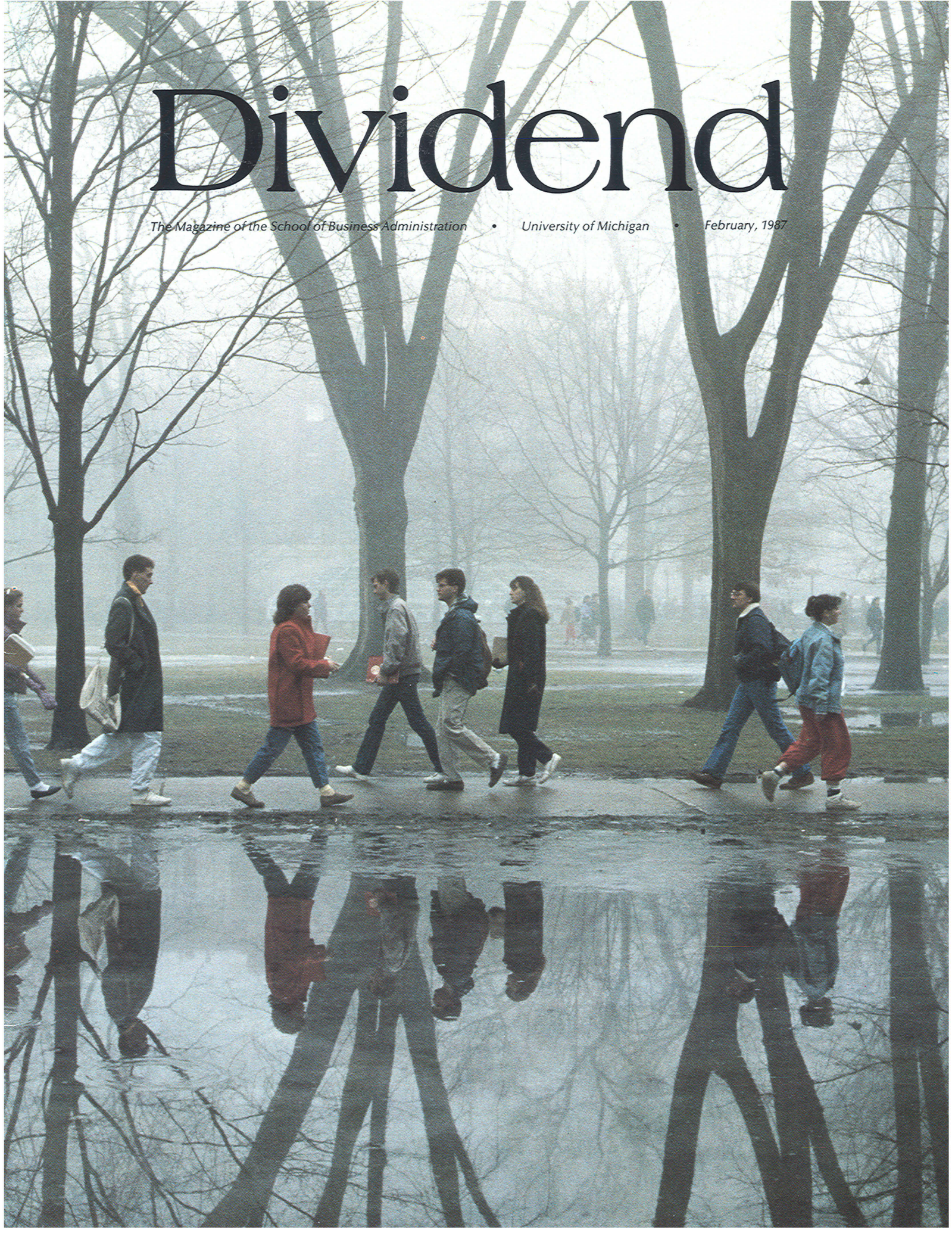


# Dividend

The Magazine of the School of Business Administration • University of Michigan • February, 1987





THE UNIVERSITY OF MICHIGAN  
SCHOOL OF BUSINESS ADMINISTRATION  
ANN ARBOR, MICHIGAN 48109-1234

Gilbert R. Whitaker, Jr.  
Dean  
(313) 764-1361

January, 1987

To Alumni and Friends:

In the pages of Dividend, we try to take the School out to our alumni, wherever you may be, so that even if you have not had a chance to visit us for several years, we will visit you through these pages. For instance, this issue includes an edited version of the faculty panel that spoke at alumni weekend, as well as pictures of some of those who attended alumni weekend. If you were not able to be here for these events, these stories will "put you in the picture." In this issue we also introduce you to the School's Visiting Committee, composed of top corporate executives who meet here twice a year to consult and give advice to me about the overall program and plans for the School.

Dividend also brings you news about your classmates and friends, as it reports on changes in their lives and activities. Keep sharing your news with us for use in Class Notes; it is one of our best read features.

We are taking a fresh look at what we are doing as well as how we are doing relative to our aspirations and to our competitors. We are particularly interested in any comments or criticisms that you may have about the School and its programs -- its alumni programs, its degree and non-degree teaching programs, and its research programs. Please write directly to me and I will see that your comments are taken into consideration as we review our activities.

We are grateful for your continued moral as well as financial support and look forward to hearing from you.

Best wishes for 1987!

Sincerely,

Gilbert R. Whitaker, Jr.

# Dividend

Volume XVIII, No. 1

February, 1987

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A January thaw creates a shallow pool that reflects elms on the Diag and students hurrying to class. Photo copyright © 1986 by Philip D. Dattilo.

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*Three distinguished faculty members share their thoughts on emerging patterns of competition, changes in financial markets, and links between human resource management and strategic planning, in a wide-ranging and insightful discussion of:*

# The Global Marketplace

1

**C. K. Prahalad Says We Don't Understand the Strategic Intent of Our Competitors, and So We End Up with Competitive Asymmetry — Not Because of Resource Asymmetry — But Because of How We Think**

C. K. Prahalad's teaching, research, and consulting interests are in the area of strategic management in complex multinational companies; especially as it relates to global competition, strategy in global industries, managing innovation, and the role of top management. He has published widely on these topics, and has been involved with such firms as Ford, IBM, GTE, Philips, and Citibank in his teaching and research roles. He is currently working on a book on the problems of top managers in multinational corporations. He holds a BS in science from Madras University in India, a postgraduate diploma in business administration from the Indian Institute of Management, and the DBA from Harvard Business School.



*C. K. Prahalad, associate professor of corporate strategy.*

All businesses are open to global competition. That includes mushrooms, citrus fruit, sardines, and flowers — not to mention automobiles, motorcycles, and semiconductors. And if you look at what U.S. companies have done in response to global competition, our responses have been quite partial and imitative. We try to imitate the “recipes” that our competitors have used, and that just leads us into a trap, because they can read us like a book.

I'm suggesting that we need to get a broad perspective — not just on the tactical advantages of our competitors, but on how we can pre-empt the moves of our competitors. I don't think we have asked that question in most companies.

What American companies HAVE done is spent a lot of time worrying

about costs with the idea that if we can get the same cost base that our competitors have, then our competitive disadvantage will vanish. I think it requires more than a good cost base. A good cost base is a necessary condition but not a sufficient condition for effective global competition.

A lot of our debate has also been focused on public policy — for example a wish that Congress would pass various kinds of protective legislation. I would like to argue that doesn't help either. It may be useful to buy time, but if you look at the European experience, protection has made them competitively weaker rather than competitively strong.

A third thing we have focused on is concern with changing corporate cultures, and I'm sure every one of you now carries a card that says what the mission of the company is.

What we have NOT done is focus on our competitors' intentions, or their strategic intent: so that's what I want to spend time on here today.

Let me make an assertion. A lot of global competition is really for global cash flows. And we try to fight battles where the battle is initiated by our competitors. If they drop the price in a particular market segment, or in a particular country, we tend to fight them there, rather than taking the battle to THEIR profit sanctuaries.

If I'm a Japanese company, and I have 80% of my cash flow coming from the rest of the world, I can give the product away in the U.S. and still not be hurt. On the other hand, if I'm a U.S. company with 90% of my cash flow in the U.S., and if I try to match my Japanese competitor's price it'll hurt me. Ninety percent of my cash flow is exposed. So no matter how large my market share is domestically, I am vulnerable because the Japanese competition can come and reduce the price in my market, and I have no venues other than the domestic market, or my profit sanctuary, in which to take the battle. In a sense, if I fight the war in my own home, the blood is on my floor, not theirs.

So the question is — do we have the capacity for exchanging hostages with our primary

competitors? If they try to reduce prices here, or to introduce new products, or to change the promotion patterns or whatever, do we have the capacity to respond in their profit sanctuaries? Most of the time the answer to that question is no — not because we don't have operations in their profit sanctuaries, but because we just don't have the inherent organizational capacity for coordinated global action. So one of the things we want to think seriously about is how do we manage strategic coordination across markets to protect global cash flows.

There are lots of problems in thinking about cash flow. One is how do we manage costs, and the other, how do we manage revenues? On the cost reduction side, I would argue that 90% of our effort has been in looking at labor, but there are lots of other factor cost advantages that our competitors have, and we have to deal with them. One is labor certainly, but another important one is raw materials, and the third is cost of capital.

Besides the factor costs, we need attention on productivity, which is how well do we leverage our factor advantages. Add to it the volatility of foreign exchange. Most companies don't see these three aspects of cost as a system that lends itself to making tradeoffs. But if we don't start trading off these elements of costs, we are going to miss the whole cost aspect of global competitiveness.

For instance, suppose we focus just on foreign exchange. Many have argued that if we just get our foreign exchange in line things would improve. The Japanese yen has now appreciated by almost 30% and yet that doesn't seem to have reduced the Japanese trade surplus or our trade deficit. So the question remains, how do you constantly manage all three elements of cost?

Another issue is how do we increase our market development expenditures so that we get a better net price for our products? Here we might look at the competitive structure of national markets in

order to develop selective pricing; or look at the possibility of higher pricing due to company reputation; and finally look at economies of scope in terms of product line. I know a lot of the marketing folks here like to be niche players. I would like to argue that maybe niche games may not be good to play in the global marketplace because our competitors can cross-subsidize one product/business from another.

The central issue is, how do we simultaneously focus management attention on cost minimization and revenue enhancement?

Another important issue is that we don't understand the strategic intent of our competitors. Most U.S. companies, and I'm making a generalization here, may source their product worldwide, but their goal is to defend U.S. markets. On the other hand, most Japanese and Korean companies start with the assumption, irrespective of how small they may be to begin with, that someday they want to dominate the marketplace worldwide. And so given the same resources, we end up with competitive asymmetry — not because of resource asymmetries — but because of the way we think.

Well, how DO we think? Japan is becoming our largest trading partner. Ask yourself how many people in your companies know Japanese? And then ask the other question. How many Japanese can read and understand English? And what effect does this have? For instance, in a trade negotiation, if you say something in English, the Japanese may know exactly what you are saying, but they wait for someone to translate, because it gives them more time to formulate their answer. Then they say what their answer is, and as soon as you get an English translation, you have to respond. The result is you have half the time that they have.

Another important question we should be asking is — are competitors' advantages really in costs? I'd like to argue that cost-based notions of competitive advantage are about 10 years behind the times. Today the biggest advantage is not cost — it is core skills and core competencies and

distribution and brand advantages. If you look at the last 15 years, there are probably one or two global brands that have been established by U.S. companies. But if you look at what the Japanese have done, they have created at least 100 global brand names — and therefore they have extraordinary leverage to the point where Honda can ask in an ad — How can you fit six Hondas in a two car garage? Answer — one car, one lawn mower, one snowmobile, one motorcycle, and so forth. That flies in the face of what we used to teach that there are no synergies across such divergent businesses.

The other sad part is that we don't have any resource advantage any more. Most of the foreign companies are as big as we are. You can go down the list. Toyota and Nissan can do pretty much what GM and Ford can do; Hitachi can do pretty much what Motorola and Texas Instruments can do; Michelin can do pretty much what Goodyear can do; and Komatsu can do anything that Caterpillar can do and even better. In industry after industry, our competitors have resource parity, and therefore our competitive advantage is going to have to come from how fast we can react to market conditions. Just size is not going to give us any competitive advantage any more. So what does this all lead to? I believe that we have to fundamentally rethink the way we manage our organizations. We have to think about strategic coordination across countries in a global network, and also at the same time be locally responsible to various country markets.

To summarize: I think three factors represent the guts of being globally competitive. They are: understanding cash flows; understanding the intentions of our global competitors; and creating an organizational capability to compete that does not depend on resources but on our own inventiveness. The "competitive game" may really be over how to get the hearts and minds of our people focused on winning, and how do we as top managers own up to our own problems?

## 2

## Gunter Dufey Outlines Some of the Ingenious Ways the Global Financial Marketplace Works

**Gunter Dufey's interests center on international money and capital markets as well as on financial policy of multinational corporations. He is active in management education and has been engaged by virtually every major money center bank to give seminars on foreign exchange management, international money markets, and corporate finance. He has published extensively and has been active in government service, among other things lecturing regularly in the Far East under auspices of the U.S. Department of State. Professor Dufey was born in Germany, where he took his undergraduate work in economics, business, and commercial law. In 1964, he was awarded a Fulbright Scholarship to pursue studies at the University of Washington, where he earned the MA and DBA degrees. He joined our faculty in 1969.**



*Gunter Dufey, professor of international business and finance.*

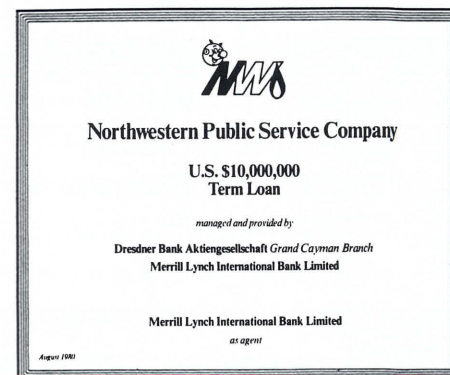
**T**urning from business strategy to the financial markets, the picture is brighter: the globalization of markets has created a worldwide competition for funds which benefits U.S. borrowers. Hardly any one of our competitors has access to subsidized funds, or "cheap money" any more.

One of my favorite illustrations of what brought this process of globalization of financial markets into motion is a small tombstone ad which I clipped several years ago from the *Wall Street Journal*. Here is the Northwestern Public Service Company — a small public utility company way out in the Dakotas, I believe — that is getting a \$10 million term loan. Those familiar with the financial side of business know that this transaction is small potatoes. It's also a "plain vanilla" transaction — there's nothing extraordinary about it.

If I were to ask who you would expect to make a 10 million dollar term loan to a small public utility in the Dakotas, you would probably say that the natural lender is the First National Bank of Fargo, or if the company wants to be adventurous, the Second of Minneapolis.

Now, look what has happened here (see *Figure 1*). This loan was made by a bank operating out of a mailbox in the Cayman Islands — quite a legitimate operation, let me hasten to add. The lender is the second largest bank in Germany. The other name is better known, not as a bank, but as a seller of securities. Now, we might ask, how did the treasurer of this typical small public utility (who may never have heard of global financial markets) decide to deal with these two institutions?

The fact that the German bank is involved reflects the fact that over



*Figure 1*

the years, a large proportion of time deposits have simply drifted off-shore to the "Eurodollar" market. Today approximately 50% of all U.S. dollar time deposits are outside of their country of origin.

Fortunately, the same thing has happened with time deposits in other currencies. By now, roughly 30% of all DM deposits are outside of Germany, 25% of all sterling time deposits are outside of the U.K., a rapidly growing proportion of yen deposits are outside of Japan, etc. This is very important, because it means that in today's markets a bank does not need a big branch network in Japan in order to provide any U.S. customer a yen credit if corporate strategy and financial management decide that this is what a firm needs. And today, there are very good cases to be made that a number of U.S. firms should have yen liabilities. The underlying phenomenon reflects the tremendous growth of what we call the "offshore market" which has evened the field of competition in the financial service industry.

The other institution on the ad — Merrill Lynch — reflects a different story. As you all know, we have something in this country known as the Glass Steagall Act which says, in essence, that banks have to stay out of the securities business, and securities houses have to stay out of the banking business. How does Merrill Lynch avoid penalties under this law? The precise designation of the entity — Merrill Lynch International Bank Ltd. — is the key. Merrill Lynch runs a bank in London, and — as they say — "there is no Glass Steagall Act in Euroland." This way Merrill Lynch can get into the banking business if it wants to do so, and by the same token, U.S. money center banks and regionals can get into the underwriting business outside the United States.

This freedom of entry has, of course, created a tremendous market, and it is from this basis that we get a strong push for deregulation of national markets worldwide. Virtually all industrialized countries have liberalized their markets substantially. Indeed the markets

have become so integrated via these offshore markets that we have started to speak of a true "global market."

My next example (Figure 2) illustrates another, more recent, trend: the trend toward securitization that emerges from the offshore markets. In this example, we see a Michigan S & L looking around for fixed rate, relatively inexpensive funds.

What they have done here is to take certain mortgages out of their portfolio, issue a certificate of deposit against those mortgages, and then put that CD into a

This announcement appears as a matter of record only

**U.S. \$ 125,000,000**  
**FIRSTFED OF MICHIGAN INTERNATIONAL N.V.**  
**13 1/4% Notes Due 1989**  
 Secured by a Collateralized Deposit Certificate Issued by  
**FIRST FEDERAL OF MICHIGAN**  
 Issue Price 99 1/4%

**BANQUE PARIBAS** **SWISS BANK CORPORATION INTERNATIONAL LIMITED**

**ALGEMENE BANK NEDERLAND N.V.**  
**BANCA DEL GOTTARDO**  
**BANQUE NATIONALE DE PARIS**  
**COUNTY BANK LIMITED**  
**DRESDNER BANK AKTIENGESELLSCHAFT**  
**IBI INTERNATIONAL LIMITED**  
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**ORION ROYAL BANK LIMITED**  
**SALOMON BROTHERS INTERNATIONAL**  
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 Dresdner Bank AG    Citicorp Creditbank    Credit Bank of New York  
 European Bank Ltd    European Bank Ltd    European Bank Ltd  
 The Netherlands    The Netherlands    The Netherlands  
 The Netherlands    The Netherlands    The Netherlands  
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Figure 2

company in the Netherlands Antilles. That company in turn issued securities which were then sold to the customers of institutions ranging from the Bank Paribas all the way to Yasuda Trust Europe Limited.

What this really means is that the money for our mortgages in Michigan does not necessarily come from little savings accounts in local S and Ls, but rather from the global market. The point to keep in mind here is that, because of certain technical factors, the S & L was able to obtain these funds at roughly 50 basis points over treasuries, which for any S & L in the United States is quite an achievement.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities.  
 The offering is made only by the Offering Circular.

New Issue February 5, 1986

**NZ\$100,000,000**

**SallieMae**

**Student Loan Marketing Association**

**Floating Rate New Zealand Dollar Notes Due February 26, 1991**

Interest on the Notes is payable quarterly on February 26, May 26, August 26 and November 26 of each year, commencing on May 26, 1986. Interest will accrue from February 26, 1986. The interest rate on the Notes will be determined for each Interest Period as a rate per annum 75 basis points below the average of the selling rates quoted by the Reference Banks for New Zealand dollar 90-day Bank Bills prevailing on the first day of such Interest Period. The principal of the Notes is due in full on February 26, 1991. The Notes are not subject to redemption prior to maturity.

