Lipton on Takeovers/Paton's 100th Birthday

Dividend

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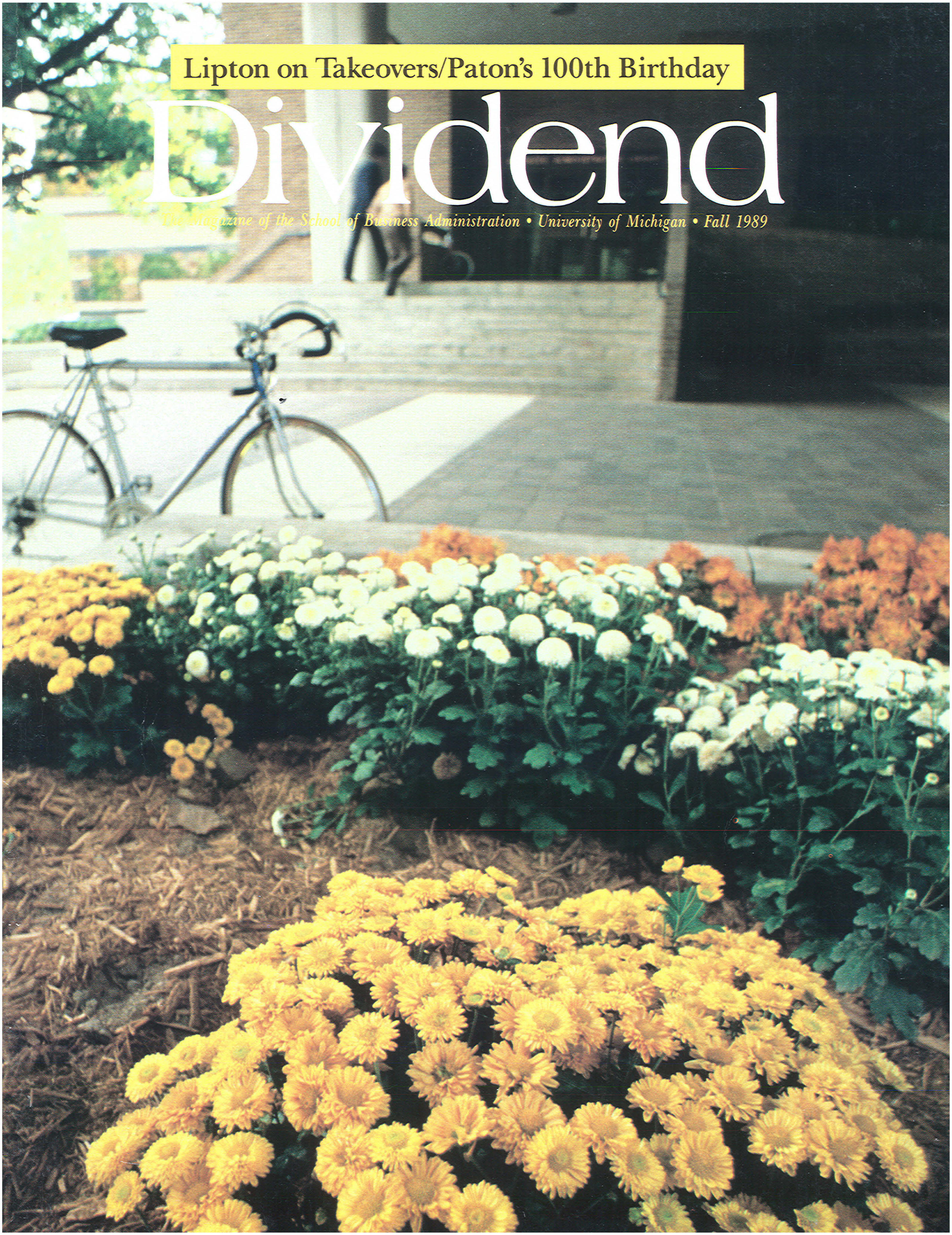

Dear Alumni and Friends,

Collaboration and integration of resources have been particularly celebrated at the School lately.

For example, an $825,000 research grant has just been given by the National Science Foundation to look at how information technology might support the collaborative activities of small work groups. The grant has gone to the Cognitive Science and Machine Intelligence Laboratory (CSMIL), which has its headquarters here at the School. This lab is in itself a collaborative undertaking because it is sponsored by three different colleges — Engineering, LSA, and Business. A Collaboration Technology Suite, to support research into collaborative work, is being built at CSMIL with gift support from Arthur Andersen & Co., and Steelcase, Inc.

Another example of collaboration is the new Organizational Studies Laboratory which was dedicated at the Business School in June. This lab will focus on the human dimensions that account for effectively managing an international business in the 21st century. IBM corporation provided 60 of their most advanced personal computers to the lab, along with printers and other equipment, and Westinghouse Furniture Systems designed the lab and donated the customized furniture, workstations, and storage. Comshare Inc., of Ann Arbor donated their Commander software and a number of software manufacturers will be donating selected programs. The new lab will draw researchers from our faculty as well as other units on campus to examine effectiveness in organizations world-wide, and graduate students will also use the lab for research.

These two examples represent the kind of cooperation between academia, corporate America, and foundations that will help us meet the complex challenges that lie ahead. We are proud to be part of this kind of multidisciplinary research which affects the advancement of science, the effectiveness of organizations, and the competitiveness of our economy.

On a more personal note, over 200 people turned out for the 100th birthday party of Professor William A. Paton, which was held at the School in July. He received over 400 letters and greetings and was there at the party to receive the well wishes of so many of his former students (one of whom came all the way from Hawaii to attend).

Sincerely,

Gilbert R Whitaker Jr

Gilbert R. Whitaker, Jr.

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Dividend

About the Cover
Our cover picture of the Kresge Portico in the fall was taken by Philip T. Dattilo. (Copyright, 1987 by Philip T. Dattilo.)

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What are the forces behind the takeover frenzy? What effect do takeovers have on our ability to compete in world markets? And what key considerations should be taken into account in formulating a comprehensive national policy on takeovers?

Corporate Governance: Major Issues for the 1990s

By Martin Lipton
Senior Partner, Wachtell, Lipton, Rosen and Katz

Editor's note: What follows is an address made by prominent takeover attorney Martin Lipton to the third annual Corporate Finance Forum sponsored by the J. Ira Harris Center for the Study of Corporate Finance. The goal of the Harris Center is to stimulate productive interaction between financial experts from industry and Wall Street and the faculty and students of the Michigan Business School. Such interaction ideally entails a substantial exchange of ideas between the academic and financial communities that ultimately leads to greater overall knowledge about the field of corporate finance. The annual Forum is part of that interaction. Pictures of this year's Forum may be found on page 26.

The takeover phenomenon is 15 years old and shows no sign of slowing down. In 1988, there was an aggregate of $250 billion of mergers in the United States. This was double the dollar amount in 1984. Takeover activity has continued at a fevered pace in 1989. So far this year we have had the consummation of the largest deal ever, the $25 billion leveraged buyout of RJR Nabisco. And just a few weeks ago Time and Warner renewed the almost lost art form of the plain old fashioned common stock merger. In their case a $15 billion merger.

The sustained high level of takeover activity has given rise to sharp differences of opinion as to whether it is good or bad for the nation. There are those, including some key members of the administration in Washington, who say that American management is entrenched, lacks entrepreneurial spirit, and is incapable of the flexibility needed to compete in today's world markets. The Chicago School economists are in the forefront of this view. With their efficient market theories, they point to the stock market's favorable reactions to takeovers as proof that takeovers are good for the economy. The Chicago School would abolish all restraints on takeovers — even the modest and rather ineffective restraints now in place — and let the market decide the fate of all companies. Their view is that we should leave to the market the policing of junk bonds, high leverage, bust-up takeovers, and investor demand for short-term, rather than long-term, performance.

There is another point of view. There are those — myself included — who believe that while not all takeover activity is bad, it has expanded far beyond the bounds of what is good for the country. In this connection I should note that since I earn a good part of my living defending companies from hostile takeover bids, I may have a "slightly" biased attitude. Indeed, my friends in the Chicago School are wont to say that Lipton never saw a good hostile tender offer, and if he did he would refuse to recognize it.

The fundamental basis for my point of view is aptly illustrated by a May 23, 1988 speech by Masaaki Kurokawa, the Chairman of Nomura Securities International. In a most succinct and cogent summary of the disadvantages faced by American business today, Mr. Kurokawa said:

> "Japanese top management need not concentrate on short-term profit schemes for the sole purpose of appeasing its investors. In the United States, by contrast, each quarter's profit statement brings around renewed panic or exaltation, as investors concentrate on short-term results rather than long-term profit and investment. Japan's separation of management and investors, however, allows freer investment in long-term physical assets which, of course, contributes to Japan's strong economic performance. . . . Takeover activity, then, is not highly productive in terms of overall profit making, rather, Japanese companies would prefer to diversify their market or enter a new market to seek to increase profits."

Mr. Kurokawa is right. The takeover frenzy in the United States has imposed short-term profit maximization strategies on American business at the expense of research, development, and capital investment. This is minimizing our ability to compete in world markets and still maintain a growing standard of living at home.

Before turning to some suggestions of ways to mitigate some of the takeover problems, it is helpful to take a brief look at the forces that facilitate takeovers. At the very heart of the takeover activity are the institutional investors who today hold a controlling interest in almost all major American companies. More than any other factor, institutional investors create the market conditions that make American companies vulnerable to bust-up takeovers. The same institutions then supply the wherewithal to finance takeovers and encourage corporate raiders to put companies "in play." Before taking a closer look at the role of the institutions, let us look at the other forces behind the takeover frenzy:

"Legal and financial advisors have produced a plethora of shark repellents, poison pills, lock-ups and the like to try to counterbalance the excesses of the corporate raiders. This has not stopped the raiders. It has merely moved the field of battle from the market place to the courthouse."

Today we have a world-wide commercial banking system that is quickly able to provide the bank financing for even the largest takeovers. Fifteen billion dollars were readily available for the RJR transaction. The major money center banks have reconfigured themselves to handle the takeover business. They have teams of specialists in structuring the loans and syndicating them to a world-wide network of participating banks. The fee income from this activity has become key to the profitability of many of our major banks. They have also entered the takeover advisory business and many no longer refuse to lend to corporate raiders — indeed many have abandoned their former policies of refusing to lend to finance a hostile bid for one of their own clients. Some, sheltering behind a Chinese Wall, will even represent a raider in making a hostile bid for a client. Relationship banking has been replaced by transactional banking.

Today there is a vibrant — and apparently limitless — junk bond market. This market was able to supply, indeed oversubscribe, $5 billion for the RJR deal. No longer is this a one firm market. All of the major investment banks are involved. Indeed, competition has caused many of the major investment banks to be willing to make multi-billion dollar bridge loans in order to secure the takeover advisory and junk bond placement business.

"I do not urge entrenchment of management. Just the opposite. I urge support for good management and the replacement of bad management with good management when that becomes necessary, but by means of the proxy process and not the highly leveraged bust-up takeover."

Thus, the commercial banks and the investment banks are acting together to finance the takeover boom. The commercial banks provide the senior financing — usually about 50 to 60% of the total — and the junk bond market provides the subordinated or mezzanine financing — usually about 30 to 40% of the total — for the typical leveraged takeover. Standing behind the commercial banks and the investment banks are the pension funds, insurance companies, mutual funds, and other institutional investors, buying participations in the banks' loans and buying the junk bonds.

The equity for takeover comes from some $30 billion (perhaps as much as $50 billion) in the hands of the corporate raiders, leveraged buyout funds, takeover funds, and others who have made merchant banking and takeovers their business. At the customary gearing ratio of 10 to 1, these funds alone have equity to support at least $300 billion of deals.

Further fuel for takeovers is provided by the cheap dollar. Foreign companies are able to make strategic acquisitions in the United States at historically bargain prices. Also, foreign companies enjoy much higher price-earnings ratios than American companies, more favorable accounting rules — particularly those that enable them to avoid having to amortize acquisition goodwill — than American companies, and regulatory systems that protect them against takeovers. It is far easier for a foreign company to acquire an American company than for an American company to acquire a foreign company; or for that matter, for an American company to acquire an American company.

Another major force encouraging takeovers is the wide acceptance of the efficient market theory and the attitude of distrust of corporate management that is pervasive in academia and the courts. This has resulted in court decisions that tilt the playing field against management and in favor of corporate raiders. In addition, our legal system has abandoned traditional antitrust restraints, and imposed little restraint on foreign acquisitions. The system encourages corporate raiders to put our companies in play or bust them up. Then the foreign buyers move in to snap up the pieces at bargain prices created by our weak dollar.

Lastly, we have developed a sophisticated merger infrastructure in our commercial banks, investment banks, law firms, accounting firms, public relations firms, and proxy soliciting firms. A complete deal package can be delivered overnight. We have even exported the machinery to Europe and the Far East. The takeover advisors now have offices throughout the world to advise foreign companies about acquisitions in the United States. Nor is there any longer any taint to being a corporate raider. Their pictures appear on the covers of the weekly magazines, they are lionized in the press, and they are eagerly sought for Park Avenue dinner parties.

Having looked at the ancillary forces that promote takeovers, we return to the institutional investors. They dominate the public and private capital markets. They control more than $4 trillion of investment capital, an amount that continues to grow at a dramatic rate. Institutions control a majority of the shares of most of the largest public companies. They account for over half of the trading on the New York Stock Exchange. Never in the history of our modern economic development has so much economic power been held by so few.

The institutional domination of the stock market has led to the market's consistent undervaluation of companies. Institutional investors are far more interested in achieving parity with the averages, than they are in achieving growth in value from the long-term prospects of individual companies. For an institutional investment manager, performance in relationship to the market averages is life or death. Those who fall behind the averages lose; those who beat the averages win. This competitive pressure makes it virtually impossible for an institutional investor to forego short-term performance and seek long-term growth.

In examining the investment policies of the institutions, we should not lose sight of one of the principal sources of this competitive pressure — the pension funds of the very corporations that are victims of the takeover activity. Viewing their pension funds as "profit centers," most corporations are quick to switch away from an institutional manager that underperforms the averages. This exacerbates the pressure on institutions for short-term performance. Our major companies are in effect cannibalizing themselves through their pension funds.

To accommodate the institutions' desire to index, our financial markets have developed a broad range of secondary investment vehicles and strategies — options, index futures, options on futures, portfolio insurance, program trading, and now, even baskets of securities to mirror the indexes. The turnover in our markets is immense and the liquidity of our markets is excellent, but for 20 years or more our markets have consistently undervalued companies by such large percentages as to create opportunities for highly profitable takeovers at average premiums of 50 to 60% of the stock market price. This is the anomaly that is being exploited by the corporate raiders and takeover entrepreneurs. It is the very root of the takeover phenomenon.

American companies sell on the stock exchange for 10 to 13 times earnings. Japanese companies sell for 50 to 70 times earnings. Granted there are accounting and tax differences that explain some of the disparity — but not all. The plain truth is that in Japan both investors and companies have a long-term outlook. Here our dominant investors have a short-term outlook which they are imposing on our companies. During the past five years, American nonfinancial corporations reduced their net equity by almost half a trillion dollars through stock buybacks. But for the pressure to show short-term stock market performance, this capital would have been reinvested in research and new plants and equipment as it is by our overseas competitors.

"Institutions control a majority of the shares of most of the largest public companies. They account for over half of the trading on the New York Stock Exchange. Never in the history of our modern economic development has so much economic power been held by so few."

Institutions not only create the anomaly between stock market prices and bust-up values, they are the prime movers in exploiting it. Institutional investors are the source of funds for the takeover and leverage buyout firms. Institutions provide bridge loans and buy the junk bonds. Institutions support and encourage the corporate raiders.

The role of institutional investors is illustrated by the activities of the Council of Institutional Investors — a four-year-old organization that represents 60 public employee pension funds whose combined assets total more than $300 billion. The Council was formed for the stated purpose of improving corporate governance. Its first endeavor was to help Carl Icahn in his unsuccessful attempt to take over Phillips Petroleum. The Council's support for Mr. Icahn forced Phillips into a highly leveraged recapitalization. Since its initial foray in the Phillips situation, the Council has:

- Attacked most efforts by corporations to protect against abusive takeover tactics.
- Sponsored proxy resolutions seeking to dismantle poison pill and other takeover defenses.
- Opposed legislation that would reform the takeover process and create a level playing field.
- Supported corporate raiders and encouraged boot-strap, bust-up takeovers.
- Attempted to create a role for itself in determining the membership of corporate boards. (Recently it sent letters to a number of major companies requesting meetings to discuss how the Council members could participate in determining board membership.)

In other words, in the guise of a program to improve corporate governance, the Council and its members are attempting to determine the outcome of takeover battles and to exercise control over the major American business corporations.

The conversion of equity to debt creates a further change in the relationship of the institutional investors who hold the debt to the companies that issue the debt. The emphasis switches from institutional pressure to achieve short-term stock price performance to pressure to meet the high debt service imposed by the junk-bond capitalization. In either case long-term objectives suffer. As corporations become more leveraged, a more intimate relationship between the debtor corporation and the creditor institution develops. Eventually the institution has a much greater say as to research, product development, investment in plant and equipment, business strategy, and who will be in the senior management positions. Thus, the company that "goes private" does not escape institutional pressure for short-term, rather than long-term, performance.

Faced with the onslaught from institutional investors and corporate raiders, American business corporations have been hard pressed for an effective response. Rebuffed by Congress and with only minor help from the state legislatures, corporations have been relegated to self-help in order to preserve their very existence. In recent years not one major company that became the target of a cash tender offer for all of its shares has remained independent and unrestructured. If the target company was not acquired by either the raider or a white knight, it was restructured through a leveraged recapitalization.

