Morris!). He was married in October of 1982. He says his wife is a graduate of U.C.L.A. so he didn't have much fun at the Rose Bowl on January 1.

'67 JOHN C. MURRAY, BBA '67, JD '69, has recently been promoted to regional counsel, Real Estate operations at Prudential Insurance Co. in Chicago, Illinois. He will be responsible for monitoring and directing all real estate-related litigation in which Prudential is involved in a fifteen state area. John has been with Prudential for ten years, nine of them in the company's Michigan Real Estate Investment Office in Southfield, Michigan.

PAUL SHELDON FOOTE, BBA '67, was awarded a Ph.D. in business administration from Michigan State University in March. He is an assistant professor of accounting at Oakland University in Rochester, Michigan.

JOHN SOWER, MBA '67, is Washington director of the National Development Council which is the nation's largest economic development "investment bankers" that annually generate $1 billion of investment in small and medium sized businesses nationwide. John is responsible for the eastern third of the country. Of particular interest to Michigan residents, John worked under contract with the Mott Foundation in Flint to create the $20 million Michigan Investment Fund designed to stimulate Michigan's economy by providing growth capital for new high technology small and medium sized businesses. The Fund was capitalized by Michigan employees' pension fund, the University of Michigan endowment funds, the Mott Foundation and other foundations and pension funds. The Fund is managed by Ian Bund of Doan Associates in Midland, Michigan.

Ian Hay Davison is the new Chief Executive Officer of Lloyd's of London

Ian Hay Davison, who attended this school in 1957, was appointed Lloyd's of London's first independent chief executive on Feb. 1. He was formerly a senior partner in Arthur Andersen & Company. His appointment was made at the first meeting of the new 27-member governing council that took over responsibility for Lloyd's from a 16-member committee composed entirely of brokers and underwriters.

According to a story which appeared in the January 6, 1983, *New York Times:*

"Mr. Davison, who is taking a leave of absence from Andersen, will also become deputy chairman at Lloyd's and a member of the governing council. He said that his first priority would be adoption of new rules requiring all working members of Lloyd's to disclose any potential conflicts of interest and where insurance risks placed at Lloyd's have been reinsured.

"Lloyd's has been shaken in the past year by several scandals. Normally, brokers bring insurance risks to Lloyd's to be placed with groups of investors known as syndicates. The underwriters and agents representing the syndicates then spread the risk through reinsuring with other underwriters and companies. Some Lloyd's insiders with interests both at Lloyd's and elsewhere engaged in questionable reinsurance deals with offshore firms in which they had interests.

"Mr. Davison's first connection with Lloyd's came when he was appointed in November to head a study committee on Lloyd's accounting and disclosure practices. 'I hope to report my recommendations to that committee next Wednesday,' he said.

"The invitation to become chief executive, a position Lloyd's created under pressure from the Bank of England and Department of Trade, came on Dec. 23 through Gordon Richardson, the governor of the Bank of England. Mr. Davison did not accept until Tuesday, according to Sir Peter Green, Lloyd's chairman.

" 'He was our only candidate,' Sir Peter said.

"With a salary of £120,000, or about $194,400, and perquisites such as a company car, Mr. Davison sees the move as a lateral one financially. Details of the contract and his responsibilities are still up in air.

"Mr. Davison did graduate work at the London School of Economics and the University of Michigan. Active in Conservative Party politics at the local level until 1974, he has since been increasingly busy with national accounting standards groups and in senior management at Arthur Andersen.

" 'He is the kind of man who likes to take on large, complex, seemingly intractable challenges,' said J. Donald Hanson, managing partner at Arthur Andersen."

'68 MICHAEL T. WEIS, MBA '68, has been promoted to vice president of finance at Texas American Energy Corporation in Midland, Texas. He joined Texas American in 1980 as Secretary/Treasurer, from the Indianapolis office of Arthur Andersen & Company where he had been employed for 13 years. Texas

American Energy Corporation, through its various affiliated companies operates oil and gas properties principally in Texas, New Mexico, Oklahoma, Colorado and Wyoming. The corporation also owns a gas utility company which serves the central and western sections of Kentucky, and operates a small gasoline brokerage business in Michigan.