**Price 100%**  
Plus accrued interest, if any, from February 26, 1986.

Copies of the Offering Circular may be obtained in any State in which this announcement is circulated from only one of the Underwriters, including the undersigned, or may be furnished upon request to such State.

**Bear, Stearns & Co. Inc.**  
**Morgan Guaranty Trust Company of New York**

**Goldman, Sachs & Co.**    **Morgan Stanley & Co.**    **Shearson Lehman Brothers Inc.**

**BankAmerica Capital Markets Group**    **Banque Bruxelles Lambert S.A.**  
**Banque Paribas Capital Markets**    **Kredietbank N.V.**

Figure 3

My next example (Figure 3) illustrates another method used by firms to access international markets. Many of you are familiar with the Student Loan Marketing Association, having attended the U of M on student loans. This ad makes it seem as if they have been so successful that they are now making student loans in New Zealand. However, if you look at the group of financial institutions that helped them launch the issue and placed the paper, there is not a single New Zealand entity among them. The fact is, New Zealand has little to do with the whole transaction.

What was done here was that paper was placed with various U.S. investors who — for one reason or another — like a high coupon. New Zealand or Australian dollar paper represent two of the few reasonable currencies around that still have double digit coupons. And through the miraculous "swap market," which is only about five years old, it is possible to exchange these New Zealand coupons for U.S. dollar coupons. Sallie Mae goes to financial institutions and says: if you will service our New Zealand dollar debt we will, in turn, service the equivalent U.S. dollar debt. And this paper here has sex appeal because while it is denominated in New Zealand dollars the creditor is a U.S. agency whose obligations many people believe to be virtually as safe as U.S. government paper, and probably they're right.

What happened here was that Sallie Mae got a very good rate on something they didn't need — namely, New Zealand dollars. But through the swap market, they exchanged one liability for another that they wanted: (inexpensive) U.S. dollar debt. The result is that Sallie Mae gets a funding advantage in U.S. dollars to fund U.S. dollar student loans.

Finally, an example closer to home (*Figure 4*). It is a more complicated but a similar story involving, just about a year ago, Ford Motor Credit Company. The story behind this transaction is quite interesting if you put it in the context of what Professor Prahalad was describing in his talk. While the Japanese have obviously come on strongly in terms of production technology, strategy, marketing, etc., their financial system in some respects is fairly archaic and inefficient. Thus it was possible for Ford Motor Credit Company to bring out a security with a yen coupon that pays U.S. dollar principal. Without bothering you with the gory details, the story behind this financial innovation is simply the exploitation of an imperfection in the Japanese financial market. Because of antiquated rules and regulations certain Japanese institutional investors (primarily insurance companies and trust companies) who collect funds from savers — have a great appetite for paper which has a high coupon. Those of you familiar with financial markets will find that 8% for a yen security is an outrageous rate that we haven't seen for a long time. A credit like Ford Motor Company in yen should probably have a coupon of roughly six percent. However, by offering the Japanese institutional investors a yen security with a very high coupon, they are able to also give them a very poor rate for principal conversion. The principal here is fixed in dollars at a very unfavorable forward rate for the investor. Again, through a relatively complicated swap transaction — where the yen coupons are exchanged in a sort of forward market for dollar coupons which

Figure 4

are then subsidized through the lower rate that the investors get on the principal — what it all boils down to is that Ford Motor Company saves itself about 50 to 100 basis points on a net basis in order to make car loans right here in the United States.

To sum up: the global financial market is a fact which has several implications for companies. First, the excuse (if it ever was a valid one) that foreign companies have access to capital at an artificially low rate is gone. As a matter of fact, because of the greater efficiency of the U.S. markets, and most importantly, U.S. institutions, I think U.S. companies take more than their fair advantage of distortions in Japanese capital markets.

Second, unlike much of the manufacturing industry, the U.S. financial service industry is doing quite well in global competition. A study that Dr. Adrian Tschoegl, assistant professor of international business, and I have just completed for the research office of the U.S. Congress, shows that the markets for international financial services by and large are increasingly dominated by U.S. financial institutions. And these financial institutions seem to have all the things necessary for success in global competition: imagination, drive, and an appetite for risk.

### 3 Ed Miller Discusses a Redefinition of the Field of HRM



Edwin L. Miller, professor of industrial relations and associate dean of research and the Ph.D. program.

**Ed Miller's research interests focus on the links between corporate international strategic planning and strategic human resource management issues; the relationship between management styles of expatriate managers and the effectiveness of American multinational corporations' overseas subsidiaries; and mid-career decisions of professional and technical personnel in high technology industries. He currently participates in a wide range of executive development programs and serves as a consultant in the area of selection and development of managerial people. He holds the BA and MS from San Jose State College and the Ph.D. from the University of California, Berkeley. He joined our faculty in 1964.**

As Americans, we are learning that we no longer have a monopolistic advantage on management. What we're finding very painfully as we go abroad and begin to compete with corporations from other parts of the world, is that there are a variety of ways to manage and to manage very effectively. Americans are just beginning to discover that.

In my area — human resource



management, or as it used to be called, personnel, a redefinition of the field is going on. I'd like to identify four important dimensions of the field and then talk a little about how these dimensions are being played out in the international arena.

One dimension, of course, is the traditional personnel function which includes staffing, performance appraisal, training and development, and rewards. But there is much greater emphasis today on how all these factors contribute to what the organization is going to accomplish. The days are over when the human resource activity was a body unto itself, somewhat isolated from the rest of the organization.

A second dimension is the emphasis being placed on the fit between the needs and skills of the individual employee and what the organization's concerns and demands are. This is particularly evident when one asks questions about technology transfer overseas. How does one introduce technology into a labor force that may not be as well educated as the U.S. labor force? What kind of technology can be transferred overseas, given the labor force there?

A third dimension is associated with an increased emphasis on the part of human resource people in developing a general management perspective. That's a significant change. Today there is more of an emphasis on commitment to organizational goals. Human resource people are now beginning to be concerned about questions of how to staff the organization overseas. What does the enterprise do about training and development overseas? Rather than the more limited and operational, although important, question about the date and time the expatriate and family must board the airplane for the overseas assignment.

A fourth thing I am beginning to see is that the human resource activity is beginning to conceive of itself as a management tool. Where does the human resource function overlap with the strategy of the corporation, particularly in the international area? Human resource

management has not yet reached the status that finance or marketing or manufacturing has in terms of strategy, but we're beginning to see more overlap.

In the international arena, there are several important questions that concern human resource professionals. Staffing for the overseas operation is crucial. Because in an international operation one is unable to discover poor performance until well after it has occurred, and that's somewhat different than what is found domestically. It may be some time before the corporation at home realizes that there has been ineffective performance overseas, and there could be very serious consequences associated with that.

As we look at overseas development activities, one may find that he or she is too often looking at performance from a short-term perspective, and focusing more on technique-oriented issues than on how performance relates to other activities in the overseas operations. Why send people overseas? What kinds of experiences does the firm want them to have? Where does management hope they will ultimately go within the corporation?

Another question is — do most American corporations see themselves as domestic corporations with overseas operations, or do they see themselves as global corporations whose headquarters happen to be in the United States? The answer to this question will influence the staffing practices, the training and development activities, the reward system and the performance appraisal process for expatriates and host country nationals. Traditionally American corporations have viewed themselves as U.S. firms doing business overseas, and, consequently as Americans they know best. In such cases, foreign employees can anticipate limited advancement up the executive hierarchy and little influence in the management process. That is beginning to change.

Organizations are beginning to look at their overseas staffing in terms of strategy, and to ask the

question, what qualifications must an executive or manager have if our global strategy is to be implemented? A second, and closely related issue, is how does the management development program fit into the strategy of the organization?

Another level of concern I have pertains to performance appraisal systems in terms of implementing and fulfilling the strategy of the corporation. As Americans we tend to accept performance appraisal as one of those God-given things we have to deal with. But in some cultures there is a tremendous resistance to even the thought of performance appraisal. In other situations, foreign managers will go through the process in a very perfunctory way and just do it because they have to. The tragedy here is that those data are then brought back to the U.S. and become part of the overall multinational intelligence system in which decisions are made about posting person A to job B, and so on down the line. We need to be aware of different cultures and what they say (or think) about performance appraisal systems.

Now, where does the reward system begin to fit into this? Traditionally, money drives American reward systems. But in other parts of the world people may perceive rewards coming from other things, such as the status and prestige they have in their jobs.

It's only in the past five or ten years that we are beginning to see a redefinition of the field of human resource management. Human resource issues are being discussed continuously by top management, and there is more emphasis now on how the human resource function must contribute to the overall success of the firm.

We are now seeing examples of leading corporations developing their human resource function and including the human resource people in the whole range of discussions on the strategy of the firm. I hope that trend is going to pervade American industry across the board, especially as the American corporation competes in the global marketplace.

# Introducing the Visiting Committee

*The Visiting Committee is composed of distinguished corporate executives who meet twice a year at the School. The Committee is organized to provide a forum for communication between the School and the community; to advise the faculty and administration on plans, programs, and research activities; to counsel the faculty and administration on ways of anticipating and responding to the changing needs of management in a wide variety of institutions; and to consult with and give advice to the Dean about the overall program and plans for the School. Members of the committee are listed below. On the following pages we bring you pictures of those members of the committee who were present at the fall meeting, with the exception of William Davidson and Roslyn B. Payne, both of whom had to leave the meeting before our photographer arrived.*



## *Members of the Committee are:*

TERENCE E. ADDERLEY  
*President*  
Kelly Services, Inc.

FREDERICK M. ALGER  
*President*  
Fred Alger & Company, Inc.

JOSEPH A. BOYD  
*Chairman*  
Harris Corporation

EDMUND M. CARPENTER  
*President*  
ITT Corporation

WILLIAM DAVIDSON  
*Chairman, President, Chief  
Executive Officer*  
Guardian Industries Corporation

ROGER T. FRIDHOLM  
*President*  
The Stroh Brewery Company

ALLAN D. GILMOUR  
*Executive Vice President  
and Chief Financial Officer*  
Ford Motor Company

J. IRA HARRIS  
Salomon Brothers, Inc.

FRANK M. HENNESSEY  
*President and Chief  
Operating Officer*  
Handleman Company

TODD W. HERRICK  
*President and Chief  
Executive Officer*  
Tecumseh Products Company

JESSE M. HILL  
*President and Chief  
Executive Officer*  
Atlanta Life Insurance Company

KARL F. HOENECKE  
*Chairman and President*  
Federal Signal Corporation

WILLIAM E. HOGLUND  
*Vice President and  
Group Executive*  
Buick-Oldsmobile-Cadillac

JOHN W. MADIGAN  
*Executive Vice President*  
Tribune Company

DONALD R. MANDICH  
*Chairman*  
Comerica Incorporated

DON. T. MCKONE  
*Chairman of the Board*  
TRINOVA Corporation



VINCENT R. McLEAN  
*Chairman of the Board*  
 Magma Copper Company

THOMAS S. MONAGHAN  
*President and Chairman*  
*of the Board*  
 Domino's Pizza

SOUTHWOOD J. MORCOTT  
*President and Chief*  
*Operating Officer*  
 Dana Corporation

JOHN C. MORLEY  
*President and Chief*  
*Executive Officer*  
 Reliance Electric Company

ROBERT G. NICHOLS  
*Partner*  
 Price Waterhouse

ROSLYN B. PAYNE  
*President and Chief*  
*Executive Officer*  
 Federal Asset Disposition  
 Association

FRANK P. POPOFF  
*Executive Vice President*  
 The Dow Chemical Company

CECE SMITH  
*Partner*  
 Phillips-Smith Specialty  
 Retail Group

PHILIP L. SMITH  
*President and Chief*  
*Executive Officer*  
 General Foods Corporation

HAROLD K. SPERLICH  
*President*  
 Chrysler Motors

W. BRUCE THOMAS  
*Vice Chairman, Administration*  
*and Chief Financial Officer*  
 USX Corporation

W. PAUL TIPPETT  
*President*  
 Springs Industries, Inc.

JAMES A. UNRUH  
*Executive Vice President*  
 Unisys Corporation

HICKS B. WALDRON, JR.  
*President and Chief*  
*Executive Officer*  
 Avon Products

H. MARTIN WESTFALL  
*Vice Chairman*  
 Coopers & Lybrand



**W. Bruce Thomas**  
*Vice Chairman, Administration  
and Chief Financial Officer*  
USX Corporation

**Joseph A. Boyd**  
*Chairman*  
Harris Corporation

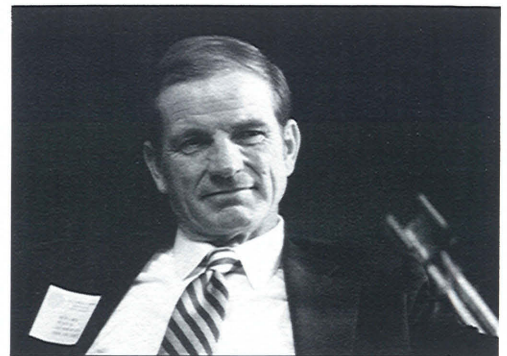


**Todd W. Herrick**  
*President and Chief Executive Officer*  
Tecumseh Products Company



**H. Martin Westfall**  
*Vice Chairman*  
Coopers & Lybrand

**Frederick M. Alger**  
*President*  
Fred Alger & Company, Inc.



**Philip L. Smith**  
*President and Chief Executive Officer*  
General Foods Corporation

**John C. Morley**  
*President and Chief Executive  
Officer*  
Reliance Electric Company

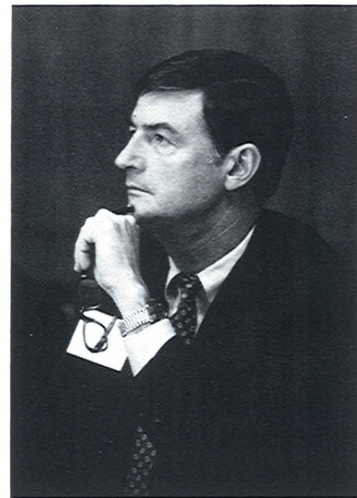


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*Vice President and Group Executive*  
Buick-Oldsmobile-Cadillac

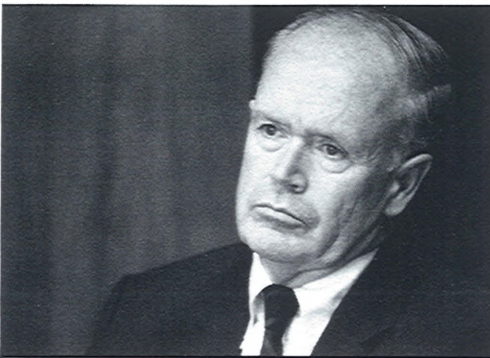


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Phillips-Smith Specialty Retail Group



**Southwood J. Morcott**  
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**Allan D. Gilmour**  
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*Financial Officer*  
Ford Motor Company

**Hicks B. Waldron, Jr.**  
*President and Chief Executive*  
*Officer*  
Avon Products



**W. Paul Tippett**  
*President*  
Springs Industries, Inc.



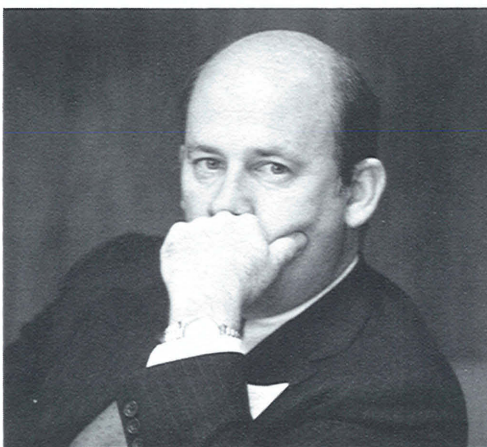
**John W. Madigan**  
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*Chairman and President*  
Federal Signal Corporation

**Vincent R. McLean**  
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**Edmund M. Carpenter**  
*President*  
ITT Corporation



**J. Ira Harris**  
Salomon Brothers, Inc.



**Roger T. Fridholm**  
*President*  
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**Terence E. Adderley**  
*President*  
Kelly Services, Inc.

# Leadership, Leadership, Leadership

## *A Drama in Three Acts*

**I**n an increasingly cutthroat international business environment, the changes American organizations are being asked to make are not marginal, they are fundamental; their nature is revolutionary, not evolutionary. The need is for leaders who have the courage and imagination to change our corporate lifestyles. “The purpose of our book,” say Tichy and Devanna, “is not to present actions for managers to imitate, but to spread a new way of thinking about corporate transformation as an everyday way of acting.”

This book describes the drama of corporate protagonists involved in major organizational overhauls or transformations. They are self-acknowledged change agents. Their organizations were accessible to the authors for interviews and case materials, and with the exception of Lee Iacocca, all the leaders were interviewed in depth.

The Transformational Leader

focuses on four dramatic tensions in organizations:

- 1) *the struggle between the forces of stability and the forces of change*
- 2) *the dramatic tension between denial and acceptance of reality*
- 3) *a struggle between fear and hope*
- 4) *a struggle between the manager and the leader.*

Twelve organizations, their situations and their change agendas are explored. Tichy and Devanna report on what each leader has done so far to transform the organization, then look at the challenges still remaining. As they explain, “We do not know whether [our protagonists] will ultimately win; thus we want readers to be aware of the challenges they still face as we examine their leadership actions. These dramas will continue right into the 1990s before we can judge the degree of their success.”

The book is organized along the lines of a three act play. Act One is entitled: “Recognizing the Need

for Revitalization.” Here the drama focuses on recognizing the need for change, overcoming resistance to change, and avoiding the “quick fix.” Act Two, entitled “Creating a New Vision” involves diagnosing the problem, creating a motivating vision, and getting people signed on to the mission. Act Three, “Institutionalizing Change” includes chapters on reweaving the organization’s social fabric, making the bureaucracy behave, and motivating people. All these topics are addressed through the protagonists’ experiences: how they assessed the problems they were facing in their organizations; what strategies they developed; and how they carried them out. *The Transformational Leader* is rich with quotes from interviews, along with descriptive material to put the quotes in context.

What follows is an excerpt from Act One, Scene One:

**From the book, “The Transformational Leader” by Noel M. Tichy, Professor of Organizational Behavior and Industrial Relations, and Mary Anne Devanna, Research Coordinator of the Management Institute at Columbia University. Published by John Wiley & Sons, 1986. Reprinted by permission.**



## Asking the Basic Questions

Why do transformational leaders, like the Biblical prophets of old, often find themselves crying in the wilderness, trying to get people to change their ways before it is too late?

### *Because It Is Difficult to Overcome the Boiled Frog Phenomenon.*

The label comes from a classic physiological response experiment involving two live frogs, a pan filled with water, and a bunsen burner. The first frog is placed in a pan of cold water. The pan is then placed on a bunsen burner and the heat is turned up very gradually. If the change in temperature is gradual enough, the frog will sit in the pan until it boils to death. The creature could have jumped out of the pan at any time, but the change in its environment happened so gradually that no response was triggered in the frog and death ensued. This is a demonstration of the just noticeable difference threshold.