Our takeover problems come at a bad time. Our macroeconomic picture is not good. Our trade deficit is huge and our currency is debased. Our budget deficits have not been brought under control and prevent us from dealing with many of the nation's ills. We are in a period of economic decline. We are no longer the biggest and the best. On an inflation adjusted basis our standard of living has steadily declined over the past few years. We are beset by the drug crisis and the crisis in education. We have tens of thousands of homeless. Our cities are crumbling and our environment is deteriorating. Today, the ten largest banks in the world are all Japanese and our government bond auctions are heavily dependent on Japanese buyers.

A recent study by the National Science Foundation shows that during the past three years there has been no real growth in research and development expenditures by the 200 major companies that account for 90% of the research and development expenditures in the United States. Reductions by companies involved in takeovers and restructurings accounted for a major part of the lack of growth. An economy that stints on research cannot compete with those that spend heavily on research. Japan and West Germany are outspending us in both research and investments in new plants and equipment. By 1992 we will no longer have the largest domestic economy in the world. The European Community with a population of 320 million will be a bigger market than our own. It will be a strong competitor for the investment capital we need to restore our industrial base and rebuild our infrastructure.

"Viewing their pension funds as 'profit centers,' most corporations are quick to switch away from an institutional manager that underperforms the averages. This exacerbates the pressure on institutions for short-term performance. Our major companies are in effect cannibalizing themselves through their pension funds."

The role of government of a great world power is more than just deficit reduction. It consists of investing for the future to be competitive in world markets and to provide safety and opportunity for all its citizens. Government must provide the metier that encourages long-term planning and investment. Growth requires a strong currency and low interest rates — witness Japan and West Germany. The United States needs investment in both the public sector and the private sector. Public investment has fallen even further behind than private investment. Education, the infrastructure of our cities, the protection of the environment, a growing standard of living, all of these require greater investment. In order to meet these needs, we have to balance our foreign commitments with our domestic requirements; we have to limit our immediate consumption and our paper speculation to make room for long-term investment.

The world competitive situation mandates that we do something about the impact of takeovers and high leverage on American corporations. Yet nothing is being done. The failure to develop an effective national policy has left the problem in the hands of the legal and financial advisors to corporate management. Not being without some ingenuity, we have produced a plethora of shark repellents, poison pills, lock-ups and the like to try to counterbalance the excesses of the corporate raiders. This has not stopped the raiders. It has merely moved the field of battle from the market place to the courthouse.

The courts are unable to deal effectively with the problems that the takeover phenomenon has thrust upon them. There is no way that the courts can be expected to infuse their rulings with the larger policy issues of which the particular case before them represents but a microcosm. Yet the illusion is created that our legal machinery is performing an important role, and this illusion is often invoked in opposition to calls for reform of the underlying regulatory philosophy.

To date, Congress has been unable to formulate a national policy to deal with takeovers. However, we are not devoid of ideas. No one can be certain of the optimal policy. But the key considerations that should be taken into account in formulating a comprehensive policy are clear:

First, we need incentives to encourage long-term investment and discourage short-term speculation. This can be achieved through the tax laws or by direct regulation of institutional investors, or preferably, by recognition by all parties of the necessity to return to long-term planning.

Second, we must deal with the leverage problem. In the long run we must eliminate the double taxation of dividends and put stock and debt on an equal tax basis. Given the deficit situation and the Administration's refusal to consider new taxes, this is impossible today. It is a goal we should continue to pursue. As an interim measure, we should forthwith limit the exposure of government insured institutions to the risk of junk bonds and loans to highly leveraged companies. Governmental incentives to corporate raiders, such as the tax losses that can be used to shelter takeover profits, which were made available to FSLIC to encourage raiders to invest in insolvent savings and loan banks, are inexcusable.

Third, we must recognize the enterprise nature of our major business corporations. They do not exist solely for the purpose of providing transitory investment media for institutional investors. They exist to foster our continued economic growth and progress. They are an integral part of the community. They cannot be forced to seek only short-term stock price performance. They must be protected against the whims of the market place and they must be encouraged to invest for the long-term good of the community as a whole. Pending the implementation of a national policy, the courts should recognize management's obligations to, and concerns for, all of its constituents — employees, customers, suppliers, and communities, as well as stockholders. A board of directors which is acting in good faith should be permitted to "just say no" to a bust-up takeover. Delaware, the home of half of our major corporations, must accept its responsibility to protect the nation against the ravages of the takeover frenzy. Other states, like Indiana, Missouri, Ohio, and Pennsylvania, have recently enacted legislation that does so.

"In one generation we have moved from being the dominant factor in the world economy to a debtor nation growing ever more dependent on foreign capital to fund our deficits."

Fourth, and most importantly, we need a cooperative partnership between management and institutional investors. Institutional investors must resist investment fads and the tyranny of the quarterly comparisons with the averages. Corporate pension funds must support this new approach by their institutional investment managers. Institutions must be willing to provide "patient" capital to permit management to make the long-term investments that are essential for a strong economy. We must develop long-term relationships between companies and their institutional investors, with the investors being committed to support management's long-term business plans. In return, companies must perform well or face the need to give their investors a greater voice in corporate governance. I do not urge entrenchment of management. Just the opposite. I urge support for good management and the replacement of bad management with good management when that becomes necessary, but by means of the proxy process and not the highly leveraged bust-up takeover.

It is time that institutions and companies each recognize that through the rapid accumulation of assets in the hands of institutional investors, we are in effect socializing the ownership of our major business enterprises. However, we are doing it in a unique manner that need not stifle initiative and growth. We can preserve the dynamic nature of our business corporations and the benefits of the world's best financial markets. But to do this, institutional investors must recognize that the optimum result for them and their beneficiaries is not short-term stock price gains. Rather, it is long-term growth of the entire economy. Our institutional investors have grown so large that their future is not tied to a few companies or a selective portfolio, but in reality to the economic health of the nation.

Until we achieve an effective national policy that accommodates both institutional investors and business companies, we will pay the price of the takeover phenomenon. The greater the takeover frenzy, the steeper the ultimate price will be. Time is growing short. We must achieve a national policy soon or face the risk of the loss of our industrial base to foreign owners and foreign competitors. Ours is the first generation in the history of our nation that has not invested more in the country than it took out. Through our budget and trade deficits and the over-leveraging of our companies, we are squandering the patrimony of future generations. This cannot be permitted to continue.

D

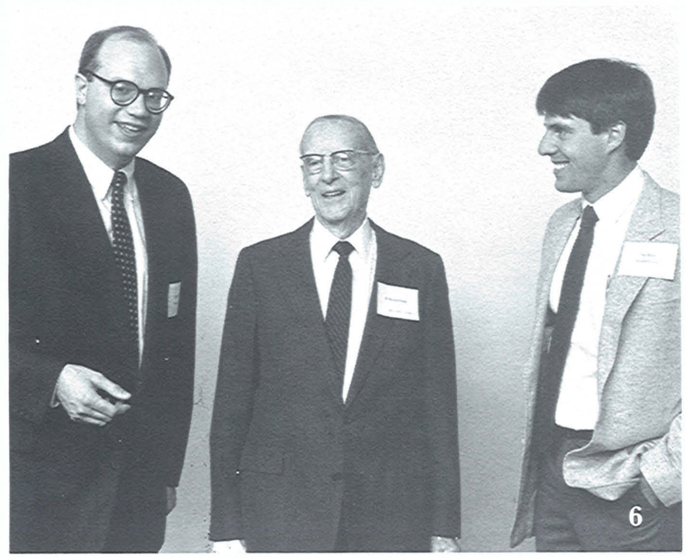
Dollars for Scholars

Benefactors Meet "Their" Students at Festive Scholarship Dinner

Donors who made scholarships possible and many of the students who hold those awards met in the spring to have dinner together at the School. Scholarship winners had a chance to thank their benefactors personally, and donors were delighted to meet the students who were the recipients of their support. The dinner was a resounding success, and will become an annual event. Pictured here are various scholarship "pairs" who were able to attend.

1 Fred Ittner, MBA '53, and his wife, H. L., representatives of the Edward Austin Jones Scholarship, meet Stephen Kieras, who is also the recipient of the Ensign Lionel J. Tachna Scholarship, represented by Lionel's sister, Ruth Tachna, pictured at right. The Tachna Scholarship was established in 1943 by the family and friends of Ensign Tachna, MBA '39, who was graduated from the Business School with distinction, and who died in the Battle of the Coral Sea in 1942. The Edward Austin Jones Memorial Fund is in memory of Edward Jones, MBA '58, a first vice president at Paine Webber in New York at the time of his death in 1984. This scholarship was funded by his estate as well as by gifts from his family and friends. Mrs. Ittner is the sister of Edward Jones. Stephen Kieras, who holds both scholarships, is getting his MBA with a concentration in both real estate and finance.

2 David Engelbert, BBA '58, representing the Benard Maas Scholarship, and Lisa Loesch, who is a second year MBA student with a concentration in marketing. The Maas Foundation scholarship is named for Benard L. Maas, a Detroit industrialist who died in 1984 at the age of 88. The many philanthropic interests he had have been carried on through the work of the Maas Foundation.



3 H. T. Procter, Jr., of Ford Motor Company, represents the Henry Ford II Scholar Award held by second year MBA student Carla Holder. Income from an endowment fund established by the Ford Motor Company provides an annual $5,000 scholarship to the student with the highest academic achievement during the first year of graduate study in the Business School.

4 Thomas Sunderland, BA '28, a friend of Dwight Benton, who is representing the Dwight F. Benton Scholarships, is pictured with Benton winners Catherine Park and Lawrance Snowden, Jr., both second year MBA students. These scholarships are supported by a permanent endowment established by Dwight F. Benton. Some of the scholarship recipients have been contributing back to the Fund after graduation, according to a desire expressed by Benton in the will establishing the scholarships.

5 Rosanne Murrill (left) and Angela Hinton, both winners of fellowships given by the Consortium for Graduate Study in Management, stand with Delle Zur Schmiede, MBA '80, a director at General Motors who is representing the GM contributions to the Consortium. The Consortium, a special alliance of nine graduate business schools, has programs designed to bring more minority individuals into graduate education in business, and provides scholarship funding (through corporate sponsors) to minority candidates. Rosanne is a first year MBA student, and Angela is a second year MBA student concentrating in human resource management and organizational behavior.

6 R. Scott Miller, left, representing Procter and Gamble (a contributor to the Phelps Fellowship Fund), and Ph.D. student Dan Horne, with Maynard Phelps, MBA '26, Ph.D. '31, professor emeritus of marketing. Dan is the recipient of the Phelps Fellowship which provides financial help to Ph.D. students in marketing, and which was established to honor Professor Phelps.

7 Arthur Bartholomew, MBA '40, and his wife Betty, BA '40 (left), stand to one side of Teresa Scollon, first year MBA student who is a recipient of a Pierpont Scholarship. Edmund J. Whiting, MBA '50, and his wife Mary Alice, also donors to the Pierpont Scholarship fund, are on the right. This fund was established in 1986 in honor of Wilbur K. Pierpont, MBA '38, Ph.D. '42, a distinguished educator and administrator who has given 36 years of dedicated service to The University of Michigan, both as vice president and CFO, and as a professor of accounting. It was funded with an initial gift from the Herrick Foundation, and subsequent contributions from various corporations, alumni, and friends of the School, as well as from Dr. Pierpont himself.

8 Arthur Andersen Scholarship Winner Tiffany Galvin poses with William J. Adams, BBA '57, MBA '58, left, and Paul Yhouse, BBA '71, both partners in Arthur Andersen who represented the firm at the dinner. The Arthur Andersen Scholarship is part of a $1 million "Arthur Andersen Fund." The Fund represents a seven year commitment to the U-M intended to provide a series of contributions to areas of special need within the University. The Arthur Andersen Scholarship began in 1988 and is targeted to Detroit minority students. It provides one outstanding student per year with full support for four-year attendance at the U-M. Tiffany is the first recipient of the scholarship.

9 Accounting Ph.D. students Douglas Shackelford (left) and Linda Burilovich, recipients of scholarships from the William A. Paton Scholarship Fund, pose with William A. Paton, Jr., MBA '49, Ph.D. '54. He is the son of William A. Paton, Edwin Francis Gay Distinguished University Professor Emeritus of Accounting and of Economics, in whose honor the Fund was established.

10 Philip Briggs, MBA '66, who is representing the Exxon Corporation Fellowship which provides support to minority students, meets second year MBA student Michael Thomas, who is one of the recipients of the Fellowship.

Also attending the dinner were Gary Walther, MBA '63, and his wife Mary, donors of the John H. and Harriet E. Walther Term Scholarship Fund which was established in honor of his parents to provide financial aid to MBA students.

D

Ethics, Balance, and the "G-Word"

A distinguished alumnus tells our graduates, in his Commencement Address to them last spring, that greed is not good and isn't essential to our private enterprise system. "In fact," he adds, "It's a threat."

By J. Ira Harris, BBA '59
Senior Partner, Lazard Freres & Company

Thirty years ago, I was on the receiving end of a commencement speech here at The University of Michigan. Less than thirty minutes after it was over, I couldn't remember how many hours it seemed to go on, and certainly couldn't recall what it was all about.

Hopefully, tonight things will be different. My remarks will be just a few minutes long. But . . . will I say anything that you'll remember half-an-hour after I finish? I hope so.

There are some commencement speeches that have been remembered. Winston Churchill gave one.

At Harrow School in England, Churchill delivered a commencement address that consisted of the following: "Never give in. Never, never, never, never . . . never give in . . . except to convictions of honor and good sense."

The columnist Art Buchwald is another graduation speaker whose words have been remembered. Here's what he said to a Vassar College graduating class: "We, the older generation, have given you kids a perfect world. Don't louse it up!"

Obviously, if you're a commencement speaker . . . and you want your words to be immortal . . . you've got to be brief. But, I've already talked longer than Churchill or Buchwald. Actually, I've talked longer than the two of them combined.

So, I have to be realistic. I have to accept the fact that, half-an-hour after I'm done, what I said will be "out of ear . . . out of mind." That's why my goal is to get you to think about what I'm saying . . . while I'm saying it.

In addition to being a proud alumnus, I'm also here as a proud parent.

As parents, we love and respect our children. We respect their energy, their new insights, and their eagerness to make the world a better place.

And we respect the fact that they've already indicated that they're not afraid of a challenge — that they don't always choose the "easy way out."

You can see that in the fact that they took on the heavy demands of tough degree programs here at The University of Michigan.

And that's terrific, because as we all know. Art Buchwald was wrong. It's not a "perfect world" . . . by any stretch.

And these new Michigan graduates are just the kind of people we need . . . in the kind of world we have today.

I'd also like to note that the "U of M" business grads of earlier years have a pretty good track record. For instance, Michigan grads have managed to steer clear of the scandals that have hit Wall Street.

In my mind, there would be four possible explanations. Let me put them in the form of a multiple-choice answer.

A. University of Michigan graduates don't advance to the levels where folks get exposed to temptation.
B. University of Michigan graduates do get exposed to temptation . . . but they're not bright enough to recognize it.
C. University of Michigan graduates are so smart that, even though they give in to temptation . . . they don't get caught. Or . . .
D. University of Michigan graduates have higher standards, ideals, and ethics.

I'd like to think that "D" is the right answer. The curriculum, the moral atmosphere, and the admissions standards of the "U of M" deserve credit for that.

But so do your homes, your churches and synagogues, and the other institutions that helped build your ethical foundation.

I bring up the issue of ethics because I see its importance day-in and day-out — as a member of this society and as an investment banker.

At what was to me the ethical low-point of the movie *Wall Street,* the leading character — Gordon Gekko — bluntly said that "greed is good."

There are some who think that if you take exception to that statement, you run the risk of looking naive — out of touch with the "real world." Well I'm willing to run that risk tonight.

I'm willing to say that greed is not good. Not only is it not good, it isn't essential to our private enterprise system. In fact, it's a threat.

But, one might ask, isn't the private enterprise system based on self-interest? Of course it is. And isn't "self-interest" just another term for "greed?"

The answer is "No." There's all the difference in the world between "self-interest" and "short-sighted selfish behavior" — (which is what greed really is).

Unfortunately, Wall Street — the market — not just the movie — has been acting as if it only knows the "G-word."

Insider trading . . . program trading . . . market manipulation — these activities have turned individual investors away from the financial markets in disgust. No wonder retail brokerage firms have seen their client lists shrink "like a cheap suit."

This is is very disturbing. It undermines the legitimacy of our capital markets — which is essential to our economy. And if you look at history, you see why we should be concerned about widespread public dissatisfaction with our capital markets.

That dissatisfaction could lead to damaging regulatory restrictions which could make it impossible for those markets to serve our economy with maximum effectiveness.

To complicate matters, our financial markets — and other key elements of the financial services industry — are undergoing profound change. This makes them vulnerable.

The last thing that Wall Street needs these days is to lose the confidence of the American people.

What can you and I do about the ethical problems of our society? As I see it, we're not helpless.

On that subject, let me mention an interview with Jerald Jellison, professor of psychology at the University of California. It appeared in *U.S. News & World Report* in 1984. The article was entitled "Why Cheating is on the Rise in the U.S."

Professor Jellison acknowledged that — for better or for worse — the ethical lessons that we learn early in our lives have a big impact on how we behave as adults.

But he also said, and I quote, "instances of dishonesty have a snowball effect. Many people tend to think that since everyone else is cheating, they have to do the same in order to protect themselves."

I think that's sad but true. However, if you look at it another way, it means that each of us has the potential for what I call "ethical leverage."

What I mean is that by example we can inspire others. We can encourage others to do what's right every time we have the courage and the wisdom to stand tall and "just say no!"

Equally important as ethics is the need for "balance" — balance in our business lives, and balance in our personal lives.

To illustrate, I want to tell a brief story about a young MBA grad from a school I won't name.