Rees M. Orland, BBA '66, MBA '68, has been promoted to executive vice president of the Helene Curtis Professional Division. He joined the company in 1978 as vice president, marketing, and was promoted to vice president, marketing and sales, in 1982. In his new position, he will maintain division responsibilities for sales and marketing. He joined Helene Curtis from G. D. Searle Co., Chicago, where he was director of consumer products worldwide. He lives in Highland Park, Ill.

'69 George Gitzendanner, MBA '69, was promoted in January, 1983, to the position of controller at Ford Credit Australia Limited. He is responsible for financial analysis, accounting and tax affairs, systems and procedures, and the internal control audit functions at Ford's local finance company.

Thomas J. Stanas, BBA '69, has recently been promoted to executive vice president at Watkins, Ross, Stanar and Lamps, Inc., an employee benefit and actuarial consulting firm located in Grand Rapids, Michigan. He will be responsible for internal technical operations and consulting services. Tom has been with the firm over five years and previously worked with two national consulting firms: Hewitt Associates, and Meidinger, Inc. He is also a Fellow of the Society of Actuaries.

'73 Robert J. Delonis, BBA '73, has returned to Ann Arbor as chief financial officer at Great Lakes Federal Savings after nine years with Peat, Marwick, Mitchell & Co. in their Washington, D.C. and Detroit offices. Bob and his wife, Susan, U of M-Dearborn, '81, live in Northville with their three sons.

G. William Dauphinais, MBA '73, is partner-in-charge of the Management Advisory Services staff of the Sacramento office of Price Waterhouse. He directs a staff of 22 consultants in a variety of financial planning and data processing related engagements and spends much of his time advising clients on how to improve their financial and management reporting capabilities. Bill is also one of the firm's "personal" or microcomputer specialists and makes extensive use of a wide variety of personal computers at Price Waterhouse as well as his own personal (home) computers. He and his wife, Patricia Breden, U of M-Education, 1962, have two children.

'74 Brian S. Brandt, MBA '74, has been named by Rust-Oleum Corporation to the post of corporate manager-marketing. He will be responsible for all marketing activities relating to the company's existing consumer and industrial product lines, including product management, advertising, sales promotion and product publicity. Since joining Rust-Oleum in 1980, Brian has been responsible for the creation and direction of the company's consumer and industrial advertising programs. Prior to that he served as an account executive with Leo Burnett Advertising, Chicago, and as a staff assistant with Marshall Field and Company in Chicago. He and his wife, Kathleen, make their home in Glencoe, Illinois.

Robert M. Alston, MBA '74, joined the Stroh Brewery Company in January of this year after 9½ years as a management consultant with Arthur Andersen & Co. in Detroit. He will be responsible for all business information systems. He says his major challenge is the integration of the Joseph Schlitz Brewing Company into Stroh after Schlitz was acquired last year.

'75 Richard E. Andrews, MBA '75, is currently market manager for the Standard Pump Division of Ingersoll-Rand Company in Allentown, Pennsylvania. Prior to his joining I-R in 1981, Rick was sales manager for Hydromatic Pumps in Ohio. He says, "It was good to get out of an area that only appreciated scarlet and gray."

David M. Saltiel, BBA '75, is currently associated with the Chicago law firm of Greenberg Keele Lunn & Aronberg, where he specializes in corporate and entertainment law. He is a frequent lecturer on entertainment law in the Chicago area and was recently elected to the board of directors of Lawyers for the Creative Arts. Currently Dave is producing *People II: The Species Strikes Back,* a musical comedy, at the New Broadway Theatre in Chicago. The show opened on April 13.

Jim Bowman, MBA '75, joined Thilmany Pulp & Paper Co. in Wisconsin in 1982. His major assignment is to install Human Resource Planning & Development Systems company-wide. He worked for Packaging Corporation of America in Chicago from 1975 through June, 1982, as recruiter and compensation manager. In July of 1980 he joined Baxter-Travenol Laboratories as a management development associate (trainer) and was with them until his present position.