If we take the remaining frog and place it in a pan of water that is already boiling, it will not sit there but will promptly jump out — and survive. We can clearly continue to refine this experiment so that we can discover how great the change has to be in a given time period in order to get the frog to respond, but the analogy is clear. Like the frog, there are organizations that do not respond to trigger events in their environment in time to avoid catastrophic consequences.

Companies become boiled frogs because their threshold of awareness is set too high; they do not read changes in the environment until those changes have disastrous consequences for the organization. In the United States, cultural cocoons kept whole industries like steel, motorcycles, and consumer electronics from sensing the threat in the outside environment.

Some people believe that these events are inevitable — that little can be done to stem the decline and demise of organizations. Their versions of these dramas would put the fate of our protagonists and their organizations in the hands of the gods. We believe that the fate

## The Cast of Characters

The “cast of characters” in the book include:

**W. Michael Blumenthal**, Chairman of the Board and CEO, Burroughs (now Unisys) Corporation

**J. Jeffrey Campbell**, President, Burger King

**Alex Cunningham**, Former Executive Vice President, North American Automotive Operations; **Lloyd Reuss**, Executive Vice President, North American Passenger Car Group; and **Robert Stempel**, Executive Vice President, Truck and Bus Group and Overseas Group, all of General Motors Corporation

**Frederick S. Hammer**, Executive Vice-President, Chase Manhattan Bank (currently CEO of Meritor)

**John Harvey Jones**, Chairman of the Board, Imperial Chemical Industries, London, England

**Lee Iacocca**, Chairman of the Board and CEO, Chrysler Corporation

**Mary Ann Lawlor**, CEO, Drake Business Schools

**James J. Renier**, Vice Chairman, Honeywell Inc.

**Jack D. Sparks**, Chairman of the Board, CEO, and President, Whirlpool Corporation

**Edward A. Thompson**, President, Schneider National-Eastern Carrier Group

**John F. Welch**, Chairman of the Board, General Electric Company

**A. M. MacKinnon**, Former President and COO, CIBA-GEIGY

of these organizations rests in the ability of their leadership to deal with the forces of fate and the competition.

### *Do All Transformational Leaders Face the Same Resistance in Organizations?*

No, the irony is that transformational leaders frequently find the effort they must expend in convincing the organization of the need for change is in inverse proportion to the urgency of the situation. At one end of the spectrum we find Lee Iacocca, who assumed command of Chrysler when the situation was so grave that he had little convincing to do; at the other end we find leaders like John Akers of IBM trying to create a sense of urgency about the company's need to fulfill its potential to become a \$185 billion company in the next decade.

One of the most difficult transformational tasks is to create a sense of urgency before there is an emergency. Time sometimes runs out and the transformational leader

is forced to take action before he or she has obtained total commitment. Jim Renier talked about the process at Honeywell and the problems he faced when he had to take action before certain people were committed. He was frustrated because key people “continue to look at the old situation, at the way things were, at what was being done and continually parrot that there was nothing wrong with it. I think those people need counseling, they need help, they're not well. And again, I'm not saying they're nuts, they're stuck. They can't get out of it. They need more than I can give them and I haven't got the time.”

*Why Can't They See Parallel Situations in Books Like In Search of Excellence or A Passion for Excellence?* Reading about how Ray Kroc built McDonald's, or how Tom Watson turned IBM into a great organization, or how Procter & Gamble and Johnson & Johnson continue to carry out their founders' entrepreneurial visions

does not help much when the problem is revitalization. The difference is that the histories of those companies contain myths and legends that reinforce some important organizational values, whereas the histories of companies in need of revitalization contain myths and legends about bad habits that must be broken. The organizations will have to solve problems and develop systems that are in sync with the current environmental conditions, not those of the past. The entrepreneurial organizations described by Peters and Waterman generate enthusiasm and excitement for the future by building on their past. Leaders who want to revitalize organizations must generate a similar level of energy to face a future that is different from the past.

***How Can Leaders Effectively Transform Their Organizations?*** To lead effectively in turbulent times we must return to basic questions about the nature and purpose of the organization in question. A reexamination of its technical systems undoubtedly will result in a new mission and strategy. It should also result in a major revamping of the financial, marketing, production, and human resource systems as well so that they will drive the organization toward the new goals.

This technical realignment will force a consideration of the political allocation system in most organizations. In many, new criteria will determine who gets ahead, how they get rewarded, and who has the power to make decisions. And, finally, they must look at the values and beliefs they have helped to instill in their members and ask if this culture supports the change the organization wishes to make. Because of the dynamic nature of organizations these systems rarely reach a state of equilibrium where they do not require some attention, but the major initial wrenching that is necessary will provide a major challenge to transformational leaders.

***The Strategic Rope.*** The TPC issues can be seen as three

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***“In the United States, cultural cocoons kept whole industries like steel, motorcycles, and consumer electronics from sensing the threat in the outside environment.”***

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intertwined strands of a rope. The rope metaphor underscores several points. First, from a distance, individual strands are not distinguishable. Similarly, a casual observer cannot distinguish the TPC systems in organizations. Second, close examination of the rope will reveal that each strand is made up of many substrands, just as close examination of organizations will reveal many TPC systems. Finally, the strength of the rope depends not only on the strength of the strands that make it up but also on their connection. A rope can unravel; an organization begins to come apart when its systems work at cross-purposes.

While the entrepreneurial founder of an organization weaves the rope from scratch, the transformational leader must unravel the old rope and reweave it. The task of the entrepreneur is difficult and the failure rate among new ventures bears testimony to that fact, but it is an essentially different problem from that faced by the transformational leader. People and organizations find this situation difficult, and human nature throws its weight on the side of resistance to change or failure to revitalize.

If we examine the leadership challenges, it will help to reflect on the basically conservative nature of people and organizations. Technically, people approach their work in a way that reduces it as quickly as possible into a standardized routine. This has been established not just for people working at fairly routinized tasks but with top-level managers as well. Research supports the notion that people try to use their successful solutions even in situations where they are not the best fit. Similarly,

people reduce uncertainty in the political arena by instituting fairly stable power relationships in groups. While it takes longer to establish the cultural values in a group, these values become the most stable and the most difficult to change. The rope is not only a metaphor for what exists in organizations but also for what gets woven into people's thinking. Their view of the TPC order of things provides a filter through which they view the world. To preserve the integrity of their world they interpret events in a way that makes them congruent with it. To do otherwise would be disruptive and lead to uncertainty. This explains why there are thousands of people working in the automobile industry who choose to interpret the events of the last five years as a severe business cycle. To do otherwise forces them to raise serious questions about the global competitiveness of the industry and its ability to survive over time.

***Environmental Triggers Don't Always Trigger a Response.*** When we discussed the boiled frog phenomenon or “just noticeable difference threshold” dilemma, we pointed out that one of the principal problems faced by organizations is that they tend to set too high a level for detecting problems. This becomes more understandable when we see people struggling to maintain a coherent view of their world. Transformational leaders must first adjust their own threshold so that they can make a more sensitive reading of environmental triggers, and then they must lower the threshold for key members of their organization.

Lowering the threshold is no easy task, as people can go to great lengths to protect their view of the world. The “world is flat” view took many years to change. Transformational leaders frequently face the challenge of shifting existing paradigms. While market analysts in other industries consistently looked to California for early signs of shifts in consumer preferences, American automobile executives dismissed the signs.

It seems almost unbelievable, in retrospect, that during the 1970s the Detroit automobile mentality filtered the California car market data in such a way that the beginning of a national preference for foreign made cars could be dismissed as idiosyncratic. They would not respond to this trend until the early 1980s, after domestic market share had eroded significantly.

Once people become sensitized to triggers for change, the transformational leader must find ways to deal with the plethora of often conflicting signals coming from a variety of stakeholders. This network of customers, suppliers, employees, investors, financial institutions, and governments presents its demands to the organization. Embedded in the messages are the first early warnings of the need for change. For two decades customers of automobile and steel companies were sending signals that the product and price were not meeting their needs. The current crisis in the steel industry and the continuing battle in the automobile industry bear testimony to the fact that the messages were ignored.

Often the organization finds it necessary to signal employees about the need for change by bringing in an outsider to head up a key operation or business. Some of our protagonists were put in their positions to deal with deteriorating situations in the organization. They were Blumenthal at Burroughs, Hammer at Chase Manhattan, and Thompson at Schneider Trucking. All came with a clear mandate to revitalize the organization. Their first challenge was to trigger a felt need for change among key members in the organization. In all cases this turned out to be a difficult task. Bringing in an outsider has both advantages and disadvantages — clearly these individuals do not identify with the past and feel no responsibility or guilt for its shortcomings. On the other hand, they have no formal networks they can depend on or chits they can call in to accomplish their agenda for change.

One could argue that the choice



of some of the insiders was also a signal to the organization that change was required. John Harvey-Jones feels he would not have been the logical choice for chairman if things had been going well. Clearly, Renier was promoted to address a deteriorating situation at Honeywell Information Systems, and the appointments of Welch and Campbell to head up General Electric and Burger King, respectively, at relatively young ages was a signal to the organization that the old way of doing things had to change.

Visionary insiders experience the greatest difficulty in sounding the alarm that all is not well. Their presence is usually a sign that things have not reached the critical stage that would bring an outsider aboard. On the other hand, this lack of urgency places them in the position of trying to turn up the heat on colleagues and introduce uncertainty in their lives when most sense no emergency. This is the challenge that both Jack Welch at General Electric and Roger Smith at General Motors face. They must find ways to lower the threshold of awareness for key organizational members so that the need for change is felt before the situation becomes critical.

### **How to Create a Felt Need for Change**

One simple way of stirring things up is by forcing managers and professional employees to become

externally focused. Activities that help to keep organizations in the mood for revitalization include:

1. **Challenge the Leader.** One of the greatest failings in most organizations is that there is no one to tell the emperor that he has no clothes. Effective transformational leaders must develop mechanisms that provide dissonant information and surround decision-makers with people who can operate effectively in the role of devil's advocate.

Our protagonists vary greatly in their ability to provide an environment where this challenge can take place. Strong leaders must learn to be listening leaders as well. A frequent complaint voiced about these leaders is that it is hard to get them to listen patiently. The point is that strong, dominant leaders often are their own worst enemies when it comes to stirring up challenges to their views, even when they sincerely want such challenges.

2. **Build External Networks.** People pay the most attention to networks that tend to be reinforcing. Listening to colleagues at the Business Round Table, the Conference Board, and trade and professional associations tends to provide redundant views of the world. There is a strength in weak ties, and transformational leaders need to cultivate networks made up of individuals with different views and concerns. Differing views of the world can keep the threshold at a lower setting.

3. **Visits to Other Organizations.** Seeing the way other companies, especially those in Western Europe and Japan, do things can have a profound impact. When General Electric began taking manufacturing people to Japan, the managers had feelings that bordered on terror when they realized that Japanese companies were frequently turning out products with half the number of employees and significantly lower defect rates that competed with their own products. It is not only senior line executives who need to be exposed to the world outside the organization's walls. Middle managers and technical and professional employees need to look outside for the benchmarks of

excellence. We frequently talk with senior management teams who are convinced that their company must change, yet further down in the organization an arrogance about past success causes middle managers to turn a deaf ear to suggestions that all is not well.

4. **Management Processes.** A powerful vehicle for creating a felt need for change can be built right into the management processes. Thus when General Electric changes the budgeting process from one that measures progress against last year's results to one that measures progress against a competitor's progress in a given business, the stimulus for change becomes both more powerful and more relevant.

Intellectually, people may acknowledge the need for change, but emotionally they may not be ready to deal with it until a serious event causes them to face up to the changes that occurred. John Harvey-Jones said the clear trigger moment at ICI was **"the first time we had turned a loss in one quarter, it was the first loss that we had turned since the company was set up. As a result we had to cut our dividend."**

Our protagonists varied considerably in terms of the urgency of their situations. Blumenthal, Harvey-Jones, Lawlor, and Renier were more clearly grouped at the same end of the spectrum as Iacocca and Chrysler. Their organizations had reached the point where the balance sheet clearly testified to the gravity of the situation. Don MacKinnon felt that CIBA-GEIGY's performance in the United States was sluggish, but the overall health of the parent company did not create a great sense of urgency. Thompson was jolted by a significant restructuring of the trucking industry brought about by deregulation. Hammer was brought into Chase specifically to deal with the implications of similar deregulation in the banking industry. Campbell, like Hammer, felt that he had been handed the job of turning the organization around. Cunningham, Reuss, and Stempel led an organization that had recently experienced the first loss in its history, but which

commanded considerable assets to address its problems. Finally, Jack Sparks, like Jack Welch, inherited a successful, highly profitable company in no immediate danger and took on the task of convincing the organization that they faced long-term threats from global competition if they did not significantly alter the way they did business. Thus each protagonist's drama began differently, but the difficulties they faced in convincing people that change was necessary and that the state of readiness for change must always be present bore remarkable similarities.

The ideal situation for a leader would be to manage an organization whose transformational challenge is not to avoid disaster but to defend a position of industry dominance through constant vigilance. The task is not easy, but organizations that cannot find the will to respond until the threat is severe are surely playing a game of Russian roulette, and the day will come when the trigger will activate a mortal wound instead of a near miss.

### Spreading the News

Information about the environment that the organization faces should be widely disseminated through the organization so that all of its members understand the challenge. In Japan at Canon, the workers see a poster when they come to work each morning. The message is that Canon wants to beat IBM in the telecommunications field by the year 2000. For Americans, this might seem bizarre. Canon is a relatively small company — why focus the workforce on this goal? Canon's management believes that the challenge of taking on a world-class company will keep everyone focused on their long-term objectives.

While most American companies seem to pass on information about the competition on a need to know basis, the Japanese make sure their workers have full information about their competitors' products, manufacturing processes, and strategies. The argument is that everyone must assume a leadership role in helping the organization

to meet its goals, and it is exciting to see the energy that gets released when people are able to place their work in a larger context.

The formidable challenge facing transformational leaders can be met only by enlisting everyone in the organization and giving them responsibility for helping to ensure the viability of the company. Transformational leaders, having sounded the warnings to the organization, must now move into the second scene of the first act, where they will come to understand why there is so much resistance to change.

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*About the authors:* Noel M. Tichy, Professor of Organizational Behavior and Industrial Relations at the Business School, is currently on a two year leave of absence to head up the Management Development Institute at the General Electric Company. He consults widely in both the business and public sectors, is the author of *Managing Strategic Change* (Wiley, 1983) and editor of *Strategic Human Resource Management* (with Charles J. Fombrun and Mary Anne Devanna) (Wiley, 1984) and is also the editor of the *Human Resource Management* journal.

Mary Anne Devanna, Research Coordinator of the Management Institute at Columbia University, is the editor of *The Columbia Journal of World Business* and has done extensive research and writing on the role of women managers in American corporations. She formerly was the director of advertising at Longines and now works in the development and delivery of executive education programs at Columbia University.



*Michigan's Artrain, complete with graffiti by contemporary "wild style" artists, parks by the Renaissance Center in Detroit.*

# How to Turn a Train Around

*Dan O'Leary, MBA '84, Used Skills He Learned at the Business School, Along with Entrepreneurial Talent, to Get Michigan's Artrain Back on the Track*

**By Caroline Bermudez**

**T**he second week on the job as Director of Artrain, Dan O'Leary, MBA '84, had to write a personal check to fill up the train with fuel oil. That's how bad things were. Michigan's innovative art museum on wheels was about to be permanently derailed.

"I never worked harder in my life," says Dan, looking back over those first three difficult months. "It was a grim process. I worked 18 hours a day and looked forward to the weekends because I could put more time in then with fewer distractions. Even so, I thought I was probably going to fail."

Obstacles included huge accounts payable, dwindling corporate support, and no source of revenue. "Three years before I came," explains O'Leary, "the train lost \$266,000 within an operative budget of \$510,000. Losses for the following two years were \$217,000 and \$261,000 respectively. The first

thing on my agenda was to cut costs drastically, and the second thing was to raise revenues dramatically. Virtually every single class I took in Business School — everything from accounting to organizational behavior to marketing — taught me something essential for this job."

When Dan, who, besides his MBA, also holds a Ph.D. in art history from Michigan, became Director of Artrain in August of 1985, one of the biggest problems he faced in cutting costs was the structure of the organization itself. He explains, "The organization had a bad habit of hiring outside services . . . public relations people, printing experts, legal assistants . . . to solve in-house problems. We didn't need such specialized people. What we needed was a versatile staff. We needed a complete reorganization of the structure. Each person had to re-evaluate his/her job to make the

job descriptions reflect the kind of work they needed to do.

"Many of the difficulties were OBIR difficulties," Dan continues. "I found myself struggling to remember what professor so-and-so said about communication, about motivation. Communicating with your employees, understanding them, helping them organize their time, organizing your own time, are incredibly tricky problems, even in this little organization.

"I found that the most fruitful thing was to sit down and discuss with the employees, hear their problems, show them that I trusted them and wanted their input and needed them. And boy did I need them! There was no time to have the luxury of learning the organization slowly. So communication was especially important.

"I used to think you just fired

people whose attitudes weren't right because it must mean that they weren't very good as employees," Dan reflects, looking back on his staffing decisions, "but I've found that's not true; some of your best employees can be caught up in a corporate culture that is no longer appropriate, that is no longer consistent with your needs. I learned that even in a tiny little organization it's not easy to change things. It can be like a tug-of-war. People don't like to have their approaches challenged."

Cost-cutting measures included moving the office to Ann Arbor from downtown Detroit, thereby lowering rent, and cutting down on expense account items. "For instance, I didn't let people drive if I thought they could handle the situation over the phone," explains Dan, who paid all his own expenses for the first year and went without a company car, a luxury his predecessor enjoyed.

The cost cutting wasn't easy on any level, but there were particular difficulties with breaking contracts. "We had about 10 long term business contracts that couldn't be broken," says Dan. "For example, we had a computerized mailing scale that we rented. It was gorgeous, but it wasn't efficient, since sometimes we'd send out only three or four letters a day."

However, knowing that Artrain's very survival depended on breaking those contracts, Dan persisted. "I found that if you make enough noise and prove to people that you're about to go out of business, they'll understand," says Dan, who eventually was able to break eight out of the ten.

But cost cutting measures were only the beginning. Essentially there was no money. In the four years before O'Leary came on board, Artrain had been living on endowment. When he took over, the endowment was locked up so that he didn't have that source of revenue any more. In addition, corporate contributions had been neglected and mismanaged and as a consequence had fallen to \$20,000. Here, O'Leary faced a brick wall.

"The hardest part was convincing people to give us another chance,"

he says. "I researched and wrote to hundreds and hundreds of corporations. After I'd been on the job about a month, through immense good fortune, I got an appointment with the Chairman of perhaps the most powerful banking organization in Michigan, who also had lots of interest in this kind of public-oriented project. I should have felt lucky just to talk to an assistant to one of the vice presidents, but here I was talking to this man, who was one of the major financial and philanthropic people in Michigan. He listened to me patiently for an hour and then said, "Absolutely not. I don't think this organization is going to survive."