This freshly minted MBA was employed by a company in Chicago. One day, a last minute problem prevented our MBA's boss from making use of a ticket to hear Sir George Solti conduct the Chicago Symphony Orchestra performing Schubert's "Unfinished Symphony."

The boss offered the ticket to our MBA — who gladly accepted. The next morning, the boss received a nice thank-you note along with a memorandum that read:

"Thought you'd like to have my analysis of the performance.

One: For considerable periods of time, the four oboe players had nothing to do. Their number should be reduced, and their work spread over the rest of the orchestra.

Two: All 12 violins were playing identical notes. This seems to be unnecessary duplication. The staff of this section of the orchestra should be drastically diminished.

Three: Much effort was absorbed in the playing of "eighth" notes. They seem to be an excessive complication. All notes could be rounded off to the nearest quarter. If this were done, it would be possible to make use of trainees and lower-grade operators.

Four: No useful purpose is served by having the horns repeat the same passage that has already been played by the strings. If all such redundant passages were eliminated, the concert could be reduced from two hours to approximately 20 minutes.

Finally: If Schubert had been better organized, he probably would have been able to finish this symphony."

Hard work and attention to detail are absolutely necessary if you want to succeed in business. But you don't want to be like our young MBA and miss the forest for the trees.

There are many aspects to our lives. We are members of communities . . . we're employees . . . we may be husbands, or wives, or parents . . . and more.

We all have to balance the various parts of our lives. Yet, when we do try to balance our lives, we are faced with tough trade-offs.

Spending more time with our families . . . or in volunteer work . . . or in any other worthwhile way . . . will mean time away from our offices. There's no denying that. And it may seem to be at the expense of our careers.

But the fact of the matter is that it's absolutely essential for each of us to widen our focus. For one thing, it renews us. It re-energizes us.

Among other things, this makes us more creative in relating to the needs of our clients and our colleagues. And that gives us an important competitive edge.

I'd also like to make the case for "balance" in a broader context. Specifically, I want to comment on a significant imbalance that's developed in the financial structures of many of our corporations.

I'm referring to the fact that through management buyouts . . . leveraged buyouts . . . takeovers . . . and leveraged recapitalizations . . . company after company has come to rely heavily on debt rather than equity.

This is a serious matter because many of these firms are pillars of our economy.

However, they are flagrantly abandoning time-honored standards of financial prudence. Now, I would be the last to argue that financial guidelines should be rigidly obeyed when they're clearly obsolete.

But I think we ought to be cautious when it comes to the kind of financial wizardry we've seen in recent years.

For sure, it's demonstrated its power to convert many of our nation's major corporations into "debt junkies." But that financial wizardry hasn't had its magic tested in a recession.

A recession is a matter of "when" . . . not "if!" And when it does arrive, firms saddled with heavy debt-service obligations could find themselves galloping over a financial cliff.

Put aside the possibility of a recession . . . the leveraging of corporate America still poses a serious, long-term threat.

It has to do with funds that should be dedicated to research and development . . . and capital investment. Instead, these dollars will disappear into interest charges and repayment of principal.

After all, companies are going to have to service the bank loans . . . the junk bonds . . . and the other forms of debt that have crowded their way onto their balance sheets.

In the meantime, in 1992, Europe will become a huge and dynamic unified market. And Japan doesn't look like its growth is going to stop anytime soon.

So, what will we tell your children — my generation's grandchildren — if they have to ask us why we passed on to them an economy that limps along behind its competitors?

We need to return to more balanced capital structures in our companies. And you and I and all others who manage this nation's economic resources have to make that a high priority.

I've said a few words about ethics, and a few words about balance. Now, I'd like to focus on my third and final topic.

Just last month, an issue of *Time Magazine* printed a letter-to-the-editor from a Mr. John Karakash, of Bethlehem, Pennsylvania. I want to read two lines from that letter to you tonight.

Quote . . . "When I landed here as an immigrant, I learned about the Bill of Rights. Naive and ignorant, I inquired whether there was also a Bill of Responsibilities."

I think Mr. Karakash was on to something. And so, I want to talk for a moment about "responsibilities."

In my view, each of us should live our personal and professional lives as if, in fact, a Bill of Responsibilities existed.

We simply cannot say "let the government do it." Government frequently has neither the necessary resources nor the necessary will.

Therefore, one of our responsibilities should be to encourage and help the companies that employ us to meet their social responsibilities.

If we, and the companies we work for, provide the needed leadership and make the essential commitments, this nation of ours will, in fact, be a better society. Business and business-people can and should point the way.

Responsibilities exist in our personal lives . . . as well as our business lives. Each of us must put something back into the system. That is, to me, the least that we can do in appreciation of the opportunities that our country makes available to us.

As a practical matter, that means putting something back into our institutions — in particular, our nation's colleges and universities.

Not surprisingly, there's one university that in my mind stands out way above the rest. It's my alma mater — and soon to be your alma mater — this University of Michigan. In many respects, this is a special place.

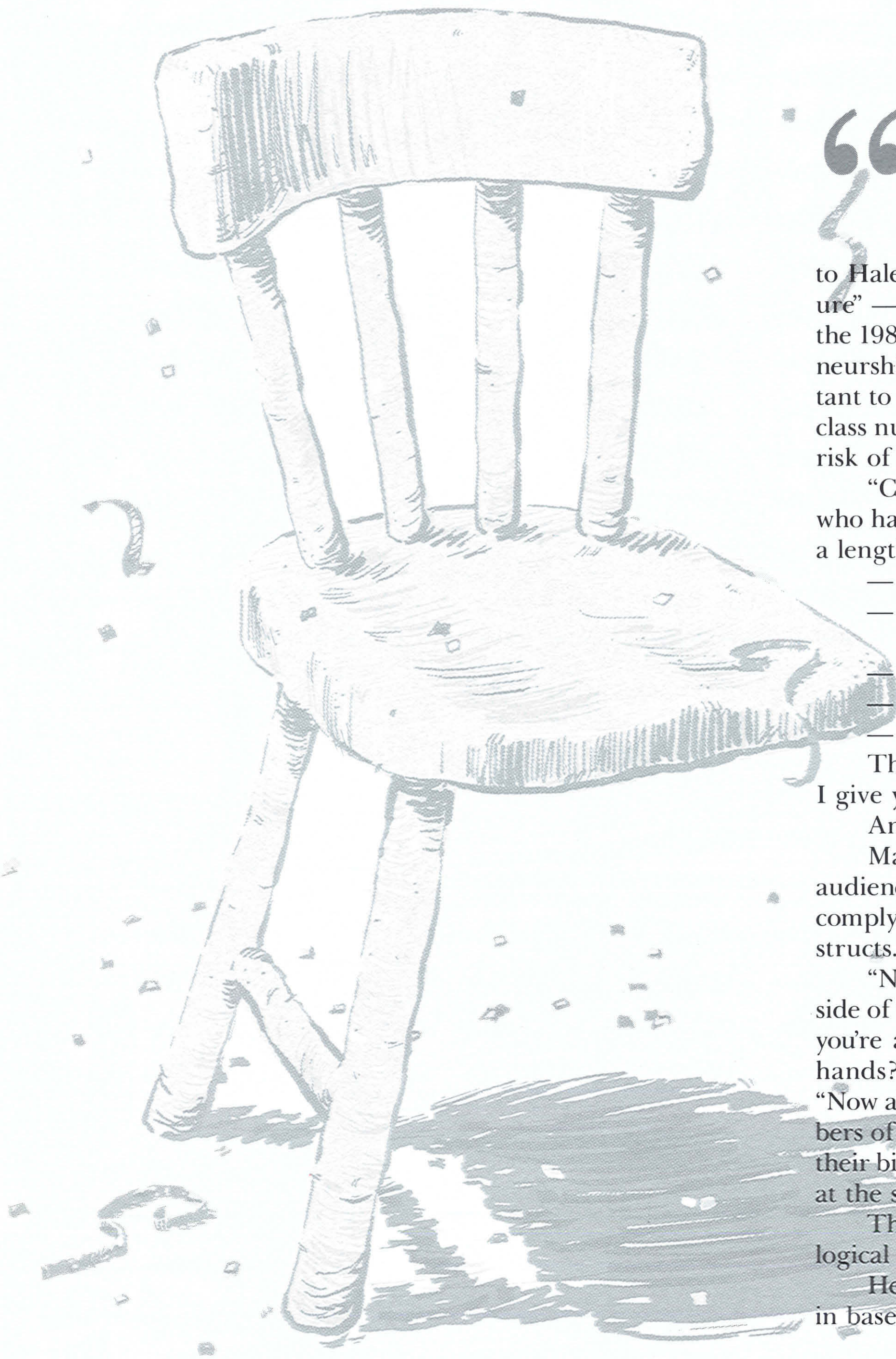
I'd like to end my remarks this evening with some words spoken by a great man from my adopted state of Illinois — Adlai Stevenson. 25 years ago, at a graduation ceremony at Princeton University, he said:

"Your days are short here . . . this is the last of your springs. And now in the serenity and quiet of this lovely place, touch the depths of truth, feel the hem. You will go away with old, good friends.

"Don't forget when you leave why you came."

Thank you . . . and good luck to all of you!

A Celebration of FAILURE



"Never before have so many qualified experts gathered in one place to admit their failures," said Charly Heavenrich, MBA '69. He was welcoming an audience of 300 people to Hale Auditorium for a day-long "Celebration of Failure" — an idea dreamed up by Jack Matson, winner of the 1988 Zell-Lurie Award for the Teaching of Entrepreneurship. Matson believes that no concept is more important to the entrepreneur than failure. His prize-winning class nurtured a willingness to take risks — including the risk of ridicule.

"Chief among those distinguished failures is one who has made a career of it," said Charly. "His resume is a lengthy one:

— He spent most of the first grade facing the wall.
— He was assigned to the bunny slow reader group in the fourth grade.
— He picked the wrong career twice.
— He headed an engineering firm that collapsed.
— He got hit by lightning.

This person is now a widely acclaimed failure figure. I give you JACK MATSON."

And so begins a day-long celebration of failure.

Matson starts out by asking each member of the audience to get out a dollar bill. Three hundred people comply. "Now look at one side of the bill," Matson instructs. Three hundred people look at their bills.

"Now," says Matson, "If you are looking at the head side of the bill, you are a success. If you're looking at tails, you're a failure. Will all the successes please raise their hands?" Hands go up from about half the audience. "Now all the failures stand up and wave their bills." Members of the other half of the audience stand up and wave their bills enthusiatically, many of them grinning happily at the same time.

Then Matson says, "See how failure is just a psychological thing?"

He goes on to describe a well-known strikeout artist in baseball — Babe Ruth, with 1,330 strikeouts. "It may take a lot of strikeouts to hit home runs," says Matson earnestly.

"Failure teaches us valuable lessons — it motivates us," he continues. "We're a part of the great humanity which is out there failing. If you're not experiencing failure, you're not risking. If you don't have any failures going on, you need to wonder what you're missing.

"Did you ever see a fly buzzing against a windowpane? In order to get out of the situation, it needs to turn around and fly into the unknown."

Matson then briefly outlines some of the principles of the course he has taught, nicknamed "Failure 101" by the students. Strafing, he explains, means Success Through Rapid Accelerated Failure. Only a few bullets will hit. If there are three ways to market, try all three simultaneously, not sequentially. The second principle is Chaos — Creating Havoc Accelerates Outrageous Success. It's important here to be your own best competitor. Third, always remember that success is a transient condition.

"We are now going to have an exercise in failure," Matson announces as his student assistants start throwing zillions of small wooden notched sticks into the audience.

"The assignment is to use these sticks to build the tallest structure you can build. At the end of the assignment we will measure the structures to see which is the tallest. You have ten minutes for the exercise. Go."

The room suddenly gets very busy. People are concentratedly fiddling with the sticks, trying to fit them together, and devising new ways of building with them if the structure collapses. Some people join forces to build in a group. One enterprising individual fastens a stick to a ceiling fixture; another is busily taping sticks vertically on the wall; and several students form themselves into a human pyramid with the top person holding a stick structure aloft.

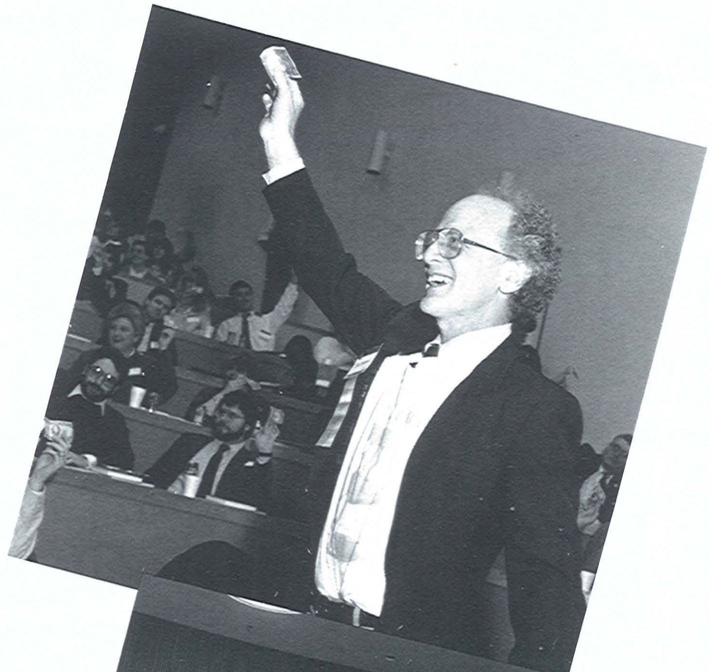
At the end of the ten minutes, when time is called, one of the assistants begins measuring the structures to see which is the tallest. As the measuring continues, Matson points to the lone stick fastened to the ceiling fixture (certainly one of the "tallest") and says, "Is that fair?" Lots of voices call out "noooo."

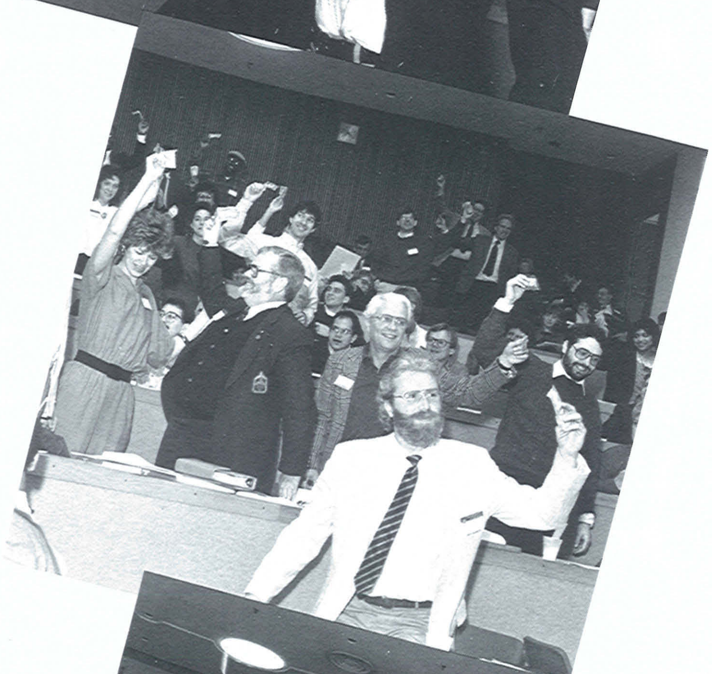
Then he points to the series of sticks taped to the wall and says, "Is that fair?" Many other voices call out "noooo."

A pause. Matson looks at the group intently. "See how we reward creativity?"

He points out that there were no ground rules about how to get the tallest structure. The rules didn't even say it had to be free-standing.

When people work in groups, Matson says, they usually get a taller structure. "They also get to share the failure," he grins. "Sometimes people break sticks — the better to build with — that's a breakthrough," again the grin.





Photos by Gregory Fox

"Look at the diversity of solutions in this room," says Matson, waving his hand to include everyone. "Why did we get such diversity? Because we are operating at about the five-year-old level — the most creative level. Some groups got nowhere — but mostly, when they didn't get anywhere, judgment was going on. "No, you can't do that — That won't work, etc."

This exercise seemed to help everyone have a more welcoming view of failure and provided a good beginning for the discussions that followed. Two panels were held in the late morning, with three speakers on each. After lunch the audience reconvened for more speakers and panel discussions, all of them centered on various aspects of failure.

One of the panelists was Don Beaver, whose talk was entitled "Pig-Headed Failure." He began by quoting Mark Twain, who said, "Success is going from failure to failure with great enthusiasm."

Beaver, whose New Pig Corporation is a resounding success (more about that later), said that in college he started a fly-tying business which lost a nickel on every fly he made. Then he started a painting and snow removal business and underbid his first job by $250.

Later, he started a business providing blown-in insulation, but, he said, "I stayed in that business too long and lost about $400,000."

Then he started an industrial cleaning business. As part of the cleaning operation, workers sprayed water around transformers. Said Beaver, "$250,000 later we found someone should have shut off the transformer."

When he bought a franchise he said, "It only took me about 14 months to figure out why they wanted to sell the business. Basically, we lost $600,000 trying to figure out how to franchise something that was unfranchisable."

Beaver's highly successful New Pig Corp. grew out of many false starts, experiments that didn't work or that partially worked, ideas that were good but that didn't apply at the time, and accumulated experiences.