'76 Christopher T. Payne, MBA '76, joined Ponder Associates, Inc., a national consulting firm specializing in the issuance of tax exempt debt, primarily for health care institutions, in 1981 as vice president. Previously he was second vice president at American National Bank and Trust Company of Chicago for five years. He lives in Evanston with his wife, Ginger, and two daughters.

Michael J. Roney, BBA '76, MBA '81, was transferred to Buenos Aires, Argentina, in January, 1982, after a training period of nine months in Akron, Ohio, for Goodyear International. He says he was there only a short period of time (but during the entire crisis of the Mulvinas Islands) and was transferred to Lima, Peru in July, 1982. Mike was in Argentina long enough to meet Sandra Marisa Silverio and returned to Buenos Aires in October, 1982, to marry her.

Presently he is the assistant finance director of Goodyear Peru and says he enjoys the life there very much.

DOUG SHUFELT, MBA '76, writes, "Betsy and I would like to announce the birth of our second child, William Stuart Shufelt, born on March 26, weighing 9 lbs., 3 ounces. Our first child, Laura, is now 20 months old. I'm still working in New York City for Cranston Print Works Company, the firm I've been with since graduation. I've recently been promoted to a manager of one of our four merchandising divisions, Schwartz-Liebman Textiles. I'm now involved with marketing printed fabrics to women's and children's apparel manufacturers. I frequently run into STEVE MCCORMACK (MBA '76). He returned to New York City over a year ago to join Merrill Lynch in their new Venture Capital Group. He's leading a fast-paced life with bi-monthly trips to the West Coast, but he finds it very rewarding. He says, 'Forget all the fancy titles I had with the Bank of New York and Interactive Data Corp., I'm a *venture capitalist* now.'

"With the devaluation of the peso, JOHN PFEIL (MBA '76), decided to sell his Mexican business ventures: the fast-food taco franchises and sun-tanning centers. He says, 'I was lucky to get out before I got burned.' He's moved on to open up a popsicle distributorship in Anchorage, Alaska. At the moment, all of his assets are frozen."

DAVID K. Y. LAM, MBA '76, worked for CNA Insurance in Chicago after graduation, then returned to Hong Kong in 1978, where he worked for Citibank N.A. In 1981 he founded his own company, Rochdale Investment Co., Ltd. In 1979 he married Angeline Purabibadhana (who studied music at the U of M), and they now have two children, aged two years and five months. David writes that his wife and he came to the States last May and he was disappointed that he could not locate any of his old classmates. He particularly asked about John Pfiel, Steve McCormack and Doug Shufelt. *(Editor's note: See previous item.)*

Richard Sanderson, MBA '70, named to "All America" Research Team by Institutional Investor Magazine

Richard L. Sanderson, MBA '70, senior security analyst for Investors Diversified Services in Minneapolis, does investment research specializing in the capital goods industry. He has been with IDS since 1977, following stints at the Northern Trust Company and the First National Bank of Denver. In the March, 1983, *Institutional Investor Magazine*, he was named one of the top 12 security analysts at "Buy Side" financial institutions, which includes banks, mutual funds, insurance companies, and investment advisors. To quote from the article, which was entitled *The Best of the Buy Side:*

"Covering capital goods companies has not been much fun lately — in fact, 'it's been plain frustrating,' confesses Richard Sanderson. But despite the decline of the Standard & Poor's 500 industrial machinery subsegment by some 17 percent last year, Sanderson has managed to make a name for himself — and partly as a stock picker. The stocks selected by the 36-year-old University of Michigan graduate (he holds an undergraduate degree in anthropology and a graduate degree in business administration) were down only 4 percent in 1982.

"Even more impressive, in the opinion of backers, were Sanderson's decisions to bail out of Sperry Corp. at 56 (it subsequently dropped as low as 22), Computervision Corp. at 43 (it later slid to the low 20s) and Allis-Chalmers Corp. at 34 (which is now at 9¾). Moreover, Wall Streeters say they *learn* by talking to Sanderson. 'He challenges me,' explains one. Others observe that Sanderson does a lot of his own research and is not afraid to arrive at his own conclusions.