Not only did Artrain survive, but it thrived. In the first year of Dan's stewardship, corporate contributions increased to \$74,000. Costs were cut by \$100,000. At the same time, the number of communities visited doubled, and so did the number of people coming through the train.

"I know how an entrepreneur feels and that's one of the great joys of this," says O'Leary. "The train has profit centers, it has products, and it has this incredibly satisfying once-a-year process where you add everything up and you are audited and the year-end financial report

shows exactly what the organization has done for itself and its constituents."

The success was achieved not only by cost cutting and by raising revenues, it was also a matter of selling the product. And a big part of competing effectively in the marketplace is packaging. "The train needs a package just like Gleem Toothpaste needs a package," says Dan. "But in this case, the train was almost 400 feet long. That calls for a pretty innovative wrapper to express the nature of the product inside." He pondered a good deal before coming up with an inspiration. He realized that basically, the train provided a 400 foot long billboard. He decided to cover that space with works done by good, contemporary "wild style" graffiti artists.

So far, so good, but actually turning the idea into reality wasn't easy. Originally, Dan wanted to have the cars painted in New York City, on the artists' own turf. New York was horrified. "No one in any public capacity, from the mayor's office on down, wanted anything to do with the idea," says Dan. In New York, graffiti and car paintings are viewed as vandalism and perfect examples of the inability of the



*Dan O'Leary (left), with artist Dondi, and a small fraction of the spray paint that was used.*

mayor, the police, and just about any other public servant you'd care to name, to control crime. Needless to say, permission was denied.

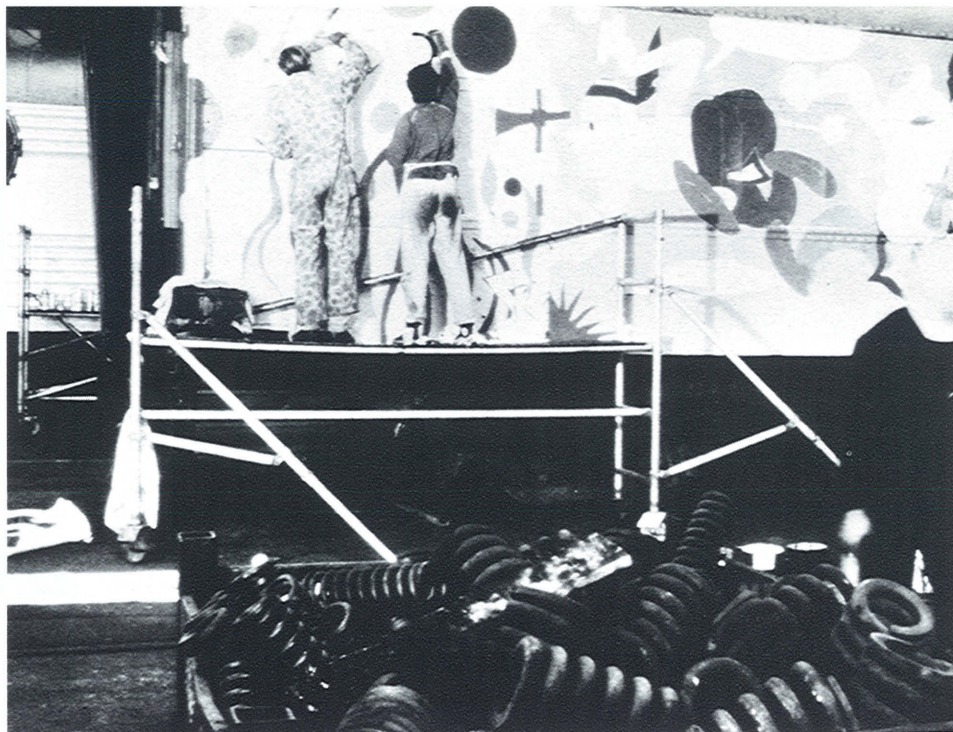
But Port Huron, Michigan, came to the rescue. At the Grand Trunk Western train yard, the staff and security people kept the yard open beyond normal business hours for the projects, and O'Leary flew the artists in from New York.

Twelve artists worked from 6 a.m. to midnight for four days straight, to make the train gaudy and gorgeous. Seven to eight hundred spray cans were used, and since this all had to be done indoors because it was the middle of winter, Dan says, "we all walked around for days afterwards with our lungs full of fumes."

Some of the artists did entire sides of cars by themselves, while others paired up to do cars together. "We were in these huge brick buildings 50 feet high . . . cavernous, 19th century, full of welding equipment and cold," reminisces Dan. "At the end of the fourth day, there was a blizzard. The locomotive came at midnight to haul the train away, and the final artist was still painting detail. They opened the doors of the building and all the snow blew in. This huge locomotive was waiting and this artist was still struggling on a scaffold adding the final touches to her piece. It was just an incredible scene."

Overnight, the train became a good photo story. The repackaging paid off in half a million dollars worth of free publicity over a six-month period. Not only that, T-shirts of the murals and color postcards of the murals helped quadruple the sales of the train's gift shop.

Comments O'Leary, "The tool that made all the difference in the world was situation analysis. All the marketing books start with situation analysis and you always want to skip over that and say, 'Yeah, but what are the magic techniques you can do to make your product a success?' The answer to that is, situation analysis. You have to analyze astutely and appraise the essence of your business and the opportunities that surround the competition. If



*Two artists put finishing touches on their creation.*

you do that right, the rest almost happens naturally.

"For instance, in doing a situation analysis on Artrain, I knew we had to appeal to all ages. Pop art and photo-realism work well for all ages. I also knew that we needed a more exciting, provocative Artrain. The train had been touring Michigan for 15 years, and was beginning to be taken for granted in this state. We needed to find ways to make it new. The idea for the graffiti came out of that analysis."

According to Dan, the most crucial issue is that Artrain be interesting both to young people and adults. He says, "Our audience on certain days is hordes of young kids climbing off buses to see the train; on other days, it may be their parents or teachers or the entire population of their town, since some towns we visit are as small as 2,000 people. And we have plenty of competition for their attention. We compete with television, and lots of children's activities like matinees, sports events. There has to be a variety of meaningful content for all age groups. Timing our hours is important. We have to understand school schedules and busing needs and demographics of each city. We also try to schedule our visits to cities during other events, such as art fairs, which help us draw larger crowds."

Artrain was founded in 1971 as a project of Helen Milliken, wife of former Michigan governor William G. Milliken, and the Michigan Council for the Arts. Its purpose is outreach, to bring art and the concept of a gallery to communities that have no regular access to such work. The train has been a non-profit corporation since 1975, soliciting the aid of railroads around the country. In its time, it has visited 230 communities in 26 states.

The 1986 run of Artrain was one of the most successful ever, attracting more than 82,000 visitors, but O'Leary is looking ahead. This spring, the train will be carrying art from the Cranbrook Institute and the murals will be painted by Michigan artists, all to celebrate Michigan's 150th birthday. In a good year in the past, the train has had ten or 12 invitations from communities who would like it to visit them. So far in this Sesquicentennial year for Michigan, Artrain has 47 requests.

In retrospect, Dan says, "It all came down to a classical marketing view. You decide what your mission is. You define strategy. Then you seek out tactics to implement that strategy. If you plan well, you will achieve your mission."

# Banking Program Shifts Its Focus to Industry in Transition

**F**inancial managers paging through the latest edition of Michigan's Executive Education catalog in search of "The Banking Executive Program" won't find what they're looking for. What they will find is "The Banking and Financial Services Program." And although at first glance the change may seem slight, the addition of those three words signals a major shift in both the approach and substance of the popular seminar, a shift precipitated by proportionately large trends in the financial services industry itself.

The newly constituted program at Michigan is designed to help financial services managers to succeed in the face of the tremendous transitions and upheavals that are now plaguing the industry. The program, which consists of two two-week sessions offered over two years, is aimed toward executives from all financial service organizations, including commercial banks, thrift institutions, brokerage houses, insurance companies, retail companies, finance companies, credit card companies, mortgage banks, and mutual funds.

"If bank management was ever a comfortable sinecure," says Associate Professor of Finance David Brophy, "it certainly isn't so in today's regulatory and economic environment. Financial service managers must contend with

increasingly sophisticated corporate treasurers and other buyers and sellers of securities; serious production bottlenecks; extremely advanced telecommunications and information processing technologies, and a market that is becoming more and more international. Given the fact that deregulation is here to stay, the pressure on financial service managers to plan, organize, and control their resources and strategies can only intensify in the years ahead."

Examples of the massive transformation are everywhere. As Ron Bendersky, associate director for the financial services program, points out, "General Electric Credit is now the same size as the largest bank in the country. American Express is suddenly in the banking business. Merrill Lynch and its money management account now competes with passbook savings accounts at banks, and banks are offering discount brokerage services and financial management consulting. For the consumer, there's been a bonanza of new options; for suppliers, an incredible increase in competition."

In response to such wholesale changes, Michigan's Executive Education Division has rethought and restructured what has been a mainstay program for over 30 years. The new seminar, which was

formally initiated this past summer on the Ann Arbor campus, had its beginnings in 1984 with extensive discussion among the core faculty — five senior Business School professors assigned exclusively to this particular program.

"Up until that time," recalls LaRue Hosmer, professor of corporate strategy and director of the new banking and financial services program, "the program had been a solid introduction to commercial banking practices. Although the topics have remained essentially the same, we have made substantial changes in the content and course materials."

By way of example, strategic planning — Hosmer's specialty — once focused solely on profit planning. "Now," he explains, "we've gone into a deeper, more sophisticated strata. We're more strategically oriented, more interested in how to analyze the competition, how to create a market niche, how to gain the competitive advantage."

The area of human resources, taught by Professor Edwin Miller, has undergone similar changes . . . changes which Miller finds "very exciting, because what we're now emphasizing is the critical variable of financial services management. Our presentation of human resources has moved to a much



broader perspective, away from simple personnel skills to an understanding of the links between human resources, corporate cultures, and the strategic management of the organization.”

Other areas have made the same kind of qualitative changes. Finance, for example, now focuses less on methodology and more on raising funds, valuing stocks and other current issues. Law and communications concentrates on topics such as mergers and acquisitions, product liability and deregulation. Those sections of the curriculum dealing with marketing now stress the use of innovation and creativity in developing new products and services, as well as new marketing strategies.

In reshaping the curriculum, the core faculty took adapting to change as their central theme. One of the major problems the group faced was in choosing an “umbrella” concept for both years of the four-week class. They settled finally on mergers and acquisitions, since that topic allowed them to address an array of related issues.

Thus, instead of the usual case studies, teams of first-year students now receive annual reports from major financial organizations and one small bank. Using the considerable resources of the Michigan Business School Library and the School’s impressive computing center, they are asked to identify likely candidates for a successful merger or acquisition. All this is in keeping with the program’s emphasis on group process and creative thinking or, in Hosmer’s words, “trying to help executives anticipate what’s happening in the market, particularly in the context of team interaction.”

During the second year’s two-week session, students prepare a case describing the present situation of a retail brokerage and investment firm that is not performing as well as it should be. Students will once again be divided into teams, with the task of recommending strategies for strengthening the company. They will be encouraged to explore all

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***“The course went far beyond any traditional nuts-and-bolts approach. It taught me to keep my ultimate goals in mind at all times. And that’s something I probably wouldn’t have learned from a basic banking program.”***

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possible avenues: structural changes, divestment, reward systems and incentives, methods for creating a more cohesive culture.

The inaugural class held this past summer on the Ann Arbor campus consisted of a total of 42 executives from a mix of financial service organizations throughout the United States, most of whom fit into the “ideal profile” for program participants: executives moving from functional or technical management areas — usually with titles such as Commercial Loan Officer or Director of Computer Services — into more general management positions with wide-ranging responsibilities. A typical work day for the group began at 8:30 and ended at 4:30, with an hour off for lunch and the prospect of homework for the evening. During the day, formal classroom sessions were augmented with assigned readings, team projects, group discussion and faculty forums.

The students themselves are reacting favorably and often enthusiastically to the new curriculum. For many of them, including William Kuffner, vice president of CitiBank, the most important part of the experience was the interaction with colleagues or, as Kuffner expresses it, “the opportunity to work with a group of financial professionals from over 25 different institutions and to realize that each one of us faced the same problems and experiences, and had something important to contribute to the group’s learning process.”

Other executives reported that the class had a major and, in some

instances, dramatic effect on their entire approach to management. A case in point is Judith Lalka, senior vice president and general counsel for Comerica. For Lalka, the first two weeks of the program served as a catalyst for a new way of working: “After I was back at work, I found myself thinking a great deal about the topics we discussed in class, particularly strategic planning and human resource development. Out of that learning and thinking came a restructuring of my entire department. The course went far beyond any traditional nuts-and-bolts approach. It taught me to keep my ultimate goals in mind at all times. And that’s something I probably wouldn’t have learned from a basic banking program.”

The changes in the financial services industry are not likely to subside. In fact, all indications — including internationalization of the market and the availability of advanced telecommunications — point to an acceleration of current trends. Thus, it would appear that the pressures on bankers and financial service managers are certain to increase. However, it would also appear that the Michigan Business School is living up to its mission of developing financial service managers who can deal creatively and successfully with this period of relentless change.

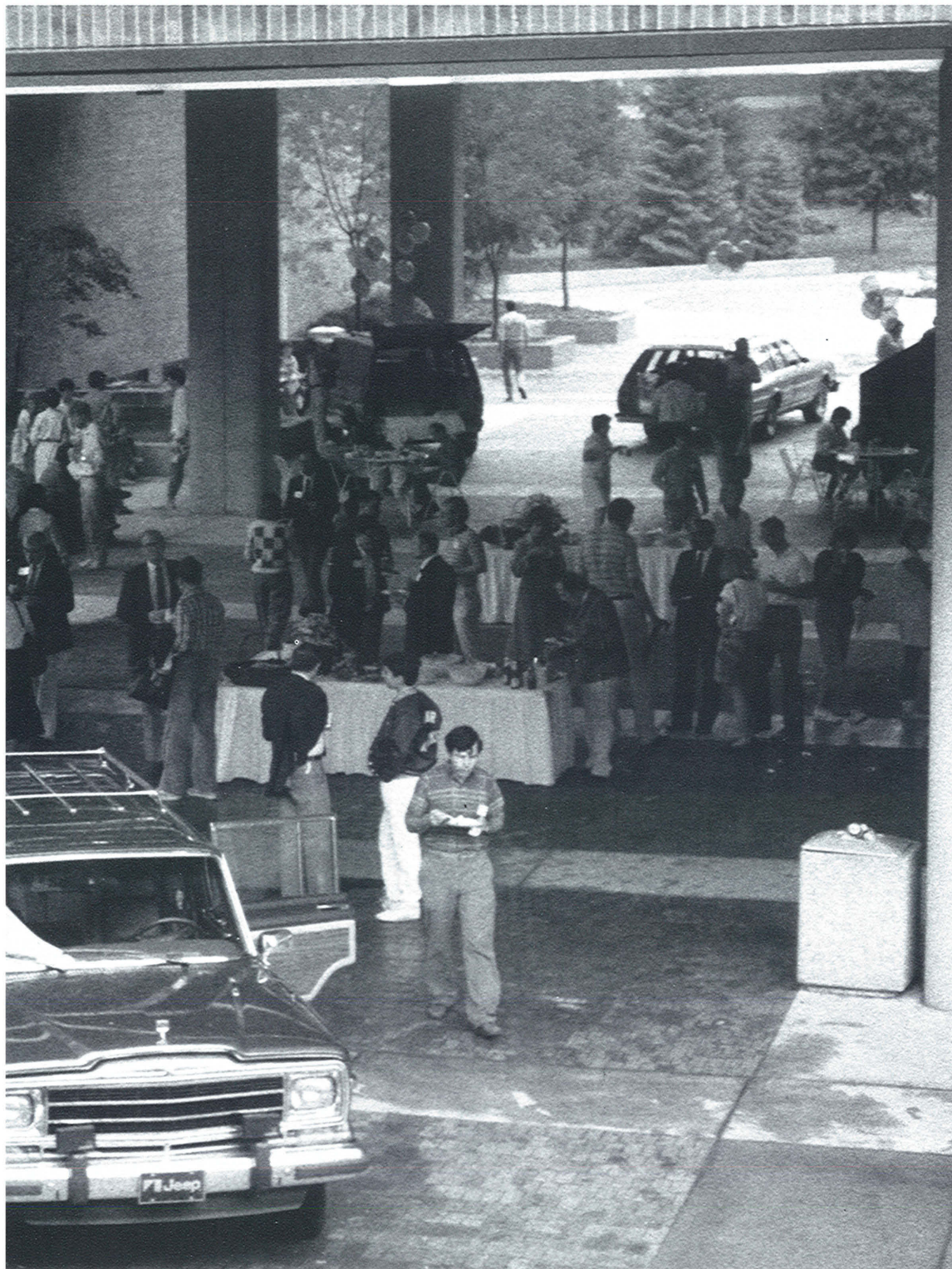
For information on the 1987 program, which will be held from May 3-15, contact Professor LaRue Hosmer, director of the program, at (313) 764-2325, or Ronald Bendersky, associate director of the program, at (313) 763-3154.

# Alumni Weekend



*The tailgate party held after the faculty forum on "The Global Marketplace" and before the UM-Florida State football game was c*

*Alumni return to enjoy a weekend that included a nostalgic bus tour of campus, a traditional tailgate brunch, a faculty forum, a football game, and a special "Dinner Through the Decades," with seating by class years.*



Whether their memories of the Business School included sock hops or sit-ins, the uncertain '30s or the turbulent '60s, returning alumni had a chance to reminisce and catch up on old times with classmates, and generally enjoy themselves at the third annual Business School Alumni Weekend.

Among the events was "Dinner Through the Decades," held in the dining room of the new Executive Residence, with seating arranged by class years. A highlight of the dinner was entertainment provided by renowned contralto Judy Dow Alexander, who sang popular songs from each of the decades, from the '20s through the '80s.

Pictured at left is the tailgate brunch which was held in the portico of the Kresge Business Administration Library. It followed Saturday morning's Faculty Forum, during which a distinguished panel discussed the emerging global marketplace. (For more on what was said at the Forum, see page 4.) New model station wagons for the tailgate were loaned to the Business School by General Motors, Ford, Chrysler, and American Motors Corporation.

On the following pages, we bring you pictures of some of the alumni and faculty who attended the various events.