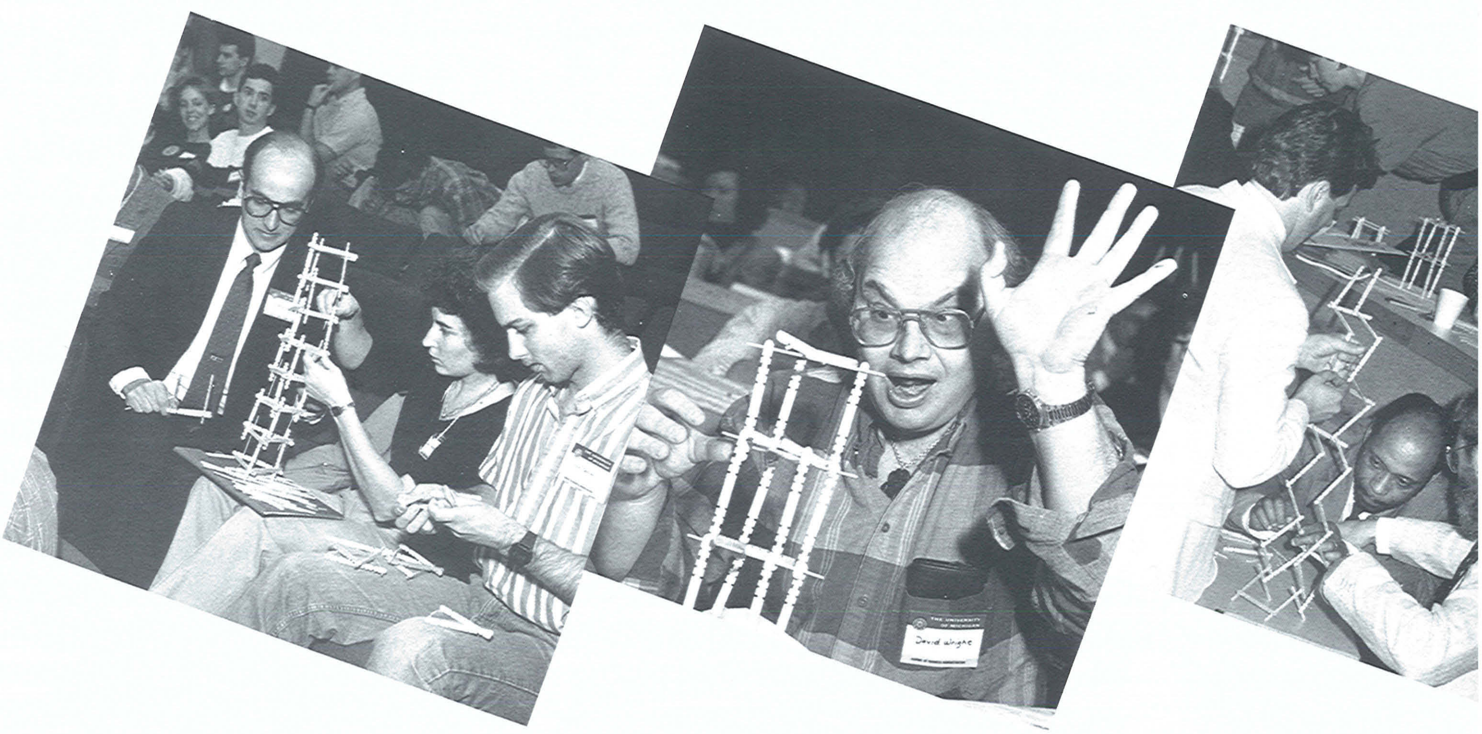
Beaver explained that the present company was started in 1985. "We were cleaning up factories," he explained. "One problem everyone had was that machines leak fluid. Standard procedure in cleaning up the leaks was to throw kitty litter on the floor under the machines. But then we had the cost of the labor to clean up the oil-soaked kitty litter until we came up with the idea of the "Pig" (named after the acronym "Partners in Grime").

The "Pig" looks like a large sausage. It is 46 inches long, about three inches around, and consists of the ground-up, highly absorbent pith of corn cobs packed in a tubular sheath of white polyester.

When arranged around the bottom of a machine on a factory floor, the "Pig" can absorb four times its weight of machine oil or hydraulic fluid in 30 seconds. "Nobody thought to package industrial absorbents this way before," says Beaver. "Can you believe it? I mean, it's so simple. For a long time, even I couldn't see it." The company's sales are now past the $10 million mark.

To summarize, Beaver said he had been involved in ten businesses. Three were outright failures; four were either sold off or are continuing, and three were "sort of" failures. "In other words," said Beaver, "six out of ten were failures. Everything that we've done has been egg-on-the-face oriented. We have a sign in the company cafeteria that says: 'Try Test Adjust Modify Scrap Start Over.' That's our business strategy."

In answer to a question about start-up capital,



Beaver said, "Imagination is what grows entrepreneurial businesses — not capital. Problems are opportunities in drag."

The speech was enlivened by the fact that throughout it Beaver was wearing a hat with a pig snout and ears attached to it.

Among the other speakers were:

Warren Avis, founder of Avis Rent-A-Car, who spoke on "Mastering Failure." He compared failure to an Outward Bound program. You don't like it when you're doing it but you're a stronger person for it. "Expect the unexpected," he advised the audience. "The very thing you were so sure of is the thing that can go very wrong. That's why we have diversification."

Scott Scherer, who spoke on "Turning Around Failure." He has been involved in turnarounds for 15 years, and discussed the warning signals of decline in a company and how to recognize symptoms of early, middle, and late decline.

Fran Jabara, founder of the Center of Entrepreneurship at Wichita State University, and founder of ACE, the American Collegiate Entrepreneurs. His definition of an entrepreneur is, "Someone who works fifteen hours a day for himself so he can avoid working eight hours a day for someone else."

Fred Keisner, an educator in entrepreneurship, who with his partners once owed $7 million from a venture in the import-export business. The firm, which sold Christmas goods, was crippled by a November workers' strike, and two of the firm's five partners, including Keisner, ended up with heart attacks as well as debts. He said, "We closed the business. We paid off all our debts.

THE GOLDEN EGG AWARD

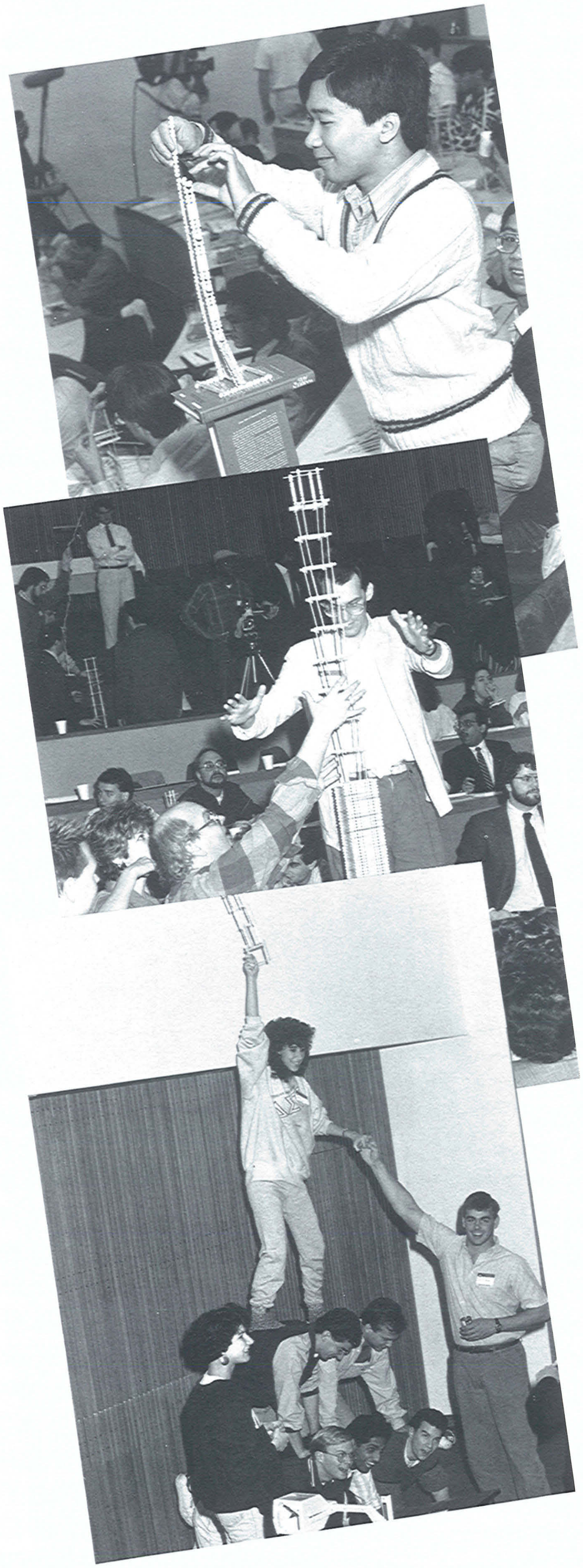
When a small group of presidents of Ann Arbor businesses decided to get together once a month to explore a variety of topics, they soon found that a favorite part of their meetings was the time members used to share mistakes and other misadventures that had happened to them the previous month.

The enthusiasm members felt for these "sharing sessions" led to the idea of a "Golden Egg" award. As one member put it, "I want to hear it from the guy who got egg on his face trying it." A trophy was soon put together (with the help of a L'eggs pantyhose container and some gold spray paint).

Presentation of this award to the best mistake of the month became a standard part of the Presidents' Seminar meeting, and the trophy itself added an important new dimension. The winning president was required to take the trophy back to his office and leave it on his desk for the entire month.

The presence of the Golden Egg obviously raised questions from those who came into the president's office, and led to his telling the questioner — typically a staff member — how he got the award, including the prize-winning mistake. It also gave the president a chance to be a model of treating mistakes as opportunities to learn how to do it better, rather than as situations requiring blame, and legitimized the importance of learning from both our failures and our successes. Thus, the inscription "Golden Egg Award — Sharing Turns a Goose Egg Experience into a Golden Egg Idea."

C. Philip Alexander, president of Ann Arbor Consulting Associates, Inc., who created the award in 1977, notes that this idea can be used in other settings. For example, a "Golden Egg" sharing session can be made a regular part of periodic staff meetings, or can be effective in retreat situations or in conference settings, or as a team building device. "In a supportive and encouraging atmosphere," he says, "the experiences shared are not only useful but they are frequently humorous and entertaining. But the ultimate value of the award lies in rewarding the idea of learning from mistakes rather than punishing them, and the increase in trust, openness, and creativity which, over time, this practice engenders."



My partners and I walked away with $1,500 bucks — and I'd been a millionaire! It was then I went back to school, got my Ph.D., started teaching and I love it. Some of the most exciting things in my life have happened to me because of failures. If you have a defeat, mourn it for 12 hours and then go on. If you have a victory, celebrate for 16 hours and then go on."

Charly Heavenrich, who calls himself a "recovering MBA." He said that what we learn early in life and get reinforced when we go to school are words like "no," "don't," and "wrong." He emphasized the importance of willingness to make as many mistakes as necessary to learn. When you can learn from your own mistakes, then you gain the ability to learn from other people's mistakes and *then* you gain the ability to learn from the mistakes of your teachers. He asked the audience to think about the biggest mistake each of them had ever made and what they had learned from it.

Dale Gorczynski, city councilperson for the city of Houston. His focus as a councilperson is to encourage entrepreneurs to start businesses in Houston.

He began with the statement, "No one in politics has ever failed at anything." He went on to say that the public seems to demand a certain perfectionism from people in public life. The inability to admit mistakes not only discourages innovation, but also has a corrosive effect on the whole political process.

He discussed a mistake Houston made. "We used to think we were a recession-proof city. We found out that no way were we recession-proof. But we learned three important things from that mistake. We learned the importance of diversification, the importance of marketing our city, and the importance of having a healthy dose of humility."

These were only a few of the speakers on the four panels that were held that day. Participants finished the day with the feeling that failure might be OK — it might even be good, and some participants said that they would never see failure in quite the same way again.

However, the day itself was a failure at failing. On the contrary, the Celebration of Failure turned out to be a resounding success.

"A teacher affects eternity; he can never tell where his influence stops."

Professor William A. Paton was 100 years old July 19, 1989. For his birthday party, the Business School sent a letter to his friends and former students inviting them to send a few words of greeting which we would put in a scrapbook to present to him.

Every several days, we had to go out to buy another scrapbook as the letters kept rolling in.

On the next pages, we present some excerpts from the many heartfelt greetings he received. They bear eloquent testimony to the truth of the statement written by Henry Brooks Adams: "A teacher affects eternity; he can never tell where his influence stops."

Happy 100th Birthday, Professor William A. Paton. And Thanks, Thanks, and More Thanks!

"It is one thing for a person to achieve the status of a living legend; it is quite another to be a living legend for fifty years, as you surely have been.

"Speaking as one of your students of forty years ago, I can testify to the privilege I felt in being in the classroom of a teacher of great renown, particularly when the force of what you had to say confirmed the merit of that renown. That feeling could only be compared to what people would have experienced who watched the likes of Babe Ruth or Tom Harmon play in their respective glory days, knowing that greatness was afoot at that moment."

Carl Griffin, BBA '50, JD '53,
MBA '53

◆

"Few people touch the lives of others in as memorable a fashion as you have over the years. Everyone is well-aware of your outstanding reputation as an educator. However, as the years have passed, your high standards for logic, hard work, clear thinking, and doing the right thing are the impressions that stick in the mind of one of your students. Oh yes, there were a few accounting theories, too!"

Arnold L. Johnson, MBA '57
President and CEO, Magma Power Company, San Diego, Calif.

◆

"Birthday Greetings from one of your great admirers — and can you believe, a government regulator!"

William Seidman, MBA '49
Chairman, FDIC

"Congratulations. You made it to 100! You always said, 'Don't let those accounting profs befuddle you. It's easy. Just where got and where gone."

Harold M. Beam, MBA '35

◆

"In the double-entry accounting book of life, 100 years is a marvelous sum. Even more impressive is the vast number of people you've taught in your hundred years and helped on their way to careers in the world of business. I'm very proud to count myself among their number.

"The lessons I learned in your classroom — not only about accounting but about life itself — gave me a solid foundation for my career at General Motors. You gave me the courage early on to take on challenges that were probably beyond my skills at the time — to get through them and to learn by them.

"A large part of whatever success I have had I can trace directly back to you.

"Thank you, Professor Paton — and congratulations on your centennial."

Roger B. Smith, BBA '48, MBA '53
Chairman and CEO,
General Motors Corporation

"The Accounting Underpinning
for the Computer Revolution:
What worthier objective
Could you ask of a man?

How did you do it, Bill —
In just a hundred years?

Congratulations."

Reed Coleman, MBA '28

◆

"It is a distinction that I shall cherish always to have attended the Business School with which you were associated and whose students were enriched by your knowledge, so freely given.

"With gratitude and remembrance."

Richard Stecker, MBA '52

◆

"When registering for your course I expected accounting, but got philosophy as a bonus. We now have three little CPAs (not covered in your course) who have heard your work quoted many times in the course of their education. Thank you for setting the cornerstone."

William C. Norwalk, BBA '49

◆

"I never pursued an accounting career, but the things you taught me were so universal that they have stood me in good stead in all my business dealings. Thank you and Happy Birthday."

John C. Gurche, BBA '49

◆

"About 20 years ago I returned to Ann Arbor for my 40th liberal arts reunion, and while there visited the new Business School. As I was admiring the new facilities, I ventured into your office. You were there. You stood up and called me by name. Remarkable after 37 years.

"I have only admiration and applause for your distinguished career. As a student I was more in awe of you than my other professors. You were brilliant, demanding, and we were all a little scared. However, you were always accessible if we had a problem.

"Having been one of the first women to graduate with an MBA, in 1933, I have had many years to apply your principles to good advantage during my business career and in my lifetime.

"Since I am 80+ years old — may I address you as Bill — and express my very best wishes on your 100th birthday celebration."

Ailene Yeo Bardsley, MBA '33

◆

"100. Congratulations. But your influence is 100 cubed on at least that many people. Thanks."

Larry Cate, BBA '49
President, Roast Beef Enterprises Inc.

◆

"Professor Paton's creative teaching and fine example have led to the raising of accounting standards in the United States and many other places throughout the world. He is a light to us all."

Amnuay Viravan, MBA '54,
Ph.D. '59
Executive Chairman,
Bangkok Bank, Ltd.

◆

"Some 35 years ago you imparted not only knowledge, but some important lessons in discipline and fairness to me and my fellow classmates. I remember specifically your words of reassurance to me during an exam which followed a difference of opinion between you and me as to the mark that I had received on an assignment. You sought me out and said: 'Don't worry, son, the old man isn't going to skin you.' Those words have stayed with me throughout my 'first' career at Ford Motor Co., and now as I have entered my second, teaching international business at the University of South Carolina, and have served as a constant reminder of the importance of being 'fair' and 'humane' in all of my relationships with others."

Tom Turner, MBA '56

◆

"Aside from the accounting lessons, the things I remember best were the story of the fully depreciated typewriter falling down the steps (now the topic is called Behavioral Decision Theory) and the dark look received by the student who dared arrive late to class.

"If there is one set of characteristics that I admire most in Bill Paton, it is that he is a compassionate, fair person who cares about all people. He is a true conservative that any liberal can love."

Harold Bierman, Jr., MBA '49,
Ph.D. '55

◆

"I have always noted that my reputation with many controllers was much enhanced when I let it drop that I started learning accounting from you."

Edward R. O'Hara, BBA '47,
MBA '48

◆

"As a small business person and independent insurance agent, your classes helped me more than any others I took in my years in Ann Arbor.

"When I first started my own insurance agency specializing in contract bonding, a friend at the Michigan Insurance Bureau said, 'Duane, we are very pleased to see you in the bond business, as most agents can't read their own financial statements, much less anyone else's!' I always felt this was a tribute to you as much as to me.

"Congratulations, best wishes, and thank you."

Duane LaMoreaux, CPCU, BBA '58

◆

"You are living proof that all assets do not depreciate at the same rate. In your case, the asset doesn't depreciate at all — it appreciates with age!