"Sanderson, who worked for both Northern Trust Co. and First National Bank of Denver before joining IDS in late 1977, points out that 'things generally accepted as true are not necessarily so.' Investors are now steering clear of capital goods stocks, he illustrates, convinced that the recovery will be slow and painful. But he suspects that they will surprise some investors late in 1983.

"Still, Sanderson admits that in his eagerness to label a company a winner or a loser, a good stock or a bad one, he occasionally is off on timing. When he covered synfuel companies a few years ago, he recalls, he resolved that 'we should not own these stocks.' He ultimately proved to be correct, but some investors made big money in the group in the interim. 'Sometimes I can be a bit inflexible,' Sanderson acknowledges.

"Although a number of top institutional analysts aspire to become portfolio managers, Sanderson suspects that he is better suited for the position he holds today. 'I'd rather know 95 percent of a certain sector,' he explains, 'than 50 percent of several.' "

'77

JAY COURAGE, MBA '77, was promoted to partner at Simmons & Company International in Houston, an investment banking firm specializing in corporate finance for the oil service industry.

'78

MARY ELLEN HOLAHAN, BBA '78, has been with the ABC Television Network for five years. She was promoted to associate director of sales proposals and sales service in December, 1982. Mary

Ellen is based in the Southfield, Michigan office, which is one of four the company has for national commercial air time sales. She and Thomas W. Emery (BGS U. of M. '77, JD Wayne State Law School, '81) were married in April of this year.

Craig Schepeler, MBA '78, is currently financial marketing consultant, National Accounts Division Headquarters, at IBM in White Plains, New York. He joined IBM in 1978 and held various positions there — systems engineer, marketing representative, branch office financial marketing representative, and regional financial marketing representative prior to his present assignment.

'79

Douglas Greenwold, MBA '79, recently joined Survival Technology, Inc. in Bethesda, Maryland as vice president for Outpatient Cardiac Care Programs and Emergency Care Products. Prior to Survival, he was president and founder at Dart Medical, Inc., a Lansing, Michigan company that pioneered outpatient telephonic monitoring of heart patients.

Thomas B. Jones, BBA '79, recently accepted the position of assistant staff manager-field operations with the Advanced Information Systems Division of American Bell. It is a new company in Birmingham, Michigan. He was previously employed by Michigan Bell as an account executive. He and his wife, Anne Baker (BA '79), have moved back to Ann Arbor while she pursues a master's degree in library science. He says, "It's great to live here again and have the chance to take advantage of many of the things we wished we had time to do as undergraduates."

Richard Neumann, BBA '79, has been appointed assistant investment officer in the trust division of the National Bank of Detroit.

'80

Leonard D. Kichler, BBA '80, was recently promoted to branch manager at National City Bank in Lorain, Ohio. This past summer he and Judith Sherman were married. Leonard is currently attending Case Western Reserve University in the evenings and is working towards his MBA degree there. He says, "However, there will always be a warm spot in my heart for the U. of M. and all the great people I met there."

Matthew Linsey, MBA '81, is the New MC of NBC's "Dating Game"

Matthew A. Linsey, MBA '81, has been appointed to the position of Master of Ceremonies of the newly revised and updated "Dating Game" program. The new program emphasizes computer age dating techniques. Individuals are able to access a data base of information and view videotapes of the candidates before making their final decision.

Linsey was formerly a systems analyst in NBC's new program division. He was given the Master of Ceremonies position after he successfully updated and test marketed the new program.

'81

Russell F. Surmanek, MBA '81, has recently joined Racal-Milgo in Fort Lauderdale as senior financial analyst. Prior to that, Russell was with Northern Telecom, most recently in the Integrated Office Systems Division (Dallas) as a senior financial analyst. He joined Northern Telecom after graduation in the Electronic Office Systems Division in Minneapolis as a financial analyst on Northern's financial management program.

Sheryl E. Slotnick, BBA '81, and Gary P. Blitz, BBA '80, have decided to get married in Chicago in September, 1983 and will live in New York City. They met while Gary was a senior and Sheryl was a sophomore. Sheryl is currently an auditor: advanced staff at Ernst & Whinney in New York and Gary is a third year law student at New York University School of Law. He has accepted a position as an associate with the New York City law firm of Chadbourne, Parke, Whiteside and Wolff which he will begin after the wedding. Sheryl is a past president of the UM chapter of Beta Alpha Psi.