*emendous success. The new station wagons were made available by Chrysler, Ford, GM, and AMC.*



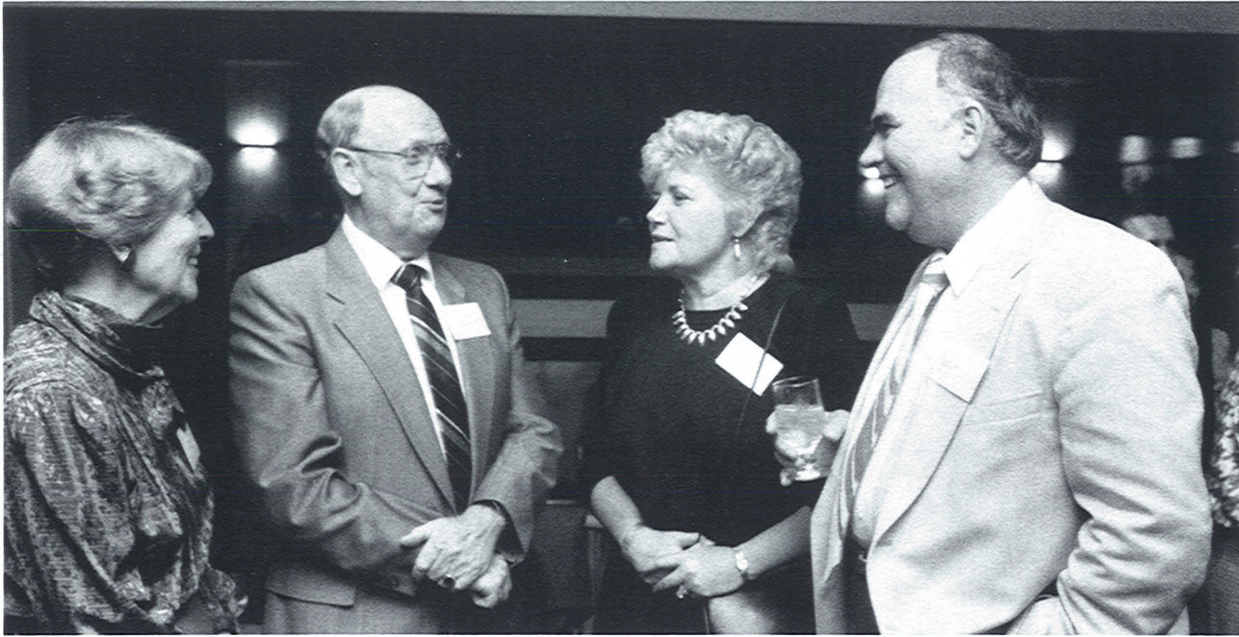
Above, William M. Bell, MBA '54, and his wife Patsy at the reception before the dinner. Bill is a staff assistant in the office of the assistant secretary of the Navy in Washington, D.C.

Below, Paul E. (Jay) Vawter, BBA '56, MBA '57 (right), and Doug Hayes, professor emeritus of finance. Jay has been active for many years in the Institute of Chartered Financial Analysts. For more about this, see page 42.

Above, Harry A. Towsley, M.D. (left), and Ernest Frank, MBA '34, at the reception before the dinner. Ernest is a CPA with the firm of Balser, Horowitz, Frank & Wakeling in Costa Mesa, California. Dr. Towsley and his wife, Margaret, are good friends of the School, and their daughter, well-known singer Judy Dow Alexander, provided the entertainment for the Friday evening "Dinner through the Decades," by singing popular songs from the '20s through the '80s.

Below, Paula Speer, BBA '81 (left), and Jessica Bacsanyi, BBA '81. Paula is a sales representative with the copy products division of Eastman Kodak in Chicago, and Jessica is an attorney in corporate law with the Chicago firm of Donald A. Kurasch, Ltd.

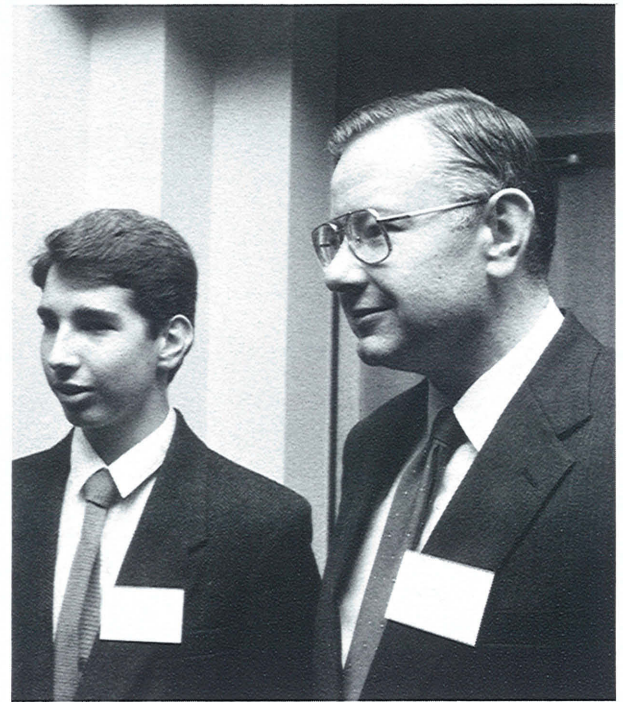
*Photos by Dean Russell*



Above, left to right, Gerry Steele, BBA '51, and her husband, Harold; Helen Moran and her husband, George Moran, BBA '51, who is a partner in New Concepts Construction, Inc. in Taylor, Michigan.

Below left, Chuck Low, BBA '46, MBA '47, now retired from Ford Motor Company, and David Englebort, BBA '58, investment advisor in Ann Arbor.

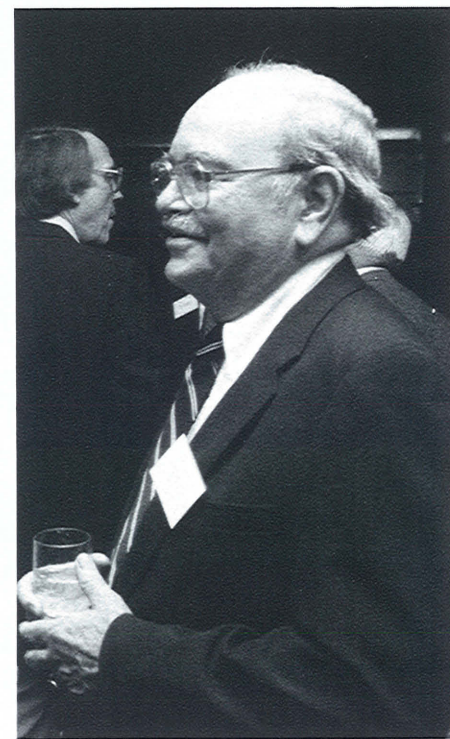
Below right, Bob Hoffman, MBA '47, and his wife, Fran, who now live in Ann Arbor where Bob describes himself as "semi-retired."



Above, left to right, Sam Srinivasulu, Ph.D. '83, who does international financial consulting with Arthur Andersen & Co. in Detroit; Gordon Tucker, BBA '76, who is with the American Consulting Group, Inc. in Boston, Mass.; Jim Parsons, MBA '81, general partner in the Ann Arbor-based Regional Financial Enterprises company; and Peter Bergman, MBA '81, group product manager – systems, for Epson America Inc., in Torrance, Calif.

Below left, Marjorie and George Nichols, both BBAs '55. George is president of Arbor Enterprises, an Ann Arbor-based company. Their son, David, is a first-year MBA student at the Business School.

Below right, Bruce Kropschot, BBA '62, MBA '63, and his son, David. Bruce is president of Colmen Financial Services, a merger and acquisitions consulting firm in Philadelphia.



The three professors who spoke at the faculty forum on “The Global Marketplace” joined the tailgate party that took place right after the forum and were quickly involved in conversations about what they had said. Reading from top to bottom, they are Ed Miller, professor of OBIR; C. K. Prahalad, associate professor of corporate strategy; and Gunter Dufey (bottom right), professor of international business and finance. For more on what they said, see page 4-10.

Above, James T. Low, MBA '71, Ph.D. '77, who is on the faculty at Wayne State in the marketing department.

Bob Bradley, MBA '39, who is now retired from the travel business in which he was the owner of an agency.

# 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.*

## **W. Michael Blumenthal Receives Business Leadership Award**

W. Michael Blumenthal, chairman and chief executive officer of Unisys (formerly Burroughs) Corporation received the 1986-87 Business Leadership Award Dec. 3 in Hale Auditorium. Before receiving the award, he spoke on "The Sperry-Burroughs Merger: Strategy and Implementation." A reception followed in the Assembly Hall lobby.

Blumenthal was named president of Bendix International in 1967 and chairman and chief executive officer in 1972. He left private business to serve as U.S. Secretary of the Treasury in 1977-79.

Born in Germany, Blumenthal holds four earned academic degrees, including a Ph.D. in economics from Princeton University and numerous honorary degrees. In addition to his cabinet post, his service to the U.S. government includes chairmanship of the U.S. delegation to the Kennedy Round of Trade Negotiations.

Joining Burroughs in 1980, Blumenthal engineered a remarkable turnaround, creating new visions, restructuring management, improving product quality, opening additional overseas markets, and increasing sales. In his most dramatic stroke, he arranged for the acquisition of rival Sperry Corporation for \$4.8 billion to create the critical mass needed for future worldwide competition.

In his speech, Blumenthal said that implementation — not takeover strategy — was the most important part of the merger, and that the company eased the transition



*W. Michael Blumenthal, chairman and CEO of Unisys Corporation, receives the 1986-87 Business Leadership Award from Suzanne Upton, president of Student Council, and James Parsons, president-elect of Student Council.*

in a variety of ways. It hired psychologists to consult and advise management on "the human aspects of the integration process;" it communicated daily with employees; and it announced that neither the Burroughs nor Sperry name and corporate culture would survive.

"With the benefit of hindsight, I now see this as perhaps the most critical factor in our success," Blumenthal said. "By getting people to stop talking about Burroughs and Sperry . . . we hastened the development of a common commitment to a single, exciting new idea.

Unisys Corp. was chosen as the new name from 32,000 employee

suggestions and represents an important new identity for the recently merged computer companies.

"Today our employees in both former companies feel that Unisys is their name; that they had a part in it — and that is worth a great deal," he said.

Unisys combines parts of the words united, information and systems. A Burroughs manager from Atlanta won \$5,000 for submitting the name.

Unisys now is a \$10 billion (sales) mainframe computer company, second in size only to IBM. It has 120,000 employees worldwide, including 3,700 in southeastern Michigan.



## Profile of Women Managers Developed in U-M Study

Women managers are younger than their male counterparts, less likely to be married, and more likely to work for smaller companies in personnel and industrial relations, a University of Michigan study indicates.

Among 539 women managers who attended U-M management education programs, roughly 40 percent said personnel and industrial relations were their major areas of responsibility. Nearly 13 percent were in marketing and sales and 11 percent were in general management and administration. In a comparison group of 1,825 male managers who attended the same U-M programs, the most frequently occupied positions were in marketing and sales (21 percent), production and operations (18.5 percent) and general management and administration (16 percent).

These and other findings are reported in "A Managerial Profile: The Woman Manager" by Herbert W. Hildebrandt, Edwin L. Miller, and Stephen J. LaCivita of the U-M School of Business Administration.

While male executives generally make more money — in part because they average five years older than the women — the U-M study supports the conclusion that for either female or male executives, changing positions is beneficial.

The median salary for female managers prior to their current position was \$25,001. Their latest promotions brought the median salary to \$30,993, an increase of \$5,992 or 23.9 percent.

Median salary for male managers prior to their current position was \$35,000. Promotion for them brought the current median salary to \$44,998, an increase of \$9,998 or 28.5 percent.

For both groups, the most common perquisite was the availability of retirement annuities, followed by stock purchase plans and cash bonuses.

The managers work hard for their financial return. Male managers put in an average 49 work hours per week, while female



*Lois and Bruce Zenkel, pictured above, have established an endowed fund for faculty research and development at the School. The fund will help provide faculty with the resources and opportunities they need to develop their full potential. Said Dean Gilbert R. Whitaker, "This important gift which establishes the Lois and Bruce Zenkel Fund for Faculty Research and Development will help provide for one of our highest priority needs — the ability to obtain and retain talented new young faculty members. Such a faculty development fund is critically important and will make a significant difference in our ability to attract the ablest young faculty who will become the outstanding established researchers and teachers of the future." Bruce received a BBA from the School in 1952.*

managers work about two hours less.

The U-M study also revealed that higher level executives work even longer hours, about 55 hours per week.

"One may conclude that the higher one rises in an organization, the more time is devoted to the job," Hildebrandt, Miller, and LaCivita explain.

Well over half of the managers gave top job priority to formal and informal communication skills.

Managers in the study were well educated. Among the females, 75.3 percent have received a college degree, while 21.8 percent attended college without graduating. In contrast, 83.2 percent of the male managers had a college degree, and 14.1 percent attended college.

More than one-third of all the managers majored in business administration in college. The other female managers said they majored in behavioral science, science and mathematics, or social science. Male managers received degrees in engineering, science and mathematics, and social science.

For students interested in management, both groups recommended the following courses, in order of preference: business communication, computers/information systems, business policy and planning. Relatively high ratings were given the functional areas of accounting, finance, personnel/industrial relations and marketing. Lowest ratings were given to statistics, advertising/sales promotion, and international business.

The average female manager in the survey was just over 34 years old, born either in the Midwest or East. She was most often a first or middle child in a middle-income home. Fathers of the women managers were employed in higher status jobs, on average, than was true of the fathers of male managers.

"A Managerial Profile: The Woman Manager" is part of the Michigan Management and Executive Development Studies series, available from the U-M School of Business Administration's Division of Research.



*Anneke de Bruyn Overseth, associate dean for external relations.*

### **Anneke de Bruyn Overseth Is Named Associate Dean**

Anneke de Bruyn Overseth, formerly assistant dean, has been promoted to associate dean for external relations at the Business School.

As associate dean, she will oversee the development, alumni relations, Alumni Fund, corporate Associates, publications, placement, and admissions activities of the school.

According to Dean Gilbert R. Whitaker, her new appointment was recommended "due to the considerable increase in

Dean Overseth's development responsibilities for the School, especially relative to her independent work with prospective donors and supporters of the School and the University."

Overseth joined the U-M staff in 1971. In 1979 she was named director of development at the Business School, and was promoted to assistant dean for development and external relations in 1984. She received her BA degree from the University of Chicago, and did graduate studies at Brown University.

### **Second Conference on Flexible Manufacturing Systems Held at B School**

The second conference on Flexible Manufacturing Systems: Operations Research Models and Applications was held at the Business School to serve the needs of a growing audience of industrial, academic, and government persons becoming involved with such systems. The conference presented state-of-the-art knowledge about FMS systems through survey/tutorial and research papers.

Kathryn E. Stecke, associate professor of operations management at the Business School, was chairperson of the conference along with Rajan Suri of the University of Wisconsin. The conference was cosponsored by the Operations Research Society of America and The Institute of Management Sciences.

As automated manufacturing becomes important for the survival of many U.S. industries, there is increasing interest in the contributions operations research can make, both among potential users of the new technology and among operations research practitioners. Flexible manufacturing systems represent a class of automated systems applicable to mid-volume range production, and embody many of the problems of all automated systems, both larger and smaller.

Topics covered at the three day conference included strategic aspects, economic justifications, flexibility considerations, system design, production planning, performance evaluation models, scheduling issues, and a final panel discussion on current issues and research directions for FMS systems. A proceedings of the conference was published by Elsevier.

Tours of the Industrial Technology Institute's Flexible Manufacturing Laboratory and an FMS simulation demonstration at the Robot Evaluation Center were made available to conference participants.



*This year our new MBA students were each given a Michigan Business School T shirt in a different color for each of the sections into which the class was divided. Pictured here at the annual orientation picnic are representatives from each section. They are, reading left to right, Ron Wernette from Grand Rapids, Mich.; Eleanor Patch from Fairfax, Virginia; Reinhard Koester from Scottsdale, Arizona; Pete Linpakka of Danville, Ill.; Soodratai Pantumasen of Thailand; and Jeff Megrue of Darien, Conn. Over 100 second year MBA students also attended the orientation party to be available to help with any new students' questions or concerns. Other orientation week events included a welcoming reception immediately after the orientation meeting; an informal get together after the first day of classes; the Dean's reception, to give students a chance to meet faculty members and to talk with Student Club representatives; and separate receptions for foreign students and married students.*

### **U-M Alumni Club of West Germany Arranges Finance Lecture Series for 1987**

The U of M Club of West Germany has just finished preparations for a series of lectures about financial markets at the Saarland University, West Germany, beginning May 6, 1987 and continuing until the end of July.

Each Wednesday, leading U.S. and European professionals, such as Hans Schueren (Merrill Lynch, New York) and André Kostolany (Munich/Paris), will give a guest lecture on a wide variety of finance-related topics such as financial innovations, venture capital, or mergers and acquisitions.

The audience will consist of students and faculty of the two universities in Saarbruecken, guests

from the West German business community and U of M alumni from Austria, Switzerland, and West Germany. In addition, a number of workshops on finance-related topics will be offered, each extending over several weeks, in order to enable participants deeper insights in the topics covered by the lectures.

Those who pass the optional exam given after the last lecture will receive a certificate which confirms their familiarity with the material discussed.

In putting together what is probably the largest lecture series about financial markets ever given at a German university, the Club was extremely happy to get assistance from institutions such as Banque Bruxelles Lambert S.A., Chase Econometrics, Dean Witter Reynolds, Merrill Lynch, Sal. Oppenheim. In addition, the Club

received many useful comments and active assistance from a special advisory board consisting of Gunter Dufey, professor of international business and finance at the Business School; Norbert Fischer, President of Hornblower Fischer AG, one of the most distinguished investment bankers in Germany; and Professor Olaf Sievert, until recently the Chairman of the German Council of Economic Advisors.

The German U of M Club would be happy to welcome as participants U of M alumni, faculty, and students who travel in Europe next summer.

For more information, contact The University of Michigan Alumni Club of West Germany, c/o Prof. Dr. Richter, Universitaet des Saarlandes, Bau 31, 6600 Saarbruecken 11, West Germany, 0681/302-2131.



*Accepting a \$2,500 check from Mr. and Mrs. Millard H. Pryor are winners of the third annual Pryor Award Steven R. Robins (left) and Mary L. Coleman, both 1986 MBA graduates. They won the award for their plan to launch a robot programming service. Millard Pryor, Ann Arbor industrialist and U-M graduate, has established the Pryor Entrepreneurial Project with a \$50,000 grant. The fourth Pryor Entrepreneurial Contest has just been announced.*

## **Two '86 MBA Graduates Win Third Annual Pryor Award**

A plan to launch a new robot programming service has earned the third annual Pryor Award and \$2,500 for two 1986 MBA graduates of The University of Michigan School of Business Administration.

Mary L. Coleman of 37774 Bakeman, Mt. Clemens, Mich., and Steven R. Robins of 2315 Packard, Ann Arbor, worked with industrial production engineer Richard Johnson to design their company concept.

Robot Programming Services, Inc., or RPS as it is to be known commercially, will be incorporated in Michigan with a two-fold business objective.

Coleman and Robins say their new firm will "provide top quality

robot programming at an affordable price," and they expect their company "to diversify into other robot services such as training and consulting."

The Pryor Award was created by Millard H. Pryor, a member of the first class to graduate from the U-M Business School in 1926. He established the award with a \$50,000 grant to the Business School as a challenge "to commit the entrepreneurial dreams of students to paper."