"May your second 100 years be equally rewarding."

Glenn E. Guthrie, MBA '53

◆

"Congratulations on your 100th. It is amazing how you have improved over the years. When I was going through Business School I was not always sure I wanted you to live another thirty minutes, let alone one hundred years. But then I have mellowed myself."

Robert B. Spath, BBA '56, MBA '58

◆

"I thank you from the bottom of my heart for teaching me more than accounting. More importantly you taught us how to think by stimulating discussion in lecture hall and in graders sessions as well as with your very inventive case problems."

Russell L. Whitfield, CPA,
BBA '53, MBA '57

◆

"You undoubtedly influenced my life through my business career more than any professor I ever had. In my first job out of the University, I was a hero because you had taught me how to put a value on a going business, and other principles I learned from you have helped me throughout my career."

William L. Jackson, BBA '50,
MBA '51
Chairman, Tupperware Worldwide

◆

"I was not one of your star pupils, but that did not keep me from admiring your tremendous insight and knowledge within and without your special field of expertise."

Lowell E. Tompkins, MBA '47

"Your lectures for the first time stirred in me an appreciation of the creativity and sheer intellectual joy of business life."

Everett Berg, MBA '48
Chairman, EBCO Enterprises

◆

"When you are 200 years old, everything you taught me will still be valid."

James Thompson, CPA, MBA '49

◆

"The integrity you instilled in your students and the responsibility you displayed toward them distinguished you as a true 'professor.' The students in my era referred to you as a 'students' professor' — someone who gave his students a higher priority than his other activities.

"An example of this was your giving up two evenings a week for two hours each for only 12 students in the 1949-50 period. We were scheduled to take your Income Determination course in a semester in which you had planned to take a sabbatical leave. To give us the opportunity to take this course before we graduated, you sacrificed your personal time.

"For that and similar acts, you have rightfully earned the love and respect of the students who have had the great fortune to study under you.

"Congratulations on your 100th birthday! I feel so fortunate to have participated in a few of those brilliant years."

L. A. Engelhardt, BBA '49, MBA '50

◆

"In the spring of 1940, my boyhood chum and mentor, the late Jack Sluiter (MBA '40) described you to me by saying in part, 'his keenness of mind is God given and his unpretentious manner of using it serves to illuminate its uniqueness.' That fall, I discovered for myself how well his description fit you. And so did countless other students make the same discovery over the years. We shall ever remember your practice of discussing subject matter with us, in an exploratory way, rather than lecturing to us. Thank you, yes indeed, for sharing so much of yourself with us."

Walter Clark, MBA '47

◆

"No student you ever taught or counseled is more grateful for the change you made in his life than I am. You taught me to embrace clear thinking and avoid 'fuzzy' thinking."

Louis J. Willie, MBA '47
President,
Booker T. Washington Insurance Co.

"You have turned out to be much more durable than most of those 'telephone poles' you used to tell us about in class. It was figures that I always thought were your forte, but when I received your autographed copy of *Words*, it did not take long to realize you are just as adept at words — and what's more, your sense of humor comes through in that book in a real chuckling way."

Elinore Clark Vendemelio, MBA '40

◆

"The recognition given to you as a pioneer writer, thinker, and commentator in the accounting field is well deserved — but to many of us, it will always be your impact on our lives as a 'teacher' that we remember and appreciate the most."

M. Ross Miller, MBA '50

"I remember clearly the class session in which you discussed the matter of inventory valuation. In explaining the application of the FIFO method, you described your childhood trips to the fruit cellar for winter apples, with your mother's admonishment always to "bring the older apples." The result, you claimed, was that your family was always eating half-rotten apples. You made your point for FIFO, and it's been a wonderful story to remember of you."

Claud D. Kelsay, BBA '49

(Editor's Note: FIFO refers to the "First In, First Out" method of inventory control.)

◆

"I recall you once said that accounting principles also applied to 'Life.' In the long run, for every credit, there must be a debit — and that meant something to me — it made sense, and I have found it an interesting thought through the years."

Rolland Damm, '28 Lit., '29 Bus. Ad.

◆

"Your approach to accounting continues to be of immense value to me in merger, acquisition, and financing activities where analysis rather than scorekeeping is so vital. I can also confess that I probably expended about 95% of my total undergraduate effort on the courses you taught because your demands were such that there was no choice, and that too was an invaluable experience."

Arthur Fredston, BBA '49
Partner,
Winthrop, Stimson, Putnam & Roberts

◆

"Although I never had the opportunity to have a class under you, I owe my business success to the education and the thinking process that you provided me through your textbooks, department leadership, and writing."

Paul R. Carlsen, CPA, BBA '59

"Congratulations! To you, yes, but mostly for the rest of us to have had Paton logic, Paton ideas — just everything Patonian — with us for a century!"

Ron Johnson, MBA '48, Ph.D. '55

◆

"I still recall with relish the day you finally stated, 'There must be something to this marketing as long as Maynard Phelps and Chuck Davisson are in it'!"

Chuck N. Davisson, MBA '40, Ph.D. '45
Professor Emeritus of Marketing

◆

"They say a man's achievements are to be measured by his influence upon others. If that's the yardstick, your accomplishments are legendary.

"Your gift is the gift of the truly great educators. That is, to take the real and complex problems of life and organize them into clear, simple solutions. Cost Accounting convinced me I should be an engineer, and yet I have never stopped trying to emulate your talent for communication and education.

"And thank you for that special gift — for being a real life hero; someone to respect; someone to pattern one's own life after."

Robert (Denny) Arno, MBA '61

◆

"Your many articles and books have left an indelible mark on the accounting literature, and it is unfortunate that many of those who profited from your writings did not have the grand opportunity to enjoy the fire of your personality. Howard Greer was right: 'if you're tempted to say something silly in some accounting publication, take heed of the old red head skulking in the shrubbery — your temerity may fetch you a charge of buck-shot in the seat of the pants.' "

Stephen A. Zeff, MBA '60, Ph.D. '62
Herbert S. Autry Professor of Accounting, Rice University

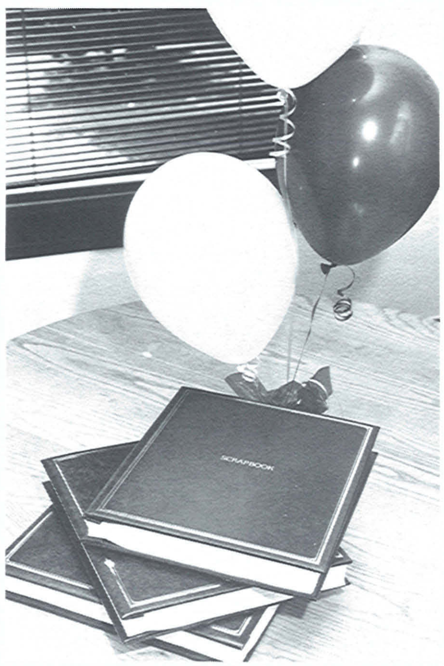
"Your training and advice have stood me in good stead for these many years. I can never thank you enough. You are one of my shining stars."

Bill Orley, MBA '49

◆

"Your accounting lessons were a great asset in my successful business career. If you decide to conduct a class in Longevity, please accept my enrollment."

Leonard A. Gittelsohn, BBA '47



"When I transferred to Ann Arbor from Notre Dame University in 1948, I thought I knew accounting from A to Z. Then I encountered William Paton's accounting and almost dropped out of school. I thought I had been living in a dream world and had no idea of what accounting truly was. Fortunately, you helped me back to reality."

Jay H. Handelsman, BBA '50, MBA '60

◆

"Learning was too much of a rote until I had the pleasure and challenge of participating in your classes. My eyes were opened to the need to rise above facts, numbers, and details to understand the larger concepts involved and their application to business and society. At best, they are a means and not an end. The mind stretching you provided in conceptualizing the big picture and the related economic impact of what you were discussing, together with a clarity of articulation, provided a challenge to me that I have yet to forget and hopefully never will overlook.

"For opening that door of my mind, I cannot but say thank you so very much."

Byrle M. Abbin, BBA '52

◆

"The thing that remains with me after all these years is your compassion for your students.

"Two instances illustrate what I mean. After the completion of a test I had stopped after class to talk to you for a minute. You took the opportunity to express how much you had wanted to help one of your students who was struggling with one of the problems. As you had observed him struggling, you said you had wanted to take his pencil in your hand and finish the problem for him. The second instance was again after a test and was of a little more personal nature. I was questioning the reason I had missed a particular problem. Initially you interpreted this as merely an attempt on my part to improve my grade and weren't too receptive to my questions. When you realized that I was truly interested in understanding the principles involved, you went out of your way to help me.

"These are things that one of your students remembers and are among the things that make you a great person as well as a great teacher."

W. L. Ammerman, Jr., BBA '54

◆

"I remember your fondness for remarking 'Stay out of the middle of the road to avoid being run over.' "

Richard A. Ware, President Emeritus, Earhart Foundation

"I remember well our first professional association. I was testifying in a Michigan Bell rate case on the subject of inflation. Frankly, I was scared stiff. But it was a great learning experience. For the first time I began to see the larger issues of accounting — and particularly the accounting problems posed by inflation.

"You have left your chosen field 'different,' and at the same time former students without number have memories of a great teacher. This is given to few in academe. Your name will be forever inscribed on that short list."

Paul W. McCracken
Edmund Ezra Day Distinguished University Professor Emeritus of Business Administration, Economics, and Public Policy

◆

"You are in that small group that continually gets the decimal point in the right place. It's hard for me to believe you are 100, but it's even harder for me to believe that you were 70 when you gave me such a terrific education."

Robert L. Hooker, MBA '58

◆

"As a master's recipient in the class of 1936 I well remember what a beneficial influence you were on my life — both during my working years and as a volunteer in many state, national, and international organizations. Thank you, thank you.

Frances Butler Concordia, MBA '36

◆

"There is no one who has done more for accounting in this century than you have. You were the prime mover in assuring a logical, national philosophy of what accounting should be doing — and why. You have been a giant in the field and have helped make accounting a coherent discipline rather than a collection of ad hoc rules.

"Moreover, you have helped thousands of students become more thoughtful and perceptive individuals so that they are better able to cut through sophistry to the essence of a matter — whether it be in the area of accounting, economics, politics, or the day-to-day problems of life.

E. B. Rickard, MBA '33

"I recently retired from Arthur Andersen, and if I can remain even a quarter as active as you have been in your 'retirement,' I'll consider that a major accomplishment. You set standards as tough in retirement as the standards you set in accounting."

James A. Carty, MBA '54

"I remember so well your comment in class one day when the subject of smoking came up. You said that when you were a boy on an Iowa (or wherever) farm you learned to stand on the windward side of a bonfire thus avoiding the smoke. So you saw no sense now in building a bonfire in your face."

Roger C. Thorpe, MBA '35

◆

"You and I had some pretty lively debates after class and in your office over certain differences in accounting theories. I have always remembered those discussions with special appreciation for your patience, your willingness to hear me out, and your ability to expand my thinking in new directions.

"I have taken great pleasure in the many honors and expressions of appreciation you have received over the years because I know how richly deserved they have been both for your contributions to the field of accounting, but perhaps more importantly, for the way in which you have touched the lives of so many students like myself who will always remember you with great affection and appreciation."

Tom Lester, MBA '54

◆

"As I think back, I cannot recall your being old or acting old with one exception. One day at the board you drew a line and then erased it. You drew another line and erased it too. Then you very carefully drew a very straight line and you commented something like — 'When I was younger I never had any problems drawing straight lines.'

"My conclusion is that, for me, you drew a lot of straight lines, a lot of helpful lines, a lot of beautiful lines, and now — at 100 years — a wonderfully long line as well. Happy Birthday Bill and best wishes."

Gordon A. Nethercut, MBA '54

◆

"In addition to the accounting background that you gave me, there is another interesting facet of your life which has given me many, many hours of pleasure and that is your book on *Words.* I have spent hours on word squares and on limerick writing and many of the other things that interested me in that book, which I bought about five years ago.

"I am grateful to you for the significant impact you had on my life, even though I only had you for one class, and only had one or two personal conferences with you."

J. D. Mulholland, MBA '51

"So you are going to be 100. Will you never stop setting goals for me? You have always been an idol to me, and I am only one of thousands. To me you were a great educator, a great thinker, a personal advisor, a warm friend, and a hard taskmaster. While you were always tough, demanding, and insistent you never failed to be complimentary. You always found something to compliment each of us."

Leonard Spacek

◆

"I want you to know that you are one of two people who have had the greatest influence on my life. By virtue of being exposed to your great mind, attendance in your classes, and assisting you in grading papers taught me to *think!!!*"

Richard Herman, MBA '49

◆

"I'm a fortunate man for having had the benefit of your instruction. Not only have you always been 20 or 30 years ahead of your time, but nothing you ever taught me has been outdated. I'm talking about economics as well as accounting.

"But beyond the fact that you're my and everyone's educator of the century, what a friend you have been! I am proud of the long-lived, albeit sporadic correspondence I have enjoyed with you.

"It is a privilege for me to say that you're my friend."

Orville B. Lefko, MBA '47

◆

"My fondest recollections of you relate to 1939 and 1940 when you taught a course in World History to which you added enough accounting to get us credit. Your denunciations of Franklin Delano Roosevelt and the government of Great Britain still ring in my memory. We did worry a bit about your blood pressure when your complexion began to match your red hair.

"My real grounding in sound accounting and analytical thinking came in our late afternoon sessions when you went over the answers to the papers I was to grade for your advanced class. This one student seminar usually lasted about two hours as you explored every conceivable approach and solution to your questions. It was a real learning experience, for which I have thanked you many times, but this is one more opportunity to say,

"Thanks, thanks, and more thanks."

Arthur P. Bartholomew, Jr., MBA '40

◆

"Although most of us thought we fully appreciated those wonderful days with you and the rest of the faculty, we didn't begin to know the meaning of the term until we entered the "real world" and found that solid, progressive training was a tremendous asset."

Bruce J. Kirchenbaum, BBA '43

◆

"After graduation from the Lit School in 1929, I worked in Montana for two years to accumulate enough cash to come back to the Business School. I had decided that I wanted to be an accountant. You were responsible for that decision.

"When I returned to Ann Arbor in the fall of 1931, I felt much older, a little wiser, and very much alone. I enrolled in your course. That first day, when you were reading the list of your students, you came to my name and said, 'Longeway, that's a familiar name. Where have you been for the past two years?' With those words you gave me a warm feeling, a feeling that someone cared.

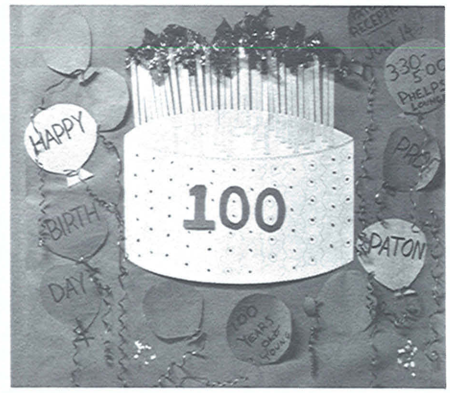
"And now, almost 58 years later, I still have that warm feeling for you. You were an excellent teacher, you have one of the most brilliant minds I have ever encountered, and in addition you are a very, very nice guy."

George Longeway, MBA '33

◆

"My children no longer are impressed that Dad has an MBA degree, for they have equalled or exceeded my academic accomplishments. But the grandchildren — that's a different matter! They are delighted and amazed with all the fun word games I know and play with them. I haven't revealed it comes from 'Words! Combining Fun and Learning,' by William A. Paton. And I don't intend to. A grandfather needs all the help he can get to keep up with the rising generation."

John B. Matheson, Jr., MBA '49



Harris Center
Four Controversial

Once a year, the J. Ira Harris Center for the Study of Corporate Finance puts on a Forum that considers some significant (and often controversial) aspect of corporate finance.

This year's Forum focused on issues facing boards of directors in the current takeover environment. Many of the top people in the field spoke at the Forum on one of four issues: poison pill resolutions; the "just say no" defense; the role of special committees; and proxy contests and tender bids.

The Forum began with a talk by takeover defense innovator Martin Lipton on "Corporate Governance:

1 David Boies (left), who was legal counsel to Texaco during its proxy challenge by Carl Icahn spoke on proxy contests and tender bids. Next to him is Daniel T. Carroll, chairman of the Carroll Group and director of numerous publicly held firms, who spoke on proxy contests and independent directors. At far right is Arthur Fleischer, Jr.

2 Lowell E. Sachnoff (left), a well-known advocate of shareholder rights, talks during a break with Harry DeAngelo, professor of finance at the Business School, and director of the J. Ira Harris Center for the Study of Corporate Finance. DeAngelo's research focuses on the areas of corporate finance and corporate control, and he has published extensively on those topics.

3 Ira Harris (right), founder of the Center, talks with Augustus K. Oliver, who with his firm, Coniston Partners, initiated takeover attempts against Gillette and Allegis Corporation.

Annual Forum:
Issues Considered

Major Issues for the 1990s." That talk is reprinted in this issue and appears on page 2.

The goal of the Harris Center is to stimulate productive interaction between financial experts from industry and Wall Street, and the faculty and students of the Michigan Business School. Such interaction ideally entails a substantial exchange of ideas between the academic and financial communities that ultimately leads to greater overall knowledge about the field of corporate finance.

On these pages we bring you pictures taken at the Forum of the various experts who attended.

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Photos by Gregory Fox

4 Students, faculty, and guests filled Hale Auditorium to overflowing for the Forum.

5 Arthur Fleischer, Jr., one of the nation's top takeover attorneys (left), and Joseph A. Grundfest, securities and exchange commissioner, who has played a key role in shaping SEC policies on corporate governance and related issues of shareholder rights.