'82

Ronald W. Zahm, MBA '82, is currently systems analyst at the Ford Motor Company. He recently married and moved to Canton, Michigan.

Ph.D. Notes

Ruediger Naumann-Etienne, PhD '77, joined Texas Instruments in Dallas in 1975 while still working on his PhD. His first two years were spent in corporate training where he says he applied many things learned from Professor Dufey, his doctoral chairman. After five years in various operating assignments in Europe, he has returned to the U.S. to take his present position as principal financial officer of one of TI's six operating groups. His recent accomplishment has been climbing Mt. Blanc, highest mountain in Europe and he would welcome inquiries from fellow alumni for a climb of Mt. Rainier (Washington) this summer.

H. Michael Hayes, PhD '77, reports that after three years as manager of executive education operation for General Electric at the company's Management Development Institute at Croton-on-Hudson (Crotonville), N.Y., he has moved back to academia as professor of business policy and marketing at the University of Colorado at Denver. He is currently teaching business policy in their MBA program, industrial marketing in their BSBA program, and marketing strategy in their executive MBA program. He says he is enjoying the teaching and contacts with students and faculty, particularly their Michigan PhDs, Daryl Winn and Bob Knapp.

$3.5 Million to Go!

Thanks to vigorous support from corporations, private foundations, and individuals, the Business School's Capital Campaign now stands at over $11.5 million. The fund drive, which became public in October, 1982, has exceeded 75 per cent of its $15 million goal.

More than 90 per cent of gifts and pledges are from Michigan donors. About half the total is from Michigan corporations; 31 per cent is from Michigan foundations. Individuals have donated about 18 per cent of the total.

Having passed the three-quarters mark, the Business School Capital Campaign has gathered momentum. More than 350 individual pledges — including about 50 in the primary gifts category — are placing the Campaign goal of $15 million closer.

Progress has been impressive in three separate phases of solicitation: primary gifts, special gifts, and Business School "family."

Primary Gifts

The primary gifts division is responsible for 88 per cent of the $11.5 million raised to date. Designed for corporations, foundations, and individuals capable of pledges in excess of $100,000 over five years, the primary gifts division has raised more than $10 million since July of 1980.

Such generosity is evidence that "the school is a very important priority for prospective donors," according to primary gifts co-chairman Donald Mandich, chairman of Comerica, Inc. "Accordingly, soliciting has not been difficult," he says. "It's just a matter of telling our story."

Projects such as the Business School's physical plant expansion are possible only through generous support of individuals, corporations, and foundations, Mandich maintains. Economically strapped state governments, along with the federal government, are directing funds toward priorities other than higher education.

"Fortunately, many in our society understand that they must step in and support universities," says Mandich. "They are willing to sustain institutions with standards of excellence — like The University of Michigan — which will contribute so much to our future."

Success of any fundraising campaign also depends on the commitment of its leaders. Under the direction of Mandich and co-chairman Oscar Lundin, retired vice chairman of General Motors Corporation, Campaign steering committee members have been working continuously as a group to pinpoint prospective givers. Those donors are most likely alumni, business leaders who employ graduates of the Business School, or other friends of the School, said Lundin.

"Many of us have business connections with people who have a potential interest in contributing," he said. "And many of those individuals appreciate the three to five year pledge period, which allows flexibility."

Despite the Campaign's successful launch, he cautions, "We still have quite a way to go. The last few dollars will be the toughest."

Business School Family Division and Steering Committee

As of mid-April, more than $138,000 had been raised from faculty members. The family division of the Capital Campaign is co-chaired by Paul McCracken, Edmund Ezra Day Distinguished University Professor of Business Administration, and Alan Merten, professor of computer information systems and interim associate dean for management education.

Also included in this category are contributions from the Capital Campaign Steering Committee. An additional $600,000 has been raised from those alumni and business leaders who participate in directing the campaign.