Coleman and Robins feel their projected firm will help fulfill an unmet need in the robot market. "The competition currently consists only of the robot manufacturers," they say. "However, the programming service is not profitable for them, nor is it in their strategic focus. Thus, there

is a definite strategic window for RPS to exploit."

The U-M graduates both bring industrial experience to the operation of their new company.

Coleman, originally from Indianapolis, earned a bachelor's degree in industrial administration at General Motors Institute and was given a fellowship to work at GM plants in Spain and France.

She worked in production supervision, purchasing, personnel, quality control maintenance, and industrial engineering at the GM Truck and Bus Stamping Plant in Indianapolis and at Fisher Body general offices in Warren in 1979-84. She then moved to Chevrolet-Pontiac-Canada Group headquarters in Warren to do competitive analysis studies.

Robins received a bachelor of mechanical engineering degree in

## John M. Jenks Creates School's First Named Term Scholarship Fund

John M. Jenks, BBA '53, division president for Bell & Howell in Chicago has created the School's first named term scholarship fund. The John M. Jenks term scholarship fund will provide support for students in our MBA program starting in the fall, 1986 term.

Holders of the scholarship this year are Mark W. Entenman and Maryanne R. Hanson.

In accepting the scholarship award, Dean Whitaker said, "Scholarship support is an increasingly critical need at the Business School, and one of our major goals over the next few years is to expand substantially our ability to meet this important need. We are grateful to Mr. Jenks for his leadership in giving us our first named term scholarship fund."

Alumni and friends of the Business School can now establish a named fund to provide scholarships for the year of the gift. To establish such a named term fund, donors are asked to consider an annual gift of \$3500 or more for a period of three to five years. The scholarship fund established by such a commitment can be named in honor or in memory of an individual for the term of the gift. For further information on scholarship funds, please get in touch with Frank C. Wilhelme, Director of Development, at (313) 763-5775.

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1981 at GM Institute. From 1976 to 1985 he worked at the Flint Chevrolet Engine Plant, with assignments as a manufacturing engineer, maintenance supervisor and production supervisor.

This year, at the GM Materials Management Group in Detroit, he has been working in materials purchasing.

### Fourth Pryor Award Announced

The 1986-87 Pryor entrepreneurial contest is open to all undergraduate or graduate

## Calling All Alumni: Our Placement Office May Be Able to Help with Your Hiring/Employment Needs

### To our alums who are also employers:

The Business School Placement Office may be able to help you with your hiring needs. In addition to campus recruiting (last year nearly 400 companies conducted over 13,000 interviews at the Business School), the Placement Office has developed the following systems/procedures to help firms, both large and small, identify and contact candidates without visiting the campus:

- **MBA and BBA resume books** containing the resumes of virtually all members of the 1987 graduating classes. Resumes contain both campus and permanent addresses and phone numbers, so that employers may easily contact candidates directly.
- **Job postings** or summaries of open positions, displayed in the office so that interested students can respond directly to the employer with a resume and cover letter.
- **Resume referrals**, made for both full-time and summer positions. The Placement Office will send you the resumes of students who match your specific hiring needs.
- **The Job Opportunities Bulletin**, describing current

openings for experienced business graduates, is mailed to registered alumni early each month. Employers may list positions in the JOB by contacting the Placement Office at the address below.

### To our alums who are considering an employment change, the following publications are available to you through the Placement Office:

- **Resume Guidelines**, offering specific suggestions about format and content, to help you write an effective resume. Contact the Placement Office for your copy.
- **The Job Opportunities Bulletin**, available for twelve months for \$25.00. To subscribe, make your check payable to "The University of Michigan — Account #417000" and send to the address below.
- **The 1986 Business School Alumni Directory**, enabling you to network with alumni all over the world. Copies can be purchased for \$30.00.

For more information about our employer or alumni services, contact: Director of Placement, School of Business Administration, The University of Michigan, Ann Arbor, Michigan 48109-1234, 313/764-1372.

students who are officially registered at The University of Michigan during the 1986-87 academic year.

The proposed business venture may center on a consumer or an industrial product or service, or on a real estate project, and the proposed project should be generated by the individual or by one of the members of the group submitting the business plan. The idea will remain the property of the individual or groups submitting the plan, and The University of

Michigan will make all reasonable efforts to protect that ownership.

Contestants for the award should submit their written business plans to Ms. Evelyn Shurtliff, Dean's Office, School of Business Administration, University of Michigan. Final deadline for the 1987 award entries has not been determined, but in previous years has been in mid-March. Further information may be obtained from Linda Powell, executive director for the Award, at 662-2245.

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## Faculty News Notes

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*Richard P. Bagozzi, Dwight F. Benton Professor of Marketing.*

**Richard P. Bagozzi** has been named the Dwight F. Benton Professor of Marketing for an initial five year term.

The Benton professorship was established in 1983 by a bequest from the estate of Dwight F. Benton, a 1923 U-M graduate and former executive vice president of the Standard Oil Company of Indiana. The \$6 million bequest also supports an endowed professorship in the U-M College of Engineering and two endowed scholarship funds.

"Dr. Bagozzi is currently viewed as one of the top two or three individuals of his age in the profession," said Gilbert R. Whitaker Jr., dean of the U-M business school. He is skilled in the fields of scientific theory, statistical analysis, economic analysis, and behavioral science. This background makes it possible for him to conduct research on a wide variety of important marketing issues which

has resulted in his publishing numerous papers, articles, and books.

"He has been the recipient of numerous scholarships, fellowships, honors, and awards in recognition of his outstanding abilities in both research and teaching."

Bagozzi has taught in the School of Business Administration at the University of California at Berkeley, at the Massachusetts Institute of Technology's Sloan School of Management, and at the Graduate School of Business at Stanford University. He joined our faculty on June 1st.

He received his undergraduate degree in electrical engineering from the General Motors Institute in 1970, a M.S. degree from the University of Colorado in 1969, his M.B.A. degree from Wayne State University in 1972, and a Ph.D. degree from Northwestern University in 1976.

**Kathy Stecke**, associate professor of operations management, is editor-in-chief of the new *International Journal of Flexible Manufacturing Systems*. Published by Kluwer Academic Publishers, the journal's objective is to achieve a balanced discussion of both theoretical and applied issues related to decision models, performance models, managerial issues, and industrial needs and applications pertinent to flexible manufacturing and flexible assembly systems. **Tom Schriber**, professor of computer and information systems, is serving as an associate editor for the journal.

A paper by **Christopher Puto**, assistant professor of marketing, entitled "The Framing of Buying Decisions," has been accepted by the *Journal of Consumer Research*. This paper won the Robert Ferber Award as the best interdisciplinary manuscript based on a doctoral dissertation dealing with buyer behavior. It also won the American Marketing Association Doctoral Dissertation Competition for 1985.

**Tom Kinnear**, associate dean and professor of marketing, reports that the second edition of his book *Principles of Marketing* (with Ken Bernhardt, Ph.D. 1973) has been published by Scott, Foresman & Company. His paper, "Indices of Consumer Socialization for Retailing Research" (with Bonnie Reece, Ph.D. 1982) has been published in the Fall, 1986 *Journal of Retailing*, and he has a paper entitled "Valid Magazine Audience Measurement: Issues and Perspectives" (with David Horne) in the 1986 edition of *Current Issues and Research in Advertising*.

A paper by **Stanley Kon**, associate professor of finance, entitled "The Relevance of Differential Personal Income Tax Rates on Dividend Policy and Security Prices," (with Ronald Singer) has been nominated for the American Association of Individual Investors Award.

**Kim Cameron**, associate professor of organizational behavior and industrial relations, has published "Investigating the Causal Association Between Unionism and Organizational Effectiveness," in *Research in Higher Education*, Vol. 23, and is the co-author of "Administrative Effectiveness in Higher Education," *The Review of Higher Education*, Vol. 9.

An article by **Michael Johnson** and **Chris Puto**, assistant professors of marketing, entitled "A Review of Consumer Judgment and Choice," has been accepted for publication in the *Review of Marketing* 1986. In addition, Johnson and **David Horne**, visiting assistant professor of marketing, have been awarded a \$5,000 grant from the Marketing Science Institute to continue their research on the use of direct perceptual measures in marketing research.

**Jay Ritter**, assistant professor of finance, presented a paper at a conference entitled "Employee Stock Options — Assets or Liabilities" sponsored by Stanford's Center for Economic Policy Research. He also presented a paper in November at Stanford Business School on initial public offerings.

Professor of business history **David Lewis'** article, " 'A Super Existence': The Boyhood of Henry Ford II," appeared in the Spring, 1986 issue of *Michigan Quarterly Review*, and his essay, "The American Automobile Industry," appears in the Winter, 1986 edition of *The Wilson Quarterly*. Last summer, Lewis lectured on the U.S. auto industry to Chinese auto officials and university audiences at the invitation of the China National Automotive Industry Corporation.

**Han Kim**, Fred M. Taylor professor of business administration and professor of finance, gave twelve lectures on capital markets and financial management to a group of Chinese government officials and professors of business in China in July. The seminar was co-sponsored by the Chinese Government and the U.S. Department of Commerce. In August, he gave a speech on "Corporate Financial Structure in Korea: Theory, Evidence, and the Need for Reform," in the Plenary Session of the Second International Economics Convention held in Seoul, Korea. While in Korea, he also gave a lecture to a group of Korean government officials at the Economic Planning Board and a talk at the Korea Development Institute.

**Claes Fornell**, professor of marketing, was a keynote speaker at the annual meeting of the European Marketing Academy in Helsinki, Finland, in June. His address was entitled "The Second Generation of Multivariate Analysis: Implications for Marketing Research." In August he was a speaker at the International Conference on Research in the Consumer Interest at the Johnson Foundation in Racine, Wisconsin.

**Alfred Edwards**, professor of business administration, has been elected vice chairman of the board of directors of the Consortium for Graduate Study in Management. The consortium is composed of nine universities, including Michigan, that recruit, raise funds, and give fellowships to minority students interested in pursuing the MBA degree. He has also been elected to the board of directors of the Minority Technology Council of Michigan. The Council is an advocate and clearing house for minority business enterprises interested in becoming involved in high tech activities. It is funded in part by the Michigan Department of Commerce and private funds.

**Valerie Suslow**, assistant professor of business economics, has a paper in the Autumn, 1986 issue of *The Rand Journal of Economics*. The paper is entitled, "Estimating Monopoly Behavior with Competitive Recycling: An Application to Alcoa." Also, her paper, "Commitment and Monopoly Pricing in Durable Goods Models," has been accepted for publication in the *International Journal of Industrial Organization*.

An article by **Claude Martin**, the Isadore and Leon Winkelman professor of retail marketing, entitled "The Corporate Communications Challenge for Service Oriented Firms" is in *Crosscurrents in Corporate Communications*, published by Time, Inc. The paper addresses the communications challenge to firms moving from a product to a service orientation and was co-authored with Jeanette Lerman, Vice-President for Corporate Communications of UNISYS. The publication is annually distributed to the CEOs of the Fortune 500 and Fortune Service 500 companies.

**Gunter Dufey**, professor of international business and finance, presented a paper on "Financial Innovation in International Capital Markets" at the Institute for International Economics of the University of Hamburg, West Germany in late November. He also gave a series of lectures on international financial markets in the Advanced Studies Seminar of the University of Kiel, West Germany.

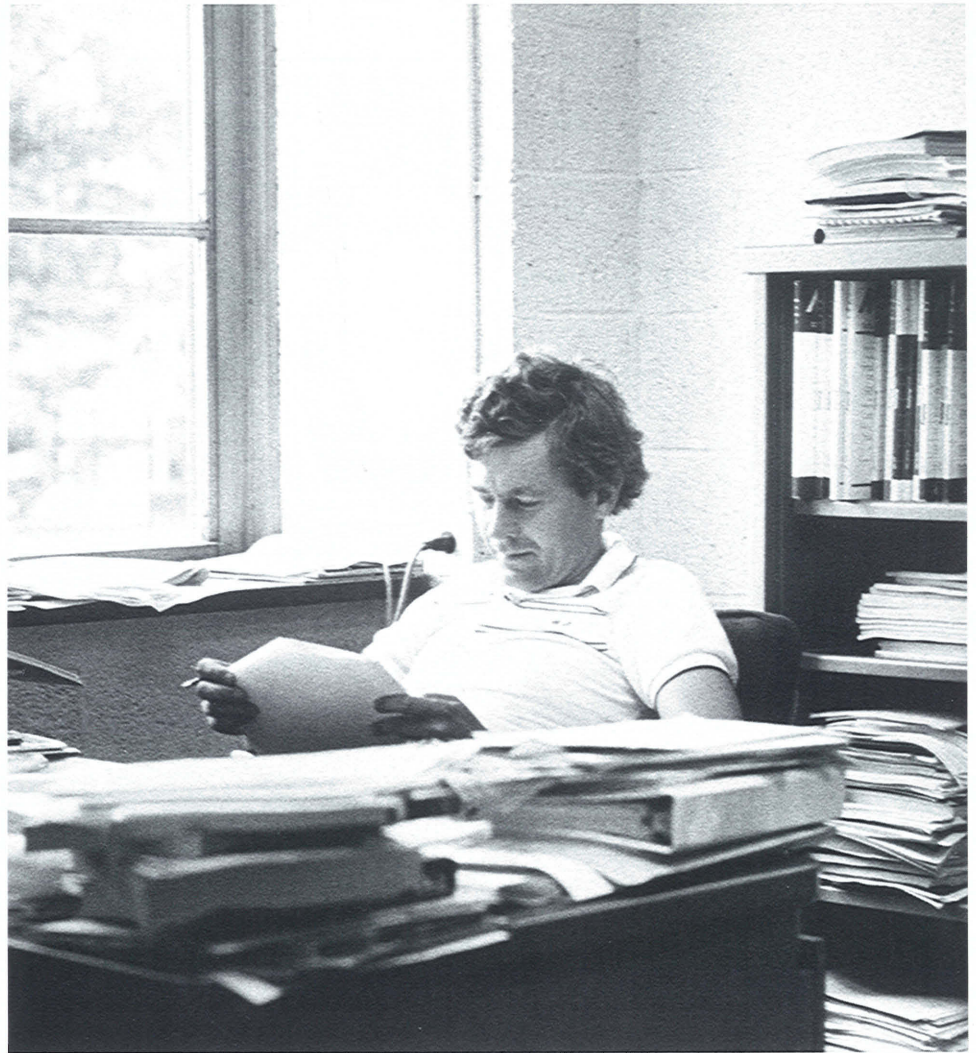
**LaRue Hosmer**, professor of corporate strategy, reports that his new book, *The Ethics of Management* was published by Dow Jones Irwin this fall.

An article by **George Siedel**, professor of business law, entitled "Close Corporation Law: Michigan, Delaware and the Model Act" has been published in *The Delaware Journal of Corporate Law* (Volume 11, pages 383-434). The research was supported by a grant from the Independent Business Research Office of Michigan.

**Adrian Tschoegl**, assistant professor of international business, presented papers at the finance workshop at the London Business School and at the 1986 meeting in London of the Academy of International Business. Also, the Société Universitaire Européenne De Recherches Financières (SUERF) has accepted his paper (with P. N. Subbha Narasimha), "The Expansion and Operations of Indian Banks Abroad" for their monograph series. Furthermore, *Managerial and Decision Economics* has accepted his paper, "The Source and Consequences of Stop Orders: A Conjecture."

Members of the Business School were well represented at the recent eighth annual conference of the national Black MBA Association held recently in Detroit. **Judith Goodman**, director of admissions and student services, participated in a program on "Winning Strategies: Selecting the Right MBA Program"; **Herbert Hildebrandt**, professor of business administration and professor of communication, spoke on oral and written communication skills in business; **William Qualls**, assistant professor of marketing, was on a panel entitled "Marketing Your Product's Competitive Edge"; and **George Siedel**, professor of business law, was a consultant in a one-on-one session of business law. Over 700 black MBAs participated in the program.

**Cliff Ball**, assistant professor of statistics, reports that his paper, "Futures Options and the Volatility of Futures Prices," (coauthored with Walter Torous, UCLA) has been published in the *Journal of Finance*.



*Claes G. Fornell, Donald C. Cook Professor of Business Administration.*

**Claes G. Fornell**, professor of marketing, has been named the Donald C. Cook Professor of Business Administration. His appointment, for a renewable five-year term beginning Jan. 1, will be in addition to his current appointment as professor of marketing.

"Prof. Fornell is an outstanding scholar, making numerous and important contributions to the statistical areas of marketing," said Dean Gilbert R. Whitaker Jr. "At a young age, he has made significant contributions and consistently publishes in the very best professional journals in marketing.

"Nationally, he is a sought after reviewer, and serves on the editorial board of the *Journal of Marketing Research* and the *Journal of Consumer Research* and as a reviewer for

approximately 10 additional journals. He is consistently rated among the top people in his profession by academic scholars."

Fornell received his M.B.A. and doctor of economics degrees from the University of Lund, Sweden. His first professorial appointment was at Duke University as a visiting assistant professor. He then taught at Northwestern University. He joined our faculty in 1980 as associate professor and was named professor in 1984.

The Donald C. Cook Professorship, named for the former president and chairman of the American Electric Power Company, was established in 1976 with gifts from Cook and his firm, upon his retirement. Cook received his B.A. and M.B.A. degrees from the U-M.



# Class Notes

**'30** KENNETH G. STUART, BA '29, MBA '30, retired from the Eastman Kodak Company as an assistant vice president in 1973. Ken writes that he was one of five original members of the Michigan chapter of Beta Gamma Sigma started in 1930 (the others were Robert Beall, Joseph Castner, Milton Drake, and Lemuel Laing). Upon graduation, Ken went to Eastman Kodak. Being the only college graduate at Kodak who had taken a course in market research, Ken was asked to establish a market research program for Kodak in 1934. He continued as director of market research until 1963 when he became a member of the President's Staff to assist in company organizational plans. Ken has also held seminars on market research in Austria in 1954 and in Australia in 1961. Ken says he has thoroughly enjoyed his retirement, particularly when visiting with his three children and seven grandchildren.

**'38** A. L. SCHLESINGER, JR., MBA '38, has formed a new corporation to purchase the Latter & Blum Insurance Division which he had managed as vice-president and director for 40 years. His associates in this venture are younger men whom he had hired over the years. Schlesinger writes, "I had not looked forward to founding my own business at my advanced age, but it was too good an opportunity to let pass. I suppose the best way to feel young is to think in that manner." He is now chairman of the board of Insurance Underwriters Limited in New Orleans.

**'52** DAVE FREEMAN, BBA '52, writes that he received his MBA at the University of California, Berkeley, under Clark Kerr in the Institute of Industrial Relations there, and that because of the strength of the U of M BBA

curriculum, he was able to finish the MBA in one year. He then went on to law school at Stanford and into private practice as a lawyer for

management in labor relations with a big Los Angeles law firm. He was asked to join the Stanford law school faculty in 1959 after three years of

## What Is An Entrepreneur?

(From the French word *entreprendre* — to undertake)

1. An entrepreneur is an individual who starts (or re-starts) an enterprise, investing his or her *own capital*, which business he/she operates and reaps the success or failure. The form of the enterprise, whether proprietorship, partnership, or corporation, is immaterial.