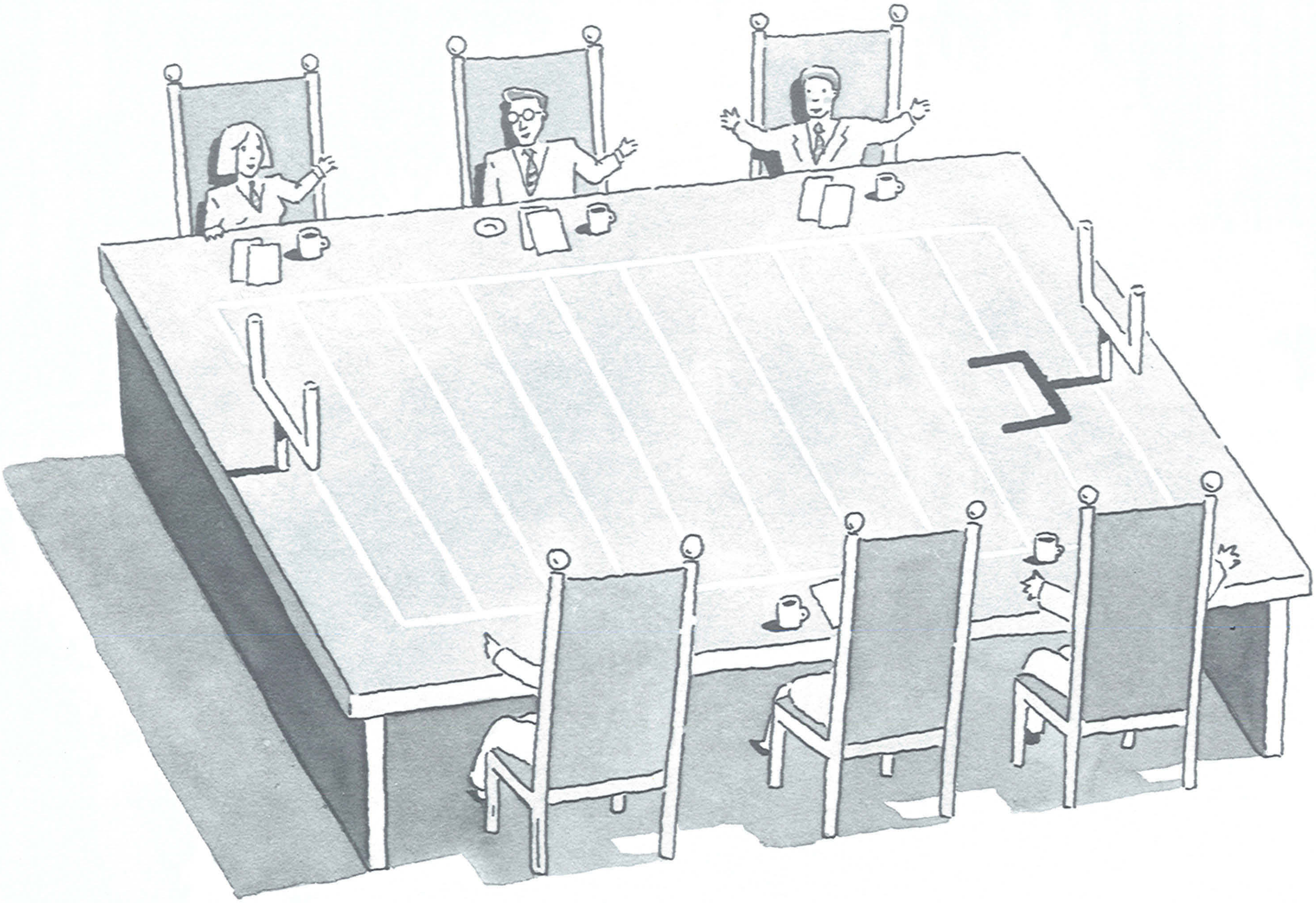
6 Martin Lipton, who developed the poison pill defense against takeovers, autographs a program.

7 John C. Wilcox, managing director, Georgeson & Company, Inc., was one of the speakers on poison pill resolutions.

8 Augustus K. Oliver, of Coniston Partners, spoke on proxy contests and tender bids.

9 Robert A. G. Monks, a leading advocate of institutional investor interests, was one of the speakers on the role of special committees formed to evaluate takeover proposals. He is president of Institutional Shareholder Services, Inc.

How to Play the MEETINGS GAME



By John E. Tropman
and
Gershom C. Morningstar

"Meetings may, in fact, be the key element in American business survival because so many of our decisions (virtually all of the important ones) are made in groups. There is no longer room in American business for unskilled players and incompetent play."

Americans hate meetings. Perhaps we understand instinctively that a meeting is a game played poorly, over and over again, by nearly everyone. However, it's possible to play the meetings game with the elegance of chess, the sophistication of bridge, the grace of tennis, and the total team effort of football. To play it well requires a knowledge of the rules, an appreciation for the field of play, an understanding of all of the player positions on the meeting team, and a solid grounding in meetings game strategy.

As American business is increasingly challenged and threatened by ever more astute European and Asian business interests, the meetings game becomes ever more critical to our business success. Meetings may, in fact, be the key element in American business survival because so many of our decisions (virtually all of the important ones) are made in groups. There is no longer room in American business for unskilled players and incompetent play.

While we've been making jokes about meetings (i.e., "a camel is an animal designed by a committee"), the rest of the world has been developing professional players and playing for economic blood. Japan, China, West Germany, the United Kingdom — even the Soviet Union — all places where the meetings game is played with grim professionalism — have been picking off our foreign and domestic markets with the deftness of the Artful Dodgers. We had better learn to play the meetings game at the professional level and to play it well. Unless we do, we will have to begin accustoming ourselves to status as a second class world economic power.

These are the principal problems:

- Almost no one knows the rules, and so the game is blamed.
- Almost no one has scouted the playing field, and so the game is blamed.
- Almost no one is entirely sure what positions the various players play, and so the game is blamed.
- And, almost no one knows either the game's objectives or how the game is scored.

A well played meeting is a *planned* activity, in the same way that a well played baseball game is a *planned* activity. While most of our meetings closely resemble a pick-up baseball game in the school yard, they should, instead, resemble the professional game where all of the rules are invoked and each team member has a specific job to play and is expected to make specific and meaningful contributions if he or she expects to remain a member of the team.

How to Make Things Go Right—Some General Principles

Learning and applying a few simple rules will yield dramatic improvements in the quality of meetings and the decisions that emerge from them. A few broad principles form the basis for these rules. Looking at the principles will help to place the rules we will present in proper perspective:

The Team Principle: Players of the meetings game must know that this is a *team* endeavor. Successful teams *are* teams, and they know it. Thus, lots of the Lone Rangeritis that affects American business must be set aside. The purpose of joining a meeting is not to win a particular point — that's the equivalent of hogging the base. Rather, it is to make contributions in such a way that the total problem can be seen, a range of decision options can be explored, and an outstanding result achieved.

The Information Principle: Important to all games — and the meetings game is no exception — is information. Some of this information is about the game itself: its nature, its strategy, and so on. Some of the information concerns current conditions of play: the weather, the other team. Good teams scout their opponents. Good golfers scout the course. It is imperative that they get this information in advance so that they can make use of it in their play. A scouting report that arrives after the game has been played is of no use. Information about decision opportunities that arrives just as people are sitting down for the meeting is similarly of little use. It can't be processed or absorbed fast enough.

"Most business people actually know very little about group decision making — its components, its requisites, its demands, its problems, its pitfalls. Worse still, they often surround their ignorance with laughter through jokes about meetings."

The K-P-R Principle: K-P-R stands for "Knowledge, Practice, and Review." All games require knowledge of the basic rules and of the more sophisticated nuances of play. The more sophisticated players always know a great deal about the game they are playing, and constantly work on mastery through practice. Sophisticated players review their performance — sometimes on tape, sometimes through observation by others and report-back sessions, and sometimes through self-analysis. As the meetings game is presently played in most businesses, almost none of these things occur with any regularity. Most business people actually know very little about group decision making — its components, its requisites, its demands, its problems, its pitfalls. Worse still, they often surround

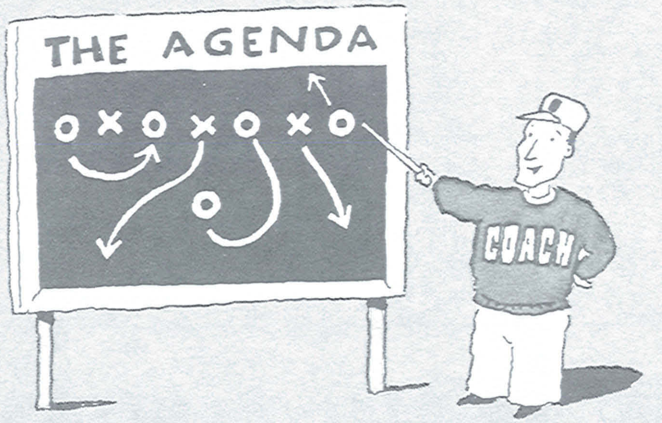
Rules of the Meetings Game

Rules inform players about what is needed and expected. They make possible post-game analysis, and allow both players and observers to follow the action. Only now are we beginning to codify the rules of the meetings game. Here are ten useful ones:

1 *The Rule of Halves:* The meeting planner should begin getting the agenda together about halfway between the last meeting and the next one. This allows enough time for the material to be secured and sorted, for relevant information to be put together, and in general, for the information and people needed to be brought on board.

2 *The Rule of Sixths:* This rule says that agenda items should be divided into sixths: one sixth for old business; four sixths for here-and-now business; and one sixth for future oriented "blue sky" items about which participants can do some "plan-ahead" thinking.

3 *The Rule of Three Quarters:* The three quarters point between the last meeting and the next meeting is the time to send out materials for people to review. This allows participants to review the plays before the game begins. No self-respecting football coach would hand out playbooks only minutes before the opening kickoff, yet we do that routinely in the meetings game with predictably disastrous results.



4 *The Rule of the Agenda:* The agenda is the game plan and should be designed with the same degree of detail as a football game plan. Agenda items should be highly specific, and clearly marked by a key word indicating whether the item is an announcement item, a discussion item, or a decision item. Such identification helps to focus attention. There should also be some indication of how much time should be devoted to part of the agenda.

5 *The Rule of the Agenda Bell:* This rule relates to the sequence of the meeting. A diagram of a good meeting looks something like a bell-shaped curve. Announcements and easy decision items are in the beginning. As the curve rises, more difficult or more controversial items are introduced. In the middle of the meeting, the most difficult item is considered. Then, after the peak of that meeting experience, discussion items are introduced to allow for some decompressing and easing off. Just as tennis brilliantly played is not as easy as it looks, so too, the proper design of activity flow in a meeting is not as easy as it might appear here. If the agenda is designed with this pattern in mind, however, the quality of decisions and the discussions that lead to them will increase.

6 *The Rule of Minutes:* If minutes are taken, they should be reflective summaries of points, organized in a coherent fashion. They should *not* be organized in the traditional "he said/she said" or "court reporter" style. After the summary, the minute taker should skip a line and write in capital letters the decision or action. This solidifies the efforts of the group and reinforces the action taken for readers and skimmers.

7 *The Rule of Reports:* All reports should be reduced to Executive Summaries of not more than two pages. When a great bulk of material is sent to meeting participants, they tend to set it aside, skim it lightly, or ignore it. All the work that went into its preparation, therefore, goes for nothing. An Executive Summary can convey the essentials, and more details can be brought up as they are needed at the meeting itself.

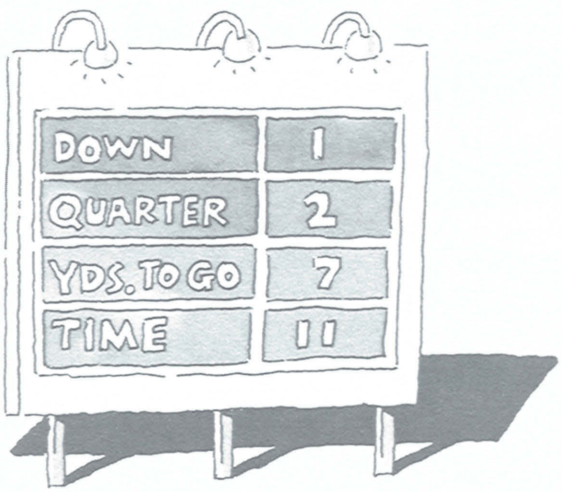
8 *The Rule of Agenda Integrity:* People come to a meeting expecting certain things to happen. One goes to a football game expecting that football will be played. When expectations are not met, the integrity of the game is destroyed. Shifting around agenda items causes the integrity of the meeting to be severely compromised in the best of cases and destroys it utterly in the worst.

9 *The Rule of the Clock:* As a general rule, sports events start on time. They are not held up because one player or another hasn't yet shown up. Neither should meetings be delayed. By the same token, a meeting scheduled to end at 11:00 a.m., should end at that time. Nothing should be allowed to let it drag on.

10 *The Rule of Decision Audits and Decision Autopsies:* Periodically meetings need to be reviewed and analyzed to determine what went right, what went wrong, and what can be done to assure that the right things are repeated and the wrong things are eliminated. When doing such review and analysis, it is important to distinguish between faulty strategy and faulty implementation. There's no point in trying to improve the execution if the basic strategy is inappropriate for a particular situation. Review and analysis of meetings highlight the areas for improvement and refinement.

their ignorance with laughter through the jokes we mentioned earlier.

The Three Characters Principle: In football, it makes a difference whether a play is a running, passing, or kicking one. In meetings, it is the kind of item that makes the difference. There are three: (1) announcement items; (2) decision items; and (3) discussion items. These are the only three, and it is crucial to identify the character of each item in advance so that other players in the meetings game can place it in the proper context and engage in strategies appropriate to the character of the item.



The Sequence Principle: It makes a difference how and when things appear. In sports, turns are taken in order, one inning follows another, the second quarter follows the first. Yet, those who readily see the principle of sequence applying to all other games are often utterly blind to its application in the meetings game. As a result, they try to do the equivalent of kicking extra points before they score touchdowns, oblivious to the fact that such grandstanding behavior totally disrupts the decision process and destroys the integrity of team effort.

The Players

There are three major participants in most meetings game situations. Occasionally, depending on the nature of the meeting, a fourth crops up. The Chair occupies a role that is somewhat analogous to a professional football quarterback. Members and a Recorder make up the rest of the team. Occasionally there is a Staffer connected with the team, a sort of participant-observer and helper whose function is similar to that of a guide on a fishing trip.

The Chair: The Chair role involves leadership rather than simply being a boss, and this requires statesmanship rather than partisanship. The good Chair structures the situation rather than bullies the result.

The Chair has the responsibility for treating all players in the game equally. At the same time, issues are treated unequally, depending upon their importance

and/or their difficulty. The tougher ones get more time. The Chair who has mastered the game does not let the group wander and consume time over trivial issues.

Much of the Chair's work is done before the meeting begins. That is when issues are prepared and the agenda is developed. While good preparation does not in and of itself guarantee the winning of the game, poor preparation is an almost certain prescription for defeat.

The Chair both encourages and discourages decisions at various points in time. Discouragement becomes necessary when it is apparent that the group is rushing into a decision without first carefully examining the issue. The skilled Chair, through experience, learns to spot such a course developing and introduces concerns and questions, causing the group to drop back a bit or to slow down. But the group may also delay coming to a decision when such a delay is unnecessary, or attempt to avoid making the decision altogether. When this happens, the skilled Chair engages in prompting behavior that is intended to keep the group focused.

The skilled Chair also avoids argument with members, and does not champion a particular point of view. Argument is devisive and tends to introduce emotional considerations that are irrelevant to the effective team process. Lack of impartiality and objectivity by the Chair virtually guarantees less than full contribution by all members to the ultimate decision with the resulting reduction in the quality of whatever decision is made.

The Member: Most individuals connected with American business never get beyond rookie status in the meetings game. Rookies in any game tend to bring to it a lot of misconceptions, myths, and misunderstandings. Meeting rookies are no exception. The popular view is that there is nothing to being a Member — "All I have to do is show up and doze off." And so they show up and doze off. And when the businesses of which they are a part fail because of the poor quality of the decisions made by those businesses, they blame market conditions or management or the government or sunspots or the configuration of the stars in their astrological charts. They do not blame those who are primarily responsible for the decisions made; namely, themselves.

In any other team activity, all members of the team are expected to participate. That includes both those on the field of play at any given moment and those on the bench who contribute their enthusiasm and encouragement. To advance beyond rookie status, members of the meeting team must seek to find ways to help explore the issues at hand. The underparticipator — the individual who says nothing — is as destructive to the effective team process as the overparticipator — the person who can't stop talking.

Further, Members should always try to provide solutions to problems they bring up. Pointing out problems is helpful, but offering solutions (however weak or hair-brained they may seem at the time) aids in the solution development process.

Members should also aid the Chair, just as team members aid the quarterback on a football team. If the Chair asks whether anyone has a view on a particular matter, the typical response in many meetings is for everyone to be quiet. There are two reasons for this: no one wants to be first and the belief that if nothing is said, the meeting will end sooner. Member responsibility requires this foolishness to be set aside. Only by doing so will meeting mastery be achieved. Members should risk being first. The skilled meeting Member will often start with an opening like, "Let me begin with the understanding that this is tentative, and I haven't heard what other people think yet." Such an opening gets discussion underway, but does not overly commit the Member to a particular position.

"To advance beyond rookie status, members of the meeting team must seek to find ways to help explore the issues at hand. The underparticipator — the individual who says nothing — is as destructive to the effective team process as the overparticipator — the person who can't stop talking."