Special Gifts Division

Leaders of the Special Gifts campaigns have experienced the same "high level of response" as those steering committee members who are soliciting primary gifts, said Allan D. Gilmour, vice president-controller of Ford Motor Company. Gilmour and John C. Morley, chief executive officer of Reliance Electric Company in Cleveland, co-chair the national Special Gifts component of the Capital Campaign.

Special Gifts (between $5,000 and $99,999) total $613,000. Ann Arbor and Kalamazoo special gift drives have accounted for $285,000 and $290,000 respectively, in contributions. George H. Cress, president of the Ann Arbor Trust Company, and Robert M. Brown, president of Monroe Management Company in Kalamazoo, lead their respective campaigns.

The Special Gifts' boost to the overall Campaign could not have occurred without the dedication of others as well. One such person is William C. Martin, a U-M MBA who, in 1968, established the First Martin Corporation in Ann Arbor. A team captain for the Ann Arbor Special Gifts Campaign, Martin says he participated out of "a commitment to The University of Michigan" and to pay back the School for "getting me into the community and the system."

As co-chair of the Special Gifts campaign, Gilmour says he has found "a great deal of loyalty and regard" among the alumni he has contacted.

Alumni and friends of the School in population centers across the country will be asked to contribute special gifts. Efforts in Grand Rapids and Detroit soon will be underway.

Please Tell Us About Yourself

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: __________

Business Position: ______________________________________

Business Address: ______________________________________

Home Address: ____

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

Graduate School of Business Administration
The University of Michigan
Ann Arbor, Michigan 48109

The Emerging No-Fault Society

Continued from page 28

Company has 20 percent of its work force in Michigan, another cumulative state, but pays out 70 percent of its national claims in the state.

Double No-Fault

A *Wall Street Journal* cartoon once depicted a stocky, middle-aged man in a tennis outfit, tennis racket in hand, telling his insurance agent, "I want some No-Double-Fault Insurance." Although such insurance is probably difficult to obtain, in some cases individuals have used a "Double No-Fault" approach by combining two no-fault theories. A controversial example is a case in which a worker in a Chrysler plant, suspended from his job, returned to the plant and killed two foremen and a fellow worker with an M1 carbine. After a jury found the worker not guilty by reason of insanity, the worker was committed to a state hospital for the criminally insane, from which he was later released. In the meantime the worker filed for disability benefits, claiming that Chrysler was to blame for his mental breakdown. An administrative law judge agreed and awarded the worker weekly benefits for life, although the benefits were later terminated when the worker recovered.

Conclusion

What should be the response of the person in business to our emerging no-fault society? One possibility would be to take the attitude that, since the law increasingly separates fault from personal responsibility, the business executive should do likewise when making personal and professional decisions. For instance, if a manager is deciding whether to replace an expensive piece of machinery, one factor that might be considered in making the decision is the possibility that continued use of the old equipment will result in injury to workers. Our no-fault system of worker's compensation would enable the manager to make a legal-economic calculation of potential injury claims that could be factored into the purchase decision. By focusing on the no-fault costs, which set the limit of legal responsibility, the manager thus avoids broader and more difficult issues such as personal responsibility for the injuries suffered by the workers.

But this approach, which factors in legal costs and factors out concern for fellow humans, overlooks a fundamental premise upon which our social structure is based: There is a difference between a legal duty and a moral duty. As Solzhenitsyn observed at the 1978 Harvard commencement: "I have spent my life under a Communist regime, and I will tell you that a society without any objective legal scale is a terrible one indeed. But a society with no other scale but the legal one is not quite worthy of man either. The letter of law is too cold and formal to have a beneficial influence on society. Whenever the tissue of life is woven of legalistic relations, there is an atmosphere of moral mediocrity, paralyzing man's noblest impulses." The ability to look beyond the law — and to ask "what is right?" rather than "is it legal?" — is one of the hallmarks of business leadership in our no-fault society.

Our Apologies

The article about Diane Brown, MBA '80, Director of Technology Marketing for Genex, in the Winter, 1983 issue of *Dividend,* incorrectly stated that Genex does business in South Africa. Genex does not work with South African companies. The story should have read South America instead of South Africa. Our apologies to Genex for the mistake.