2. It is possible for two or more entrepreneurs to join in one enterprise, but rather unusual since the single entrepreneur usually wants to run his/her own show.

3. An individual may meet all of the above requirements except investing his/her own capital. In this case he/she is a *promoter*.

4. If an individual invests but does not start and/or operate, he or she is an *investor*.

5. The executive of any company who has not started (or re-started) the enterprise is an *employee* even though he or she may also be a substantial investor, or the "boss." A salesman is always an employee unless he/she meets all of the above requirements even though he or she is on straight commission.

6. Doctors, lawyers, consultants, etc., often meet the above

requirements, but by common usage have been separately classified as professionals.

7. A Risk Capitalist meets two definitions. He or she is an entrepreneur as far as his/her own enterprise is concerned, similar to a lawyer or a consultant, but as regards his/her clients, he or she is an *investor* who specializes in financing entrepreneurs.

8. The word intrapreneur (preferred spelling) appears to be coming into usage to describe innovative thinking and actions on the part of individuals *in* enterprises and even government agencies. It is a bit unfortunate that the similarity of pronunciation can lead to confusion. An enterprise, or an agency, can never be called entrepreneurial as a whole. An intrapreneur is an *individual* who has an entrepreneurial orientation within an organization.

9. An entrepreneur is an individual who starts (or re-starts) an enterprise, investing his or her *own capital*, which he/she operates and *reaps the success or failure*.

*Dividend is indebted to Millard H. Pryor, BA '25, MA '27, for this article.*

legal practice. He became assistant dean at Stanford law school, but took a leave of absence from there in 1964 to be Deputy Assistant Director of the Peace Corps in Washington. He stayed in Washington until 1974, during which time he was a consultant to state and local governments in areas of improved administration, manpower development, etc., and then was appointed during the Nixon administration as Chief Hearing Officer for Agency employee adverse action appeals. In 1974, he went to Newport Beach, Calif., where he practiced law until 1979, and then taught law at Willamette University in Salem, Oregon and McGeorge Law School in Sacramento. At that time, he was also a consultant to the California State Bar for accreditation of law schools. He says he is now in the happiest time of his career as a sought-after third party neutral in alternative dispute resolution techniques of arbitration, mediation, and fact finding. He loves the work, and says the only problem is that he never can find time for a vacation.

**'58** DALE F. HANSON, BBA '58, writes that he has just completed 27 years of service with General Motors. He says "I am presently on the CPC Group's financial staff, on 'special assignment' to the UAW-GM Human Resource Center's national office. The national office is the administrative wing of the joint training and skill development program — a result of the bargaining agreement between GM and the International Union-UAW in 1982 and enhanced in 1984 negotiations. I work side by side with UAW personnel on assignment from the International Union — UAW's Solidarity House. It has been a great experience. The UAW-GM Human Resource Center is a separate, non-profit corporation run by a joint team of GM and UAW personnel." Headquarters of the Center are in Auburn Hills, Mich.

**'60** HENRY L. SMITH, MBA '60, has retired as professor of accounting after 23 years on the

## *Business School Grads Play Important Role in Institute of Chartered Financial Analysts*

Business School alumni and faculty have played an important role in the Institute of Chartered Financial Analysts, the leading educational and testing organization for investment professionals, writes Jay Vawter, BBA '56, MBA '57. "We have just completed the 25th Anniversary history of the Institute," he says, "and I found there considerable discussion about the early founding of the organization and how The University of Michigan almost became the headquarters instead of the University of Virginia."

Jay goes on to tell about some of the Michigan grads and professors who have had a close involvement with the Institute. He himself began his involvement with the Institute in 1968 when he drafted a major change in its Code of Ethics. He served on the Council of Examiners for seven years (four of them as its Chairman), and became a trustee in 1982. Then Jay became Chairman of the Board for the term 1984-85. He contributed his editorial skills as

well to the Institute's publication of *Managing Investment Portfolios — A Dynamic Process*.

Other affiliated grads include:

- James LaFleur, BBA '61, MBA '63, is the current Chairman of the Council of Examiners.
- Scott Bauman, BBA '53, MBA '54, was the second Executive Director of the Institute.
- Dave Croll, BBA '60, MBA '61, served on staff at the Institute.
- Gil Palmer, MBA '36, was formerly president of the Financial Analysts Federation and an active promoter of the Institute at its founding. Gil served for many years as the Chairman of the Council of Examiners, the body which writes the exams.
- Doug Hayes, MBA '40, professor emeritus of finance, was seriously considered as the first Executive Director of the Institute and helped fashion the first exams which were given in 1962. He also played a major role in developing the first Code of Ethics.

faculty at the College of Great Falls in Great Falls, Montana. He received the title of professor emeritus of accounting from the Board of Trustees. Henry is also retired from the United States Air Force after 24 years of service in the Army and Air Force.

**'62** JEROME J. KRUPILSKI, BBA '61, MBA '62, is director of corporate marketing for NKC, Inc. in Louisville, Kentucky. NKC is a not-for-profit corporation which owns and operates Norton Hospital, a 364-bed adult acute care facility; and Kosair Children's Hospital, a

249-bed pediatric acute care facility. NKC also manages 15 health facilities in a three-state region. Jerry is responsible for developing marketing plans, strategies, and implementation tactics for NKC and its subsidiaries.

**'64** LEONARD WHITE, BBA '53, MBA '64, has retired from Unisys Corporation after 30 years with the company. He was manager of pensions for Burroughs Corporation which merged with Sperry to form the new company

of Unisys. He will be pursuing consulting and other interests in retirement.

**'65** DAVID F. JOHANNIDES, MBA '65, has been appointed president of Tri-County Community Hospital in LaGrange, Kentucky. The hospital is owned by Basic American Medical, Inc., located in Indianapolis, Indiana.

**'67** PHILIP J. CARLSON, MBA '67, is now a senior vice president of credit policy at The Northern Trust Company in Chicago. Phil was named a second vice president in 1972 and vice president in 1975. After several management assignments in the U.S. Corporate Banking Group, he assumed his current position in February, 1986 and was appointed senior vice president in July. Phil and his wife live in Winnetka, Illinois and have a son and a daughter.

**'68** HERVEY P. LEVIN, BBA '64, MBA '68, is practicing law in Dallas. Recently, Hervey was on the faculty planning committee for the American Bar Association's National Institute on Workers Compensation, a seminar held in New York last October. The National Institute reviewed and critiqued the workers compensation system, examined recent and future trends in legislation and explored other perspectives within the system including insurance rating and actuarial management. At the conference, he moderated a panel discussion on "Liabilities Arising Out of Work Place Injuries: Administrative, Civil, and Criminal."

**'69** WALTER L. IOSET, BBA '47, MBA '69, has been asked to rejoin the staff of the College of Business and Public Administration at Florida Atlantic University. He spent five years from 1972-77 developing and marketing management programs for business,

## *John Thomas, BBA '57, MBA '58, Organizes P&G Marketing Alumni Directory*

The Procter & Gamble Marketing Directory began life as a party favor for a gala affair that was to bring over 400 ex-P&G marketing people from all over America to spend the weekend socializing in Chicago. The high point of the party was a sit-down dinner for 425 at the Field Museum of Natural History, and at the head table sat the host, John Thomas, BBA '57, MBA '58.

John is an ex-P&G marketing manager who now is president of Wilkins and Thomas, Inc., recently listed as one of the fifty leading executive recruiting firms in the U.S. He compiles the Directory by asking other alumni for new names, and now has an annual P&G Marketing Alumni Directory containing the names of almost 1,000 ex-P&G marketeers, many of whom keep in close touch with each other for business and personal reasons.

The Directory, which had a press run of 700 this year, includes information on current employment, current addresses, and the year the person started with P&G.

John comments: "For many years the Procter & Gamble Company was perceived as the preeminent post-graduate school in consumer marketing. Through the 1950s and 60s the company scoured major business schools to attract the best and train them from the ground up in marketing. From all over the

country these young, intelligent, aggressive people went to Cincinnati and were thrown together for long hours in close business contact in the company's marketing departments. Equally important, given that they were strangers in Cincinnati, their similarities of temperament and common business challenges generated close social friendships with their P&G peers.

"As time passed, those who left P&G earned broader management responsibilities and brought along their friends from Cincinnati. By the 1980s, hundreds of ex-P&G marketing managers rose to command major consumer goods marketing operations. Such familiar names as Playtex, Frito-Lay, Johnson & Johnson, General Foods, Pepsi-Cola International, Columbia Pictures, Kraft, Cadbury-Schweppes are all headed by ex-P&G people.

"Yet, they had all been part of an intense business and social culture at a formative time in their business careers. Despite their being spread across the nation, their shared experiences in the cloistered, spartan environment of Procter & Gamble is a strong common link. The formal establishment of an alumni group provided an easy channel of communication to old friends as well as strangers who also had similar experiences and common values."

industry, and the professions. In 1977, he semi-retired and taught management classes each winter semester. Now, he says, the number of programs offered by the College of Business has increased and become more varied. He will be working with executives of

corporations in the development of programs, tailor-made for their organizations, and the implementation of those programs.

**'70** RICHARD E. VAN HOUSE, MBA '70, has been appointed assistant managing

## *Kenneth Boudrie, MBA '64, Has Made His Entrepreneur's Dream Come True*

Kenneth Boudrie, MBA '64, started The Bartley Collection as a part-time venture in 1974 with just \$6,000 in equity capital. Today, Bartley furniture kits bring in around \$8 million a year.

After getting his MBA from the Business School, Ken set out to learn as much as he could about modern production, distribution, and finance. He worked in marketing at Ford Motor, then in new product development at General Electric, from there to Fleet Financial in the bad-loan department, and in 1970 to a job in venture capital at Chicago's Continental Illinois Bank. He was also a member of an "entrepreneur support group," of 12 would-be entrepreneurs who met weekly to discuss progress on ways of getting their dreams off the ground.

Ken developed some general criteria for his dream business: minimum cyclicity, no receivables, long product life, no large customers, and no rapidly changing technology. This added up to the hobby segment of the leisure-time industry. He reasoned that even in hard times people hold on to their hobbies as long as possible.

Ken finally settled on kit furniture as his opportunity. He borrowed some tools from his father, converted his kitchen into a shop and made a few prototype reproductions from 18th century pieces borrowed from local antique stores. Then he and his

wife produced kit diagrams and took the finished products and plans to local arts and crafts fairs. He put prototypes into hobby shops and advertisements into hobby magazines. The ads offered the Bartley Collection catalog, mainly just black and white glossies stapled together, for 50 cents. (All this time, Ken was still on the payroll at Continental Illinois).

When the orders started rolling in and Ken knew the business could support him, but not if he continued to work only part time, he was faced with the big decision: Stay with his secure job and salary? Or really start that business he always said he wanted? He quit his job.

To get the \$120,000 working capital he now needed, Ken sold 30% of his new company to 15 private investors, and three years later could buy out his backers for \$240,000. Today, that stake would be worth over \$3 million.

Ken charges from \$59 for a small footstool to \$3,100 for a Chippendale dining set (the average sale is \$200). His customers tend to have cerebral jobs, and so enjoy coming home to work with something as tangible and beautiful as fine wood. You need only a drill and a screwdriver to complete a Bartley kit. The company even sends sandpaper. Almost all the work comes in the sanding, staining and varnishing.

For consumers inexperienced in woodworking to achieve precise results, the kits must be

cut from the best wood and the pieces must fit snugly. So Ken built his own cutting plant in Easton, Md. The plant employs 75 workers who turn out 40,000 kits a year. The attention to quality works — Ken says 85% of his sales are repeat — but it is also costly. The rule of thumb in the mail-order industry holds that the selling price should be three times the seller's cost. But Ken's costs are so high he can charge only a 50% markup to customers.

The U.S. market for hobby furniture kits is only \$20 million or so in retail sales, and Ken is already getting nearly half. He is soon opening a retail store in Williamsburg, Va., and thinks he might create some business in Japan, where the people enjoy working with their hands and are attracted to the elegant Chippendale and Queen Anne styles that Ken sells. But Ken sometimes talks of selling the business he has built and of a new project: a venture fund for handicapped businessmen. Ken, who was crippled by a car accident in college, understands the problems and the potentials of the handicapped better than most. The \$10 million to \$15 million he thinks Bartley would fetch would be a nice start on that venture capital fund.

(This article was excerpted from the July 28, 1986, Forbes Magazine article written by Rita Koselka.)

director of Ford of Australia, Ltd. based in Melbourne. He has the responsibility for FDA's manufacturing and supply and product development activities. Formerly, he was director of the Business and Product Strategy Office for Ford's Latin American

Automotive Operations Staff in Dearborn, Michigan. He joined the company in 1968 as a manufacturing process engineer in the then General Parts Division. He moved to the Product Development Group in 1972 as a chief product analyst and later served as planning manager for a

variety of car lines. In 1976, Richard was appointed executive engineer, Materials and Application Engineering for the Plastics, Paint, and Vinyl Division, eventually serving as manager of the Mt. Clemens, Michigan and Saline, Michigan Plastics Plants. He re-

turned to the product development organization in 1979 when he was named programs manager for the 1983 Ford Thunderbird and Mercury Cougar XR-7 and in large part was responsible for the highly successful 1983-model Thunderbird and Cougar programs. He became manager of the Luxury-Car and Thunderbird programs in 1980, was appointed executive director for Luxury and Mid-Size Car Planning in 1982, and was responsible for the Ford Taurus and Mercury Sable programs during this time. In 1983, he was appointed chief engineer for Advanced Vehicle Engineering and Technology. Richard, his wife and three children live in Ann Arbor.

**'71** J. H. GARDNER, MBA '71, has been promoted to director of finance and business planning for Ford of Japan. He is managing line operations and the growing business between Ford and Japanese firms. John, his wife Gwyn and their daughter Laorea live in Hiroshima.

**'72** DENNIS J. ALLINGHAM, BBA '72, has been elected to the board of directors of Krelitz Industries, Inc., in Minneapolis. Dennis, a vice president and CFO with the parent company, also serves as chairman and treasurer of James Phillips Company, a wholly-owned subsidiary.

JOHN H. BOONE, MBA '72, has been named national director of microcomputer services for Seidman & Seidman/BDO, the nation's 13th largest accounting firm. John is chairman of the firm's National Microcomputer Users Committee and also has expertise in banking and manufacturing. He was recently named Seidman's national industry coordinator for banking and is a member of the firm's audit and accounting committee. In addition to these assignments, he also works with clients in the Grand Rapids area. He serves on the board of directors of the Economics Club of Grand Rapids, is a member of the World Affairs Council of Western Michigan

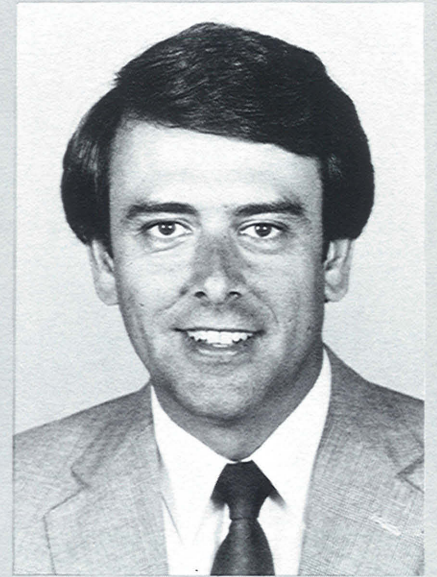
## *Patrick S. Feely, MBA '69, Is Named President of Tonka Toys, U.S.A.*

Patrick S. Feely, MBA '69, has been named president of Tonka Toys, U.S.A., a newly created division of Tonka Corp. Feely had been Tonka's senior vice president of commercial operations.

Tonka is the nation's sixth largest toy company. It had U.S. sales of \$216 million last year. The company also has operations in Canada, Australia, and the United Kingdom. In recent years, the company has engineered dramatic gains by augmenting its traditional Tonka Trucks with promotional toys like Pound Puppies and GoBots. Net revenues rose from \$88 million in 1983 to \$244 million in 1985.

With the reorganization, Feely is responsible for all aspects of Tonka Toys in the U.S., including research and development, sales, marketing, and manufacturing. He will continue to report to Stephen G. Shank, president and chief executive officer of Tonka Corp.

"Pat Feely's excellent performance has been a very significant factor in Tonka's success," Shank said. "He's led a superb team of our people in achieving outstanding results, and we look for even greater growth in the years ahead."



Feely began his career in 1970 with RCA where he was employed in a variety of marketing management positions. He became vice president of marketing services and administration of Mattel Corporation in 1977. In 1982, he joined Tonka as its vice president of marketing and sales. He was named vice president of commercial operations in 1983, and senior vice president of commercial operations in 1985. He and his wife, Kathy, and their two children live in Wayzata, Minn.

and also a member of the Peninsular Club. He has been with Seidman & Seidman/BDO for 14 years. He is a CPA, a member of the American Institute of CPAs and the Michigan Association of CPAs. Seidman & Seidman/BDO serves emerging and mid-sized companies and has more than 265 partners with offices in more than 40 cities nationwide. It is the U.S. partner in BDO (Binder

Dijker Otte & Co.), the 10th largest international accounting firm, with offices in more than 300 cities worldwide.

THOMAS M. HRESKO, BBA '72, works for the Pacific Division of the U.S. Sprint Communications Company as the director of tele-marketing. He manages the telemarketing sales center, where he is responsible

for sales, administrative computer systems, and training. The Center employs 275 people, places 2 million outbound calls to business prospects, and receives 2 million inbound calls from national television advertising. Tom writes that U.S. Sprint is investing over \$3 billion to build the first and only nationwide 100% fiber optic phone company. He has worked for the past 6 years with Sprint in finance, planning, and now in sales.

EDWARD W. SMITH, BBA '68, MBA '72, writes that he has achieved his goal of early retirement at the age of 40. After receiving his MBA, he worked several years in investment banking and consulting, and then co-founded a machine tool remanufacturing business in Cleveland where he eventually became major shareholder (he eventually sold his interest in the company). Throughout this time, Edward had been accumulating investment real estate which now supports him. His time is presently divided between real estate duties, extensive travel, and an abundance of free time for outdoor sports. His daughter Maressa (8), and son Brant (6) assist him to an increasing degree in the latter pursuit. Edward says his professional goals at this point are to leisurely upgrade his property portfolio with one new addition per year.

**'73** DAVID BOSCH, MBA '73, is currently working on the government affairs policy and planning staff for Aramco, the world's largest oil and gas-producing company, which is responsible for 97% of Saudi Arabia's production. He writes that the decreased demand for oil combined with the training of Saudis to replace expatriates has led to layoffs in the company's American workforce, which has declined in number from 6,000 to 3,000. However, David works in government relations, and contacts between the company and the Saudi and U.S. governments have actually increased, so, he says, "My work continues to be interesting and challenging although

upward mobility is definitely limited." Recently, David was elected president of the American Businessmen's Association, which is a member of the U.S. Chamber of Commerce (AMCHAM) located in the Eastern Province of Saudi Arabia. When U.S. Vice President George Bush visited the Middle East in April, David was honored to host him at a special breakfast meeting of their Businessmen's Association. The American Businessmen's Association promotes enhanced U.S. business with Saudi Arabia, one of the few countries with which the U.S. enjoyed a trade surplus for the last few years, due in no small part, says David, to the presence of over 40,000 American civilians living and working in Saudi Arabia, many of them for U.S. companies. He adds, "I think that number is the largest number of working U.S. civilians in any country outside North America."