The Recorder: The Recorder can help the decision crystallizing process along by making the following type of statement: "For the record, it is my understanding that the decision was as follows. . . ." Such crystallization *should* be provided by the Chair and Members. In its absence, however, the Recorder can use the Minute-taking role as a way of helping things to move along and to focus and solidify the decision process.

The Staffer: Sometimes groups are fortunate enough to have an individual who is paid to assist them in their meetings and committee deliberations. Such an individual is the Staffer. It's a role that almost everyone will play at sometime during a business career. What is important to keep in mind is that the Staffer is an assistant to the Members of the meeting team. Staffers often attempt to get into the meeting and participate as a Member. When a non-Member Staffer begins to act like a Member, groups will generally resist attending to contributions of the Staffer made in that way. Members — particularly skilled meetings game players — will not view such participation as appropriate. The Staffer's primary function is to collect information for the meeting's deliberations, to put this information together in packets, sometimes to prepare summaries of themes contained in a wide range of materials, and, in general, to act as a resource and helper to the meeting team. This is an honorable role and one that should be played with demonstrable competence. In the meeting itself, however, the Staffer should remain quiet. Contributions that are made should occur only around specific discussions of factual matters. Keeping this in mind will relieve a great many meeting team headaches.

Strategy in the Meetings Game

Given all of the elements in the meetings game, we must now give some thought to the strategies employed in achieving a successful game outcome. The goal of the game is to achieve high quality decisions repeatedly.

The strategy for achieving the goal is to understand how decisions are made. What we call a decision is really a mosaic of small decision elements. The meetings game proceeds through a decision mosaic, element by element. It does so by decision rounds, like in boxing.

A round ends at that psychological point in a meeting when everyone has had a chance to offer an opinion on a decision element. The Chair notes the overall structure of preferences. At a certain point, when the discussion has gone more or less around the group, the Chair engages in a three-step process called the Decision Focus.

The first step is to Summarize where the group is. Until the total group has spoken, no one really knows where the group lies with respect to preferences.

At this point, if there seems to be a coming to agreement, the Chair proceeds to the second stage, a Decision Hypothesis, which offers a possibility of agreement on a particular course of action for the group to consider. The group will then respond affirmatively or objections will be raised.

The Decision Hypothesis is risky for the Chair, and rookies tend to avoid it. As a result, the discussion gets locked into an endless loop of discussion where nothing is decided until someone finally undertakes the Decision Hypothesizing function. (In the poorly Chaired meeting, this will usually be a Member who says something like, "Let's do . . .")

The third step is the Decision Refocus. The Chair (or the Member who is performing this function) re-focuses the group on the next decision element to be discussed. This refocus serves to target group activity and select, from a whole range of possible targets, one for the next step.

All of this is well and good when the Chair perceives some sort of consensus after the first round of discussion. But sometimes no clear consensus will emerge. When that occurs, the experienced Chair begins systematically to eliminate the weakest options through successive "first" rounds of discussion.

"It is Decision Sculpting in the meetings game that often separates the master from the rookie."

This, then, is the way decisions are made: step by step, point by point, until the entire decision mosaic at last emerges. Once that mosaic has been assembled, the Chair goes through one final strategic move: Decision Sculpting. Because decisions are made element by element, no one quite knows what the total picture is going to look like until all parts of it have been put together. The resulting picture may be very pleasing. Often it is, but not always. Sometimes there are some awkward parts, things stick out or call unnecessary attention to themselves or simply don't go well together. When that occurs there needs to be some kind of adjusting or reshaping. It is through this subtle sculpting process, when all the elements are assembled, that some adjustments in specific elements are made. Special care must be taken, however, that Decision Sculpting does not open the door to an entire reconsideration of the issue that has been decided. Such reconsideration defeats the entire systematic, rational decision process that has been the object of the meetings game. It is Decision Sculpting in the meetings game that often separates the master from the rookie.

Unlike most other gaming pursuits, the mastery of the meetings game has implications that go far beyond the basic sense of satisfaction that comes with the knowledge that one plays a game well. Mastery of the meetings game means taking a significant step forward in meeting and defeating the competitors of American business.

About the authors: How to achieve high quality decisions in meetings was part of a prize-winning course taught by Professor Tropman at the Business School in 1986-87, the year he won the Bernard Zell-Leonard W. Lurie Prize Competition in the Teaching of Entrepreneurship. His course focused on the structure of entrepreneurial systems and how such systems may be created and maintained for maximum success. Tropman is co-author of a new book, entitled "Entrepreneurial Systems for the 1990s: Their Creation, Structure & Management," published by Quorum Books and co-authored by Gersh Morningstar, president of Wolverine-Morningstar Broadcasting Company. Professor Tropman is Professor of Administration at the U-M School of Social Work.

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AMONG OURSELVES

An informal collection of items, including news of the faculty, of alumni, and of the school, and assorted other information, opinion or comment that we think will interest you.

The Alumni Board of Governors Establishes Alumni Service Award

The Bert F. Wertman Alumni Service Award was established at the spring meeting of the Alumni Society Board of Governors.

The award, to be given each fall during the alumni reunion weekend, will recognize an alumnus or alumna for outstanding service to the Business School.

Bert Wertman, MBA '28, has been president of his class for sixty years, and through his leadership and caring, the class has remained a cohesive and vital group. It has a record of continuous reunions over sixty years, during which time Bert kept everyone in touch by writing a newsletter for the class. To date, he has written and distributed 140 such newsletters.

In announcing the new award, Jack McCarthy, MBA '68, and chairman of the Alumni Society Board of Governors, commented, "It is not only timely and fitting that an award honoring key alumni of the School be established; it is also especially appropriate that the award be established in the name of our quintessential alumnus, Bert F. Wertman."

In other business at the spring meeting, the Board worked on an updated mission statement for itself, and discussed some key issues it has identified. Some of the issues included: ideas for increasing alumni networking throughout the country; thoughts on integrating the "real world" with the academic environment; the purpose and role of the Board over the next decade; the appropriate role of the Board in fundraising activities; and the best ways of tapping the expertise represented on the Board for the benefit of the School and the alumni.

Bert Wertman, MBA '28, has the Alumni Service Award named after him.

The next meeting of the Board is scheduled during alumni reunion weekend on October 27.

Corporate Access Guide to the University is Published

A Corporate Access Guide to The University of Michigan, intended to help company executives and managers identify opportunities for collaboration and gain quick access when needed, has been published by the University Office of Corporate and Foundation Relations.

The booklet includes information about University programs and services available year round to business and industry; a listing of programs, centers, libraries, and offices that can meet business and industry needs, and a list of international resources for businesses available through a number of area centers, institutes, library and museum collections, and programs.

The Office of Corporate and Foundation Relations works closely with faculty and offices throughout the University to bring together the resources of a leading research institution with the needs of the corporate community. If you are interested in getting copies of the Guide, call (313) 764-7145, or write the Office of Corporate and Foundation Relations, 6000 Fleming Building, The University of Michigan, Ann Arbor, Michigan 49109-1340.

Academic Business Library Directors Meet at B School

The third annual conference of academic business library directors was held at the Kresge Library in the spring.

Forty representatives from libraries all over the country gathered for the conference, which included a presentation on "AACSB and Issues Facing Business Schools," by Dean Gilbert R. Whitaker, Jr., who is president of the AACSB this year.

Other presentations included: "ABI/Inform and Business Periodicals on Disc," given by University Microfilms, Intl., and "National Bibliography of Recent Business Titles," given by Peter Ward, of Ward and Associates.

Agenda items for discussion included new technologies for libraries and AACSB standards for libraries. Participants in the Conference also toured the library/computing facilities of the Michigan Business School.

CSMIL Receives $825,000 from the National Science Foundation

"Technology Support for Collaborative Work Groups" is the title of a project being supported by a three-year research grant from the Information Technology and Organizations Program of the National Science Foundation. The project is funded for $275,000 per year for each of the next three years. The funds will go to a group of faculty associated with the Cognitive Science and Machine Intelligence Laboratory (CSMIL), headquartered at the Business School.

The project will examine how information technology might support the collaborative activities of small work groups, focusing on the domain of software system design. First, observational studies of system design in real organizations will be conducted to establish a baseline of current practice and to locate opportunities for technology intervention. Second, a variety of experimental "groupware" systems (integrated software/hardware designed to support group work) will be built and tested.

The research will be a collaborative undertaking, involving faculty from all three of CSMIL's sponsoring colleges (Engineering, Business, and LSA). It also involves collaboration with two external organizations, the Software Technology Program at the Microelectronics and Computer Technology Corporation (MCC), of Austin, Texas, and the Center for Strategic Technology Research (CSTR), at Arthur Andersen & Co. in Chicago. The project is directed by Gary Olson, Director of CSMIL.

Related research has already been funded during the past year by Arthur Andersen & Co. A Collaboration Technology Suite, a state-of-the-art facility to support research into collaborative work, is being built at CSMIL with gift support from Arthur Andersen & Co. and Steelcase, Inc.

The NSF grant was one of six awarded under a special initiative on coordination theory and technology. The object of the initiative is to stimulate multidisciplinary research on coordination and to create knowledge which can be applied to the solution of information intensive problems affecting the advancement of science and the competitiveness of our economy. The other funded projects are at Carnegie-Mellon, M.I.T., the University of California, Berkeley, the University of California, San Diego, and the University of Connecticut. A total of $4,100,000 was awarded over three years under this initiative.

The Business School Gains #1 Status in Minority Recruitment

After years of hard work, the U-M Business School has achieved the most diverse crop of students at any of the nation's 250 nationally accredited MBA-granting institutions, according to a recent *Business Week* survey.

Of the 404 daytime MBA students, 25 percent are minorities and 16 percent are Black. The figures show a major increase since 1979, when about 4 percent of MBA students were minorities and only 2 percent were Black.

The next most diverse MBA student body is at Harvard, which has a 13 percent minority enrollment. Columbia also has a 13 percent minority enrollment, followed by Wharton with 12 percent. According to the *Detroit Free Press*, which wrote an editorial about Michigan's top ranking, the proportion of Black MBA candi-

Milton Kendrick (right) congratulates Jose Antonio Rosa, a doctoral student in marketing at the Business School, who is the winner of the annual Milton and Josephine Kendrick Award in Marketing. The prize recognizes the importance of theoretical scholarly work among doctoral students in marketing, and involves writing a paper on a substantive marketing topic with a strong theoretical basis. Rosa's research interests include problems of the marketing organization caused by non-rational behavior by consumers and industrial buyers. Milton Kendrick earned a bachelor's degree from the U-M in 1929. He retired from Michigan Consolidated Gas Co. as manager of sales.

Photo by Jeff Leong

Michael Bradley (left), holder of the newly-established Everett E. Berg Professorship of Business Administration, is pictured with Everett E. Berg, BBA '47, MBA '48, chairman and CEO of EBCO Enterprises, who established the professorship. They were both guests at a dinner in San Francisco in June, when Bay Area alumni gathered to honor Berg for his contribution in establishing the professorship. Sanford R. Robertson, BBA '53, MBA '54, founding partner in the investment banking firm of Robertson, Stephens & Company, was the host for the dinner, which was held at the Pacific Union Club.

dates at the top 100 business schools is estimated to be in the 3½ to 4 percent range.

Minority students at the Business School say they haven't encountered the overt racism cited by students elsewhere on campus. And they say the program is paying them dividends at the bottom line. "You learn how to get a job here — the language, how to get the contacts, how to present yourself," said Lisa Griffin, who received her MBA degree in April, and is now working as a marketing assistant at American Cyanamid Co., in Wayne, N.J.

Larry Snowden, president of the 110 member Black Business Students Association, said the Association has been actively involved in recruiting minority students.

Though the U-M's racial incidents have garnered a great deal of attention, it has not deterred many incoming students.

"People here are more open than I had expected," said Angela Robinson, an MBA student from New York City. "Racial problems are not unique to Michigan. At Cornell we dealt with the same kind of issues." Robinson received her undergraduate degree in political science from Cornell.

"Our success is a combination of a lot of work over eight to nine years," said Judith Goodman, director of admissions and student services for the MBA programs. "It's many things — including recruiting efforts and retention efforts.

In particular, she cited the Business School's five-year membership in the Consortium for Graduate Study in Management, an alliance of nine high-ranking business schools that tries to attract more Black, Hispanic, and Native American undergraduates to business careers.

"We've been strongly committed to the process of recruiting," said Dean Gilbert R. Whitaker, Jr. "We just keep going out there. It's just not something you turn on and off."

(Our thanks go to Sue Ellen Christian of the *Detroit News*, who wrote a story for that paper about the U-M's success in recruiting minority students. The *Dividend* article contains substantial excerpts from her story.)

Conference on Marketing and Statistics Held at B School

A conference entitled "Statistics Applied to Marketing Management" was held at the Business School in June.

The conference was designed to help faculty members in statistics in U.S. and Canadian business schools to learn more about an important field in which statistics and statistical modeling are finding wide application. Allen Spivey, professor of statistics at the Michigan Business School, was chairperson of the conference planning committee.

The conference began with a talk on "Marketing Management from Concept to Delivery," given by Vincent P. Barabba, executive director, Market and Product Planning Division, General Motors Corp., and president-elect of the American Statistical Association. He also was twice director of the U.S. Census Bureau.

The conference continued with a series of concurrent workshops on such topics as market segmentation, advertising research and modeling, use of large data bases, product management/positioning, and market structure analysis.

The final session of the conference was a panel discussion on closing the gaps between statistics, marketing, and marketing practitioners. There was also a poster session for descriptive materials, illustrations of materials developed for classroom use, or illustrations of innovations incorporated into teaching or laboratory experience supporting teaching.

Growth Capital Symposium Celebrates Its 10th Anniversary

For the past ten years, David J. Brophy, associate professor of finance, has acted as matchmaker between new companies and venture capitalists.

Brophy's Growth Capital Symposium 1989, held in May, marked the 10th anniversary of his role as a "high-tech yenta." His program —

the first such non-industry based symposium in the country — is sponsored by the Michigan Business School, and has been widely copied by other states and universities.

With this year's symposium, Brophy will have spotlighted 200 young companies, matched them with venture capital investors, and helped nearly two-thirds of those companies raise funds within a year following their symposium presentations. The aggregate amount raised through the symposium is over $160 million.

This year, 100 private and institutional investors will be ready to cast a critical eye on the 24 presenting companies seeking sources of growth capital.

The type of company Brophy targets is in a post start-up phase, has some sales, may not yet be profitable, and has a proven product or service ready to be aggressively marketed.

"The program is designed to help emerging growth companies gain effective access to the national, professional private investment market when they first need major external financing," he said. "We will work with start-up companies and present them on the symposium when appropriate.

"I see a lot of good companies coming along, which have worked for several years and have a well-defined purpose for the money. I play the role of the honest broker. I'm in a position to speak objectively to both the firm and the investor."

During the symposium, the company CEO makes two live presentations, one of which is videotaped for investors to take with them following the session.

David J. Brophy, associate professor of finance.

While Brophy, himself a venture capital investor, helps with the presentations, he said the event still has its share of drama. "Even though the companies are getting a lot of exposure to sources of funding, this experience can be dangerous.

"You've convinced your investors, your management team, and your spouse that your company is a good idea, and then 35 people may point out to you what's wrong," he said. "You put yourself and your savings on the line at a point when you need a financing partner."

The risk is well worth it, however. Brophy said the average funding is $750,000 for the initial investment. "Increasingly, the amounts are getting larger," he said. "The $750,000 today is for a smaller company.

"The investors are a national mix and tend to represent large institutions. They want to invest in potentially big companies when they're young. Furthermore, in the venture capital business, there are a lot of multi-investor deals. Three or four investors frequently syndicate their investment in a firm."

Practically every community in southeastern Michigan has had a fledgling company represented at Brophy's symposium in the past 10 years. The majority of participants still come from this area, but other states — California, Iowa, New Jersey, New York — and countries such as Great Britain and Australia, have been represented.

This year, companies from Michigan, Virginia, California, and Colorado will present products such as a computer-based electronic voting system, an in-home water purification system, a laser-based surface cleaning system, and a 25-passenger, fuel-efficient bus.

Brophy, who helped organize a similar venture capital symposium in Hong Kong in January, said the world has a new nationality — entrepreneurship. "No matter where they come from, entrepreneurs are all the same," he said. "They are all scratching and hustling for deals and sales."

He sees entrepreneurial activity increasing in Asia, in Europe, in Japan. "There are differences in the institutions and legalities, but the thrust is the same," he said.

In the U.S., venture capital activity has experienced marked ups and downs, peaking in 1983, then suffering a drop, and now in a recovery period, he said.

"This is not a stable, predictable business. You have to be nimble and dance quickly with both investors and entrepreneurs. The whole game keeps changing each time you go out. Currently, investors are experiencing difficulties at exit. The initial public offering market is cool, and investors who want to get out may have to dig down into their pockets and carry the investment for a few more years."

When Brophy started the symposium 10 years ago, there were four companies involved, and he was not at all sure whether it would survive. "I thought it would have died after three offerings," he said.

"But there are still a lot of companies that think this is a great opportunity. I will know when it is no longer wanted or needed, but right now my objective in life is to build this market."

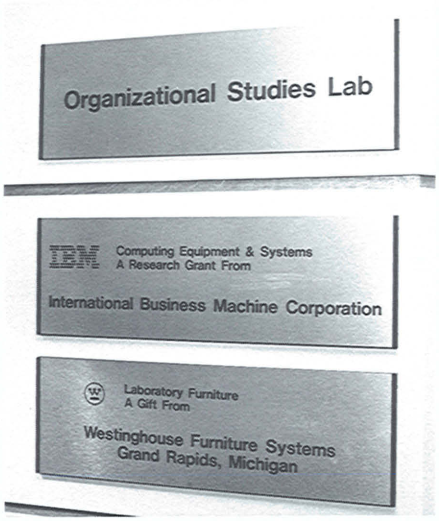
1991 Grad. Bus. School Conference to be Held at Michigan

The Business School will be the host for the 1991 Graduate Business School Conference. This conference is held for student leaders at business schools around the country.