JOANNE MICHALSKI, MBA '73, has recently acquired an accounting business in Bellaire, Michigan. Bellaire is about 35 miles outside of Traverse City surrounded by lakes and ski areas. The population of Bellaire is about 1000, quite a change from downtown Chicago where she had lived for ten years. Joanne's husband Mike Weeda will continue to work for a computer software firm in Chicago, but instead of fighting the crowds of Chicago's public transportation system, Joanne says that he will turn on his computer at their home in Bellaire each morning. She writes, "We fell in love with this area while vacationing, and it took us about five minutes to decide to move when the opportunity for me to buy the business came up. We plan to take up cross-country skiing and increase our running mileage in order to run some quality marathons."

**'75** MARC FELDMAN, BBA '75, is currently assistant vice president of finance of Del Laboratories, Inc., a \$100 million cosmetics and pharmaceutical manufacturer on Long Island. He received an MBA in finance from Columbia University in 1981. He

## John L. Daly and N

John Daly, MBA '78, Controller of Edgewood Tool & Manufacturing Co. in Taylor, MI, writes us this interesting saga of a playwright. He says:

"Shortly after tax season two years ago, I picked up the front page of the Wall Street Journal and found an article that seemed like a personal challenge. The story proclaimed 'Why You'll Never See Charles Bronson Cast as a Hero Accountant.' The article explained that there will most likely never be a movie called *Frontier Accountant* because accountants are considered too dull and uninteresting. Take for instance the movie *Death Wish*. In the novel which the movie is based on, the hero is an accountant, but in the movie, the hero played by Charles Bronson is an architect. Said Director Dino De Laurentis, 'Accountants are dull and dippy. An architect belongs to a more virile profession. Anyhow, who would believe Charles Bronson as an accountant?'

and his wife Leslee have just bought an 80-year-old house in Rockville Centre, New York and spend most of their free time fixing it up.

BOB WILSON, MBA '75, recently purchased a franchise for Predictive Index Personality Test. Bob says he used the index as a sales and marketing tool and liked it so much that he bought the franchise. He works primarily with Indiana firms where he trains the management of organizations to use the program. Thus far, his clients include manufacturing firms, several equipment suppliers, and an appliance retailer among others. He lives in Louisville, Kentucky with his wife Dana and their two sons Jacob and Brandon.

## Mark Habel, MBAs '78, Bring "Frontier Accountant" Into Being



John Daly, MBA '78, as "Frontier Accountant."

"Thinking about that article over the next year, it became obvious to me that the author was dead wrong. *Frontier Accountant* began to be formulated as a one-act comedy.

"I discussed the idea with fellow UM Business School grad Mark Habel, MBA '78, who was enthusiastic about the story line. We began on his word processor a few weeks later.

"*Frontier Accountant* takes place in the tax department of Montgomery, MacArthur & Ross, CPAs, America's 9th largest accounting firm. It is 8:00 on the Friday night before April 15th and two young accountants, Chris and Stan are working their 14th consecutive weekend. Chris is nine months out of business school and is having second thoughts about his profession. Stan, only slightly more senior, has the opposite outlook which leads to an almost ridiculous speech about how far an accountant could go. With Chris unconvinced, Stan leaves for

the computer room, missing the mysterious appearance of Debit McDevitt, a hard drinking mountain of a man from the year 1984. Perhaps dreaming, Chris finds that his visitor is an accountant too who spins a tall tale about a drunken inventory observation at a Texas rail-head.

"McDevitt is followed by an equally out of place 21st Century accounting firm historian who has come back to get some 90th Anniversary pictures for his firm's newsletter. In the end, past and future are tied together again and Chris returns to his work with new-found vigor.

"*Frontier Accountant* was produced this past April at The Players in Detroit, a 75-year-old men's theatre club. Mark Habel directed this production."

**'76** SUSAN M. DETWILER, MBA '76, has been owner and principal manager of S. M. Detwiler & Associates, The Information Connection, since September of last year. She writes, "The company is a full-service research brokerage which locates information ranging from the number of podiatry chairs sold each year in the United States, to experts in the art of setting up Biblical Gardens; from the amount of purified water used in the cosmetics industry, to a list of independent paralegals." Susan and her husband Mark have two children, John Marshall (4½) and Elizabeth Ann (19 months). They live in Warsaw, Indiana where Susan says they are enjoying the vitality of a small, growing community.

JAMES D. WARREN, BA '74, BSE '74, MBA '76, has been elected a member

of the Institute of Management Consultants and has been certified as a Certified Management Consultant. The Institute's membership represents a significant proportion of senior practitioners in the management consulting field. Jim is senior manager-in-charge at Seidman & Seidman/BDO in San Francisco. His consulting practice provides financial, operation, and business consulting to emerging and medium-sized businesses, particularly in the assessment and implementation of technology that improves the bottom line. Jim holds membership in the National Association of Accountants, the San Francisco Symphony, the San Francisco Ballet Association, and the Bohemian Club.

**'78** MICHAEL GORAN, MBA '78, is a senior engineer at Ford

Motor Company where he has been working for the past thirteen years. At Ford, he is part of the engineering and manufacturing staff working on new concepts for cars and trucks of the 1990s. Prior to his position at Ford, he worked at Bendix in Southfield, Michigan. He obtained a BS in Mechanical Engineering from the University and received his master's degree in Mechanical engineering from MIT in 1970 while on a National Science Foundation Scholarship. His wife Fran received her AB in 1970 from the University and now works for IBM. They live in Birmingham, Michigan. Michael is an avid sailor and enjoys racing his boat "More Trauma" on Lake St. Clair and in the Port Huron to Mackinac Race.

SHARON N. LISS, MBA '78, writes that she was promoted through a variety of line and staff positions at Owens-Illinois, Inc. before joining the Packaging Corporation of America in July. Her current position is business manager of Heavy Duty Packaging in PCA's Containerboard Division.

**'79** JAMES D. O'BRIEN, BBA '79, is currently working for the Crown Zellerbach Corporation, a company recently acquired by the James River Corporation. Jim has been promoted to plant controller for the Port Angeles Paper Mill owned by Crown. He has also been in Crown's professional accounting development program in Camas, Washington and assistant plant controller in South Glens Falls, New York. Jim received his CPA in 1981 while working for Arthur Young & Co. in Detroit. He held staff and senior accountant positions with them for the first three years after graduation. Jim and his wife Susan have two children, Daniel (3) and Michelle (2), and are thoroughly enjoying their life in the Pacific Northwest.

**'80** GREGORY C. BROWN, BBA '80, JD '84, is now an associate in the Minneapolis law firm of Leonard, Street and Deinard. He practices primarily in the area of commercial litigation, specializing in intellectual property and trade secret litigation.

DON OPPENHEIM, MBA '80, recently became the associate publisher of the "ABA Journal," a law magazine. It is published 15 times each year and is read by over 350,000 attorneys and related professionals. Don is engaged to Simone Alexander, an interior architecture student at the Harrington School in Chicago. Simone is from London and they plan to marry next June.

KOK-CHI TSIM, MBA '80, was recently promoted to second vice president of the National Bank of Detroit's International Division. He is assigned to NBD's Hong Kong



## *An Insider's Look at the Trading Game*

Recent alumni working in investment banking visited the School last October to give students an insider's look into the trading game. The event was sponsored by the Michigan Business School Placement Office. Before opening the floor to questions, each panel member gave a brief description of his job. Here we picture the panel members:

Pictured above on opposite page, John Conlin, MBA '83 (left), vice president, sales and training, First Boston Corporation, works in institutional sales. Unlike most of the others on the panel, John is in a regional office where most of the time he is his own boss. He says, "Firms are run by traders, but I'm a salesman, and salesmen are really on the outside. I'm just an organizer, really, with one exception . . . I get to talk to the guy who makes all the decisions." Next to him is another off-wall-streeter, John Conklin, MBA '84, proprietary trader for his father's company, Conklin &

Cahill. His main focus is equities. John says he enjoys the challenge of working in a small firm and being his own boss.

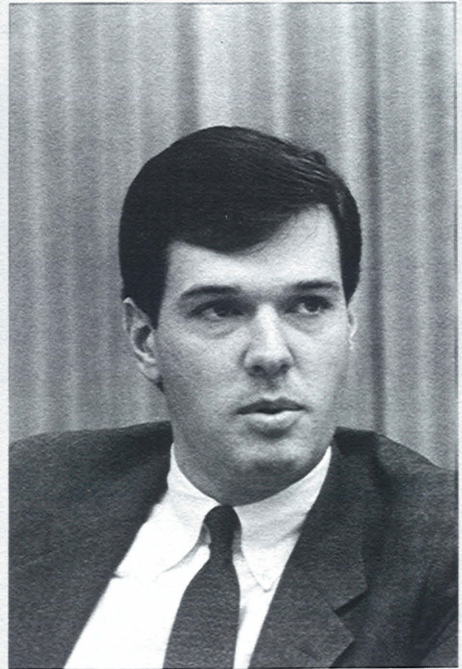
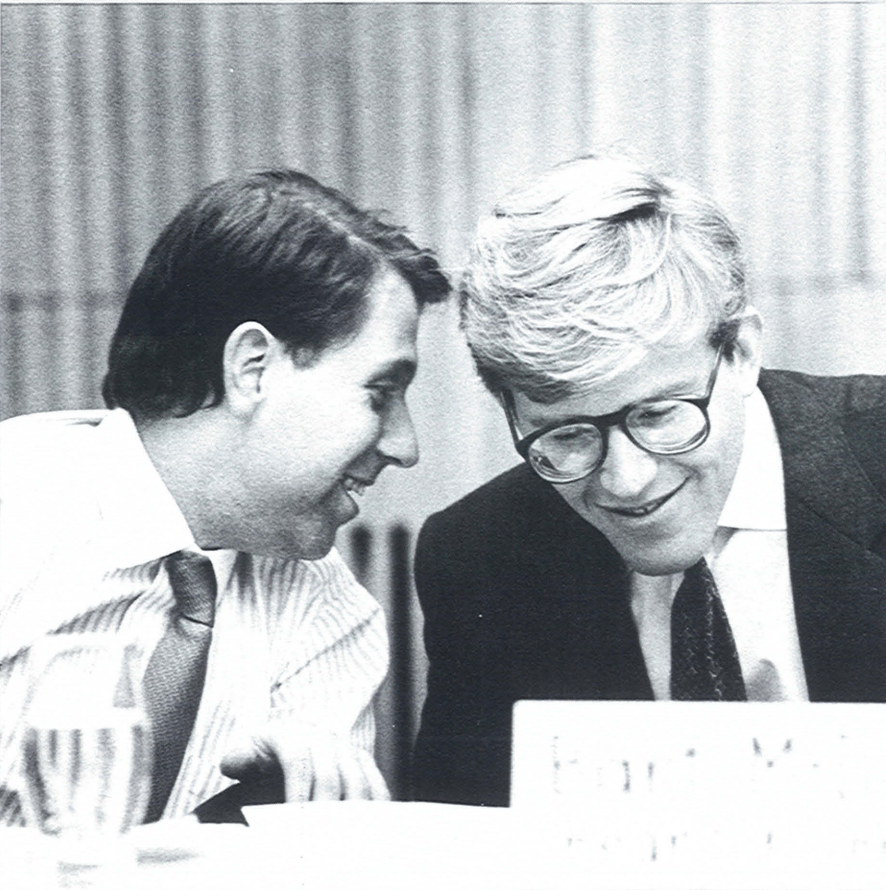
Pictured below on opposite page, Bruce Levitt, MBA '83 (left), vice president, corporate finance at Shearson Lehman Brothers, does a great deal of business with the World Bank. "My job," says Bruce, "is to look at a bunch of different markets to come up with a package to satisfy one borrower's needs." He is talking to Shearson Lehman's Bart McDade, MBA '83, a vice president in corporate bond trading. Bart discussed the particular skills which have helped him climb the corporate ladder. Bart says, "Personal skills are most important if you're to get anywhere in the field."

The panel also gave advice to students interested in entering the field of investment banking. First, job-hunters have to be familiar with the globalization of markets and second, they need to understand volatility in trading.





Steve Shenfield, MBA '83, a trader of high yield money market bonds with Salomon Brothers, says that the practical skills involved in closing deals are learned only on the job and aren't taught in any school or training program.



Tom Reedy, MBA '84, associate, mortgage finance, Drexel Burnham Lambert, deals mostly in the area of public finance. Says Tom, "We sold 1.5 billion bonds this year. We still work with municipalities, but we now compete with corporate markets, too."

## Please Tell Us About Yourself

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

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

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

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

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

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

branch office and serves as the bank's Southeast Asia regional representative with responsibility for business development in the Far East. In his six years with NBD, he has served in various posts, including assistant vice president and loan officer. In Hong Kong, Kok-Chi is a member of the American Chamber of Commerce, General Chamber of Commerce, and the American Club.

**'81** DONALD F. BATY, JR., BBA '81, JD '86, is now practicing law with Honigman, Miller, Schwartz & Cohn specializing in commercial law and commercial bankruptcy.

JOHN D. GORZALSKI, BBA '81, has been named audit associate at Plante & Moran, certified public accountants and management consultants. Plante & Moran is the largest Michigan based CPA and management consulting firm with offices in Cleveland and ten Michigan cities. John has extensive experience in all phases of accounting, auditing, and tax consulting of retail, manufacturing, educational, and governmental entities, among others. He lives in Ann Arbor and is a member of the AICPA, MACPA, Ann Arbor Chamber of Commerce, Small Business Council, and the Ypsilanti Chamber of Commerce.

ERIC LEININGER, MBA '81, was recently promoted to director of marketing research at the Quaker Oats Company. He is responsible for marketing research for all Quaker hot cereals and ready-to-eat cereals. He and his wife have two daughters, Elizabeth and Emily.

SUSAN BROWNING NASH, MBA '81, has been appointed vice president/controller at Republic Savings and Loan Association of Wisconsin in Milwaukee.

JAMES M. WILBER, MBA '81, recently was named a second vice president at the Northern Trust Company in Chicago, where he works in the Central Division of the U.S. Corporate Group. Jim has also

been a commercial banking officer with Northern Trust. He previously worked with Burroughs Corporation, Chevrolet, and Amherst Associates. He holds a Certified Management Accountant certificate from the Institute of Management Accounting.

DONALD A. DORAN, BBA '81, has been promoted to audit manager in the Boston office of Coopers & Lybrand, where he specializes in audits of life insurance, public utility, and computer component companies.

**'82** KAREN MALINA DOREN, BBA '82, is audit supervisor for the Gainesville, Florida subregion of Barnett Banks of Florida, Inc. Before this, Karen worked for Ernst & Whinney as an audit senior in Detroit where after three years she decided it was time to return to school. She received her master of management degree with distinction in finance and marketing in 1986 through the J. L. Kellogg Graduate School of Management's accelerated one year program. Karen and her husband have now relocated to Gainesville where he is beginning his residency in ophthalmology at the University of Florida's Shands Hospital.

CINDY GREENBERG, BBA '82, writes "After graduating from B School and working in business in Chicago for two years, I returned to New York to attend Columbia University where I received my master's in education (Ed.M.) in counseling psychology. In partnership with three nationally certified career counselors, I recently opened a practice in Manhattan. The Career Counseling Group is not involved in placement; rather we counsel adults to help them develop and reach their own career goals. As many others have found, a degree and subsequent job often spell success, but not satisfaction. As a clinical career counselor, I help individuals combine their skills, interests, and knowledge of themselves to reach their full career potential. Starting my own business has been both challenging and rewarding, testing and using all that I learned at the Business School."

**'83** SHEILA MARIE ROLLINGER, BBA '83 with high distinction, was selected by the Texas State Board of Public Accountancy to receive an outstanding candidate award at the CPA swearing-in ceremony, held in Austin in November, 1986. Outstanding candidates are the ten Texas candidates who earned the highest cumulative scores on the Uniform CPA examination and who passed all parts of the examination at the initial sitting. Sheila is now an accountant with Jack Tyrell & Co. in Honolulu, Hawaii.

**'84** TERRI ALBERT, BBA '84, is an account representative in Chicago, where she sells advertising space for several consumer magazines, one of which is "Signature." She formerly worked for Leo Burnett as a media planner/buyer for two years.

KEI YUEN PANG, MBA '84, Beta Gamma Sigma, has recently become director of Emerson Electric Asia, Ltd. Kei will be traveling throughout the Far East assisting and developing Emerson business. Prior to his directorship, Kei worked as a Far East manager in the Corporate International department in St. Louis, Mo. He and his wife Susan moved to Hong Kong in November 1986. Kei, who is fluent in three different Chinese dialects, writes, "Hong Kong is colorful, folkish, hospitable, and exotic." He says while they are in Hong Kong his wife will be attending the University of Hong Kong to obtain a master's degree in Asian Studies.

**'85** PAULA LITNER, MBA '85, has recently been hired by Kraft, Inc. in Glenview, Illinois where she is a marketing research analyst of new products in the Refrigerated Products Division. There she has joined her classmates George Knoll, Nick Janosi, and Anil Arora, all of whom are currently working in marketing for Kraft, Inc. Prior to her position at Kraft, Paula worked 15 months in marketing research for Van Camp's Beans and Gatorade at the Quaker Oats Company in Chicago.

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## Ph.D. Notes —

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STEPHEN A. ZEFF, MBA '60, Ph.D. '62, is currently president of the American Accounting Association. He was the guest speaker recently in Austin, Texas, at the swearing-in ceremony of 600 new CPAs.

ERIC FLAMHOLTZ, Ph.D. '69, is professor of accounting and human resource management in the Graduate School of Management at UCLA. He is also assistant director of the UCLA Institute of Industrial Relations where he heads the Center for Research on Human Resource Management. He is also president of Management Systems Consulting Corporation, which he founded in 1978, and recently published three books: *Human Resource Accounting* (Jassey-Bass, 1985); *Financial Accounting* (co-authored, McMillan, 1986); and *How to Make the Transition from Entrepreneurship to a Professionally Managed Firm* (Jassey-Bass, 1986). His consulting firm specialized in organizational and management development, especially entrepreneurial organizations making the transition from one stage of growth to the next.

H. MICHAEL HAYES, Ph.D. '77, has been appointed area coordinator for marketing at the College of Business and Administration of the University of Colorado at Denver. He writes that his major concerns this year are curriculum revisions and faculty recruiting.

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Nellie M. Varner, James L. Waters,  
Harold T. Shapiro (ex officio)

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Dean Russell



*A highlight of the alumni weekend held in September was a pre-game tailgate party in the portico of the Kresge Library. Food and drink was served from four new station wagons which were provided for the occasion by Ford, General Motors, Chrysler, and American Motors Corporation. The weather was beautiful, the food was delicious, and everyone thoroughly enjoyed themselves. For more on Alumni Weekend, see page 26.*