This year's conference, held at the Darden School of the University of Virginia, had as its theme, "Business Ethics and Ideals." The keynote speech was given by Tom Peters, author of *In Search of Excellence* and *A Passion for Excellence.*

Michigan student council members worked especially hard on promoting Michigan for the site of the 1991 conference. They made a special videotape on the School to be shown as part of their bid. The bid video was presented at the conference by Student Council member Rod MacKay. The video was coordinated by Cindy Hewitt and filmed by Rich Fortinberry.

New U-M Business School Research Lab Focuses on Management Leadership



Photos by Gregory Fox

A new Organizational Studies Laboratory, which focuses on the human dimensions that account for effectively managing an international business in the 21st century, was dedicated at the Business School, June 21.

The lab, fitted with over $1 million worth of state-of-the-art computer and office equipment, will draw researchers from other units on campus to examine effectiveness in organizations worldwide.

"The lab's mission is to be a world-recognized center of research and applications on the 'people' aspects of organizational competitiveness and effectiveness," said Noel M. Tichy, lab director and professor of organizational behavior and human resource management at the Business School.

IBM Corp. provided 60 of their most advanced personal computers to the lab, along with printers and other equipment. Westinghouse Furniture Systems designed the lab and donated the customized furniture, workstations, and storage. Comshare Inc., of Ann Arbor, donated Commander software, an information system for senior executives who have little familiarity with computers. A number of software manufacturers will be donating selected programs to the lab.

Research in the OSL will deal with questions such as: what are the personal characteristics, preparation, and style needed to be a successful manager of a global firm; what types of organizational changes will be required to be an effective competitor in the 21st century; and how can technology, in particular computers, enhance rather than hinder management success?

Kim S. Cameron, associate professor of organizational behavior and human resource management and co-director of the lab, said research subjects would likely be those businesses with a global perspective, if not also a global market.

Dealing with companies which are on the cutting edge of global competition, researchers will undertake two types of projects. From a descriptive viewpoint, the researchers will try to identify what these firms are doing to put themselves among the global leaders, and then build theories around their findings.

Secondly, researchers will do prescriptive work, helping managers apply these theories to their organizations and observing the results.

"We will deal with the human dimensions in organizations," said Cameron. "We will be looking at such factors as organizational design, leadership, motivation, and personal interactions.

"We think there are significant organizational changes coming which will provide research subjects. We believe businesses in the 21st century will be more like universities. By that, we mean they will be professional, self-managed, resembling organized anarchies, and fraught with paradoxes such as being basically conservative entities where a lot of entrepreneurship goes on."

Patti Gallup, of Westinghouse Furniture Systems, designer of the space, stands in the conference room area. The lab is fitted with more than $1 million worth of state-of-the-art computer and office equipment.

The lab also will be used as a demonstration and teaching site for business executives to learn about state-of-the-art computer applications. In this context, participants in the newly-created Global Leadership Program used the lab and its computer power to prepare for in-depth country assessments, according to Tichy, who also directs the Global Leadership Program.

"After the first two weeks in Ann Arbor, these international teams consisting of senior executives from Japan, Europe, and the U.S., headed off to China, India, or Brazil to conduct a two-week assessment of a business in one of those countries. Then, they used the lab in the program's final week to prepare their summary reports," said Tichy.

Graduate students also will use the OSL for research. Cameron said the hope is that having the facility on campus will lead to a doctorate degree in organizational studies. The degree would draw from several disciplines including sociology, psychology, public health, higher education, and engineering, as well as business administration.

The Business School has given the OSL seed money for three years. Tichy said he plans to have the lab self-supporting within a year. He will be seeking support from major companies in the U.S., Europe, and Japan to reinforce the lab's thrust of research in global competition.

Cameron said while research will deal with factors that make organizations more competitive, he also plans to direct studies in cooperation.

"The challenge of the 21st century is to cooperate," he said. "For example, because of their various joint ventures, American and Japanese automotive manufacturers will both be better, and they can compete and cooperate at the same time. The old, athletic metaphors based on competition may not work very well in the future."

Russell A. Nagel, left, president of Westinghouse Furniture Systems, which designed the lab and donated the customized furniture and workstations, talks with Noel Tichy, director of the lab, during the dedication festivities.

William Colucci, vice president of Human Resources, U.S. of IBM, admires a plaque thanking IBM for its donation to the lab of 60 of its most advanced personal computers, along with printers and other equipment.

Bruce Zenkel Makes Leadership Gift to B School Growth Fund

Bruce Zenkel, BBA '52, a member of the board of trustees of the newly-established Michigan Business School Growth Fund, has made a $50,000 leadership gift of securities to the Fund.

"We are grateful to Bruce Zenkel for his generous commitment to this important and exciting new project," commented Dean Gilbert R. Whitaker, Jr. "Bruce and his wife, Lois, have consistently over many years been generous supporters of the Business School and the University. Two years ago they established an endowed fund for faculty research and development at the School, which makes a significant difference in our ability to attract the ablest young faculty who will become the outstanding established researchers and teachers of the future."

The Michigan Business School Growth Fund seeks long-term growth of capital through investments and strategies which may be innovative or out of favor. The idea for the Fund grew out of suggestions by alumni who wanted to contribute to the Business School, but wanted a fund that was more aggressively managed than current vehicles. The Stanford Business School Trust, which was used as a model for the Michigan Business School Fund, has grown from $70,000 to $9 million.

The Growth Fund is managed by a board of trustees, recommended to the president by the Business School dean and the University's vice president and chief financial officer, and approved by the Regents. Board membership includes the dean and the University investment officer. Day-to-day investment decisions and implementation of the Fund's investment policy and guidelines will be the responsibility of a group of alumni investment managers.

Those interested in further information about the Fund should get in touch with Frank Wilhelme, director of development at the Business School. Telephone (313) 763-5775.

Gary Walther Becomes Annual Fund Chairman

Gary T. Walther, BSE Math '60, MBA '63, is the new national chairman of the Business School Annual Fund. He takes over the job from Sanford R. Robertson, BBA '53, MBA '54, who has just completed his three-year term.

Walther, managing director of Shearson Lehman Hutton, Inc., in the firm's Chicago investment banking office, has been an active volunteer on behalf of the Business School Fund for more than a decade. He is a member of our Development Advisory Board and is now also on the Board of Trustees of the newly-established Michigan Business School Growth Fund. In 1986-87, he was chairman, and in 1987-88, co-chair, of the Regional Volunteer program for the Business School. He also served as a member of the Michigan Annual Giving Council, and was an organizer of volunteer phonathons in Chicago beginning in 1980.

Robertson is a founding partner of the investment banking firm of Robertson, Stephens & Company. He also is a member of the Development Advisory Board. During his term as Annual Fund Chairman, the Fund went over one million dollars for the first time in Business School history. Also established during his term of office was a regional personal solicitation program for leadership annual gifts.

"One of the projects for this year is to work on leadership gifts, which are proving to be an increasingly instrumental component of the annual fund," said Walther. "A new program, entitled 'Partners in Excellence,' will challenge alumni and friends to consider a substantial investment in either the MBA Scholarship Fund, fellowship support for Ph.D. students, or the undesignated portion of the Annual Fund which allows the Dean to respond to unforeseen developments.

"We are continuing to broaden our base of alumni support in all areas. Alumni will be contacted for the Annual Fund by phone, through the mail, or in-person by a volunteer. At the same time, events across the country will continue to bring faculty and Business School supporters together. From this interaction and our volunteers' efforts on the School's behalf, we are finding our alumni more knowledgeable about faculty research activities, course development, and collaborations that are being formed with other units to strengthen the diversity of our programs.

"We are focused on being as successful in this effort as the Wolverines have been on the gridiron and court during the past season."

1989 Pryor Award Given for Engine Control Systems Business Plan

The business plan for "Engine Control Systems," a company that will design and develop engine control systems for customers in the non-automotive markets of marine and forklift engines, was the winner of the 1989 Pryor Award.

The prize-winning business plan will offer engineering services in the form of software, harness design, and sensor and actuator specifications that uniquely control a specific engine application, according to winners Thomas Klingler, MBA '89, and Ronald Schlaupitz, who is currently a student in the evening MBA program.

Klingler is an electrical engineer currently working for General Motors in the Chevrolet-Pontiac-Canada group. He has worked for many years in engine control systems, particularly focusing on four-cylinder engines.

Thomas Klingler (right) and Ronald Schlaupitz won the 1989 Pryor Award for their business plan for Engine Control Systems.

Schlaupitz is a CPA and is working for Code-Alarm, Inc. as controller and accounting officer.

The plan was developed in both a venture capital class, taught by associate professor of finance David J. Brophy, and a class in entrepreneurship, taught by Andrew F. Lawlor, an adjunct lecturer in corporate strategy. In fact, the top three plans this year, the 1988 first and second prize winners, and the 1987 prize-winning plan were all projects undertaken in Professor Lawlor's class.

As a result of Professor Brophy's class, the team and its project represented the Michigan Business School in a contest at the University of Texas-Austin. Each school submitted a business plan which was judged by a panel of five business people from a variety of businesses, including a venture capital company, a successful computer-based venture, and a law firm. Michigan placed third behind Harvard and Carnegie-Mellon. Runners-up were Wharton and the University of Texas-Austin.

The Pryor Award was created by Millard H. Pryor, who established the award with a $50,000 grant to the School as a challenge "to commit the entrepreneurial dreams of students to paper."

The Pryor Award competition is open to all undergraduate or graduate students who are registered during the academic year. Proposed business ventures may center on consumer or industrial products and services or real estate products.

IBM Chairman Akers to Speak at EDUCOM Conference at U-M

"Lessons from the Past, Strategies for the Future" is the theme of the EDUCOM Conference to be held on the U-M campus, October 16-19. The conference will celebrate the 25th anniversary of EDUCOM, a non-profit consortium of higher education institutions and corporations founded to facilitate the introduction, use, and management of information technology in higher education.

The conference will feature keynote speeches by John Akers, chairman of IBM, and Arno Penzias, of AT&T, Nobel Laureate physicist. There will also be a panel discussion of university presidents with U-M President James Duderstadt as host; and a panel of corporate presidents who will discuss "Putting the Future Together."

Concurrent sessions will be organized around information technology: its impact on issues in higher education; its growing role in our institutions; innovative applications of information technology in the campus environment; and recent progress and future prospects.

EDUCOM's membership includes virtually every major research university in the country, four-year private and public institutions, along with a number of two-year colleges, overseas campuses, foundations, consortia, and research laboratories. Over 550 higher education institutions and more than 108 corporations participate in EDUCOM activities.

The major divisions of EDUCOM include: a corporate associates program; EDUCOM networking activities (including a networking and telecommunications task force and BITNET network information center); the EDUCOM software initiative; and the EDUCOM consulting group.

FACULTY NEWS NOTES

Honors and Awards

Chris Weisfelder, Ph.D. candidate in International Business, shared the first prize in the Doctoral Consortium for the best thesis in international business at the European International Business Association meetings in Berlin.

The Peat Marwick Foundation has announced an award of $25,000 to **Evelyn R. Patterson,** assistant professor of accounting, as part of its research fellowship program. Patterson is one of ten grant recipients nationwide. Her research will focus on strategic information issues as they apply to auditing. Research Fellowships are awarded annually by the Peat Marwick Foundation to enable accounting faculty members to secure release time from teaching to pursue the research needed to obtain tenure.

The research proposal of **Vladimir Pucik,** associate professor of international business, to study the "Transformation of White-Collar Personnel Practices in Contemporary Japanese Firms" won the Fulbright and the Japan Foundation awards for research in Japan. He and his family left in August for a two-year stay in Tokyo. He also presented his paper "Determinants of CEO's Compensation in Japan" at the 1989 annual meeting of the Association for the Japanese Business Studies. Meanwhile, the East Asian Business Program which he directs was awarded a two-year grant as a part of the Title VI (b) program funded by the U.S. Department of Education.

A research grant of $38,000 has been awarded to **Richard W. Andrews,** associate professor of statistics, from the Ford Motor Company. The project title is "Development of Statistical Procedures to Test the Validity of the Corporate Vehicle Simulation Program."

A research team from the Business School has won the 1989 Yoder-Heneman Personnel Research Award, presented by the American Society for Personnel Administration. The ASPA honored the study, "Human Resource Competencies in the 1990s" which was based on information from 8,900 individuals in 91 firms, the largest data base in existence on human resource competencies. The study was directed by project head **David O. Ulrich,** assistant professor of organizational behavior and human resource management. The research identified specific activities, practices or behaviors which current HR professionals can use to increase their perceived effectiveness. Other members of the research team included U-M business school faculty members **Wayne Brockbank, Noel M. Tichy,** and **B. Joseph White,** and U-M researchers **Dale Lake** and **Arthur Yeung.**

Wayne S. DeSarbo, professor of marketing and statistics, is the winner of the 1988 Raymond B. Cattell Award, presented by the Society of Multivariate Experimental Psychology to an individual who has made significant contributions in the field of multivariate research.

Other Faculty News

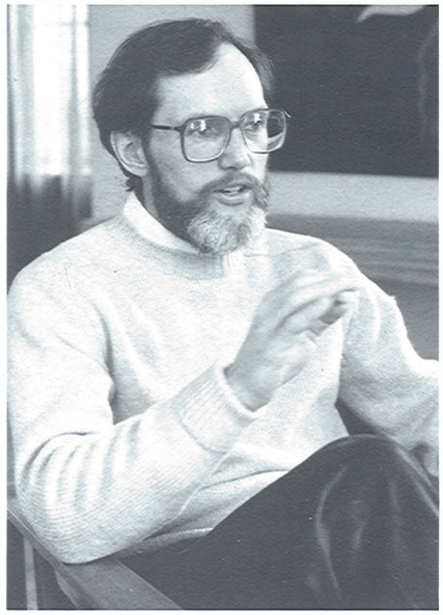
Wi Chan Kim, Gunter Dufey, Ed Miller, Tom Murtha, Vlado Pucik, Vern Terpstra, Bernie Yeung, Annie Koh (visiting), and **Don Ho Lee** and **Catherine Banbury** (Ph.D. students) from the Michigan Business School presented papers and/or chaired sessions at the recent Academy of International Business meetings in San Diego. They were part of 26 presentations by Michigan faculty and IB Ph.D. alumni. For the second year in a row, Michigan had a finalist in the dissertation competition. This year it was **Linda Blodgett,** who worked with **Gunter Dufey** and **Aneel Karnani.** Also, the new president of ABI is a Michigan IB Ph.D., **John Daniels,** 1970. He is the third Michigan Ph.D. to be so honored. The others were **Duane Kujawa** and **Vern Terpstra.**

Martin R. Warshaw, professor of marketing, retired this year.

We have several promotions and one retirement to announce. Retiring is **Martin Warshaw,** professor of marketing. Promotions have been approved by the Regents as follows: **Roger C. Kormendi,** associate professor of business economics and public policy, to professor; **Joel B. Slemrod,** associate professor of business economics and public policy and director of the Tax Policy Research Center, to professor; **Brian Talbot,** associate professor of operations management, to professor; **Vladimir Pucik,** assistant professor of international business, to associate professor.

Kathy Stecke presented a paper entitled "Algorithms to Efficiently Plan and Operate a Particular FMS" at the joint National ORSA/TIMS meeting in Denver. She also gave a seminar on her recent FMS research at the Indian Institute of Science in Bangalore. She gave a plenary talk on FMS, chaired the session on factory automation, and participated in two panel discussions at the Seventh Biennial Southeast Asian Regional Computer Confederation Conference in New Delhi.

Youjae Yi's paper "On the Evaluation of Main Effects in Multiplicative Regression Models" was accepted for publication in the *Journal of the Market Research Society.* Youjae and **Richard Bagozzi** also report that their papers "On the Use of Structural Equation Models in



Brian Talbot, promoted to professor.

Experimental Designs" and "An Investigation into the Role of Intentions as Mediators of the Attitude-Behavior Relationship" (coauthored with **Johann Baumgartner**) have been accepted for publication in the *Journal of Marketing Research* and *Journal of Economics Psychology,* respectively. In addition, his paper "The Indirect Effects of Advertisements Designed to Change Product Attribute Beliefs" has been accepted for publication in *Psychology and Marketing.*

The National Research Council of the National Academy of Sciences has appointed **Allen Spivey** to its panel of International Trade Statistics. This panel will conduct a comprehensive review of the current U.S. and international system of collecting, processing, and reporting of international trade statistics and develop recommendations for improving the coverage, quality, and timeliness of these data. The trade data will include trade in merchandise, trade in services, and international capital flows and other financial information. The panel will develop one or more reports of its findings and conclusions which will be submitted to the Bureau of the Census, the International Trade Commission, the Bureau of Economic Analysis, the Office of the U.S. International Trade Representative, the Federal Reserve Board,

Vladimir Pucik, promoted to associate professor.

and the Congress. The project is expected to continue for 2 to $2\frac{1}{2}$ years.

Cindy Schipani and **Michael Bradley** presented their manuscript, entitled "An Empirical Analysis of *Smith v. Van Gorkom* and Subsequent Legislation" at the conference on corporate governance, restructuring, and the market for corporate control sponsored by the Salomon Brothers Center for the Study of Financial Institutions in New York on May 22.

Valerie Suslow's paper on production smoothing in the aluminum industry, "Short Run Supply with Capacity Constraints" (joint with **T. Bresnahan** of Stanford University), is being published in a special conference volume issue of the *Journal of Law and Economics* entitled "Empirical Approaches to Market Power." She is also reviewing a 1988 business history of ALCOA for *Science,* the magazine of the American Association for the Advancement of Science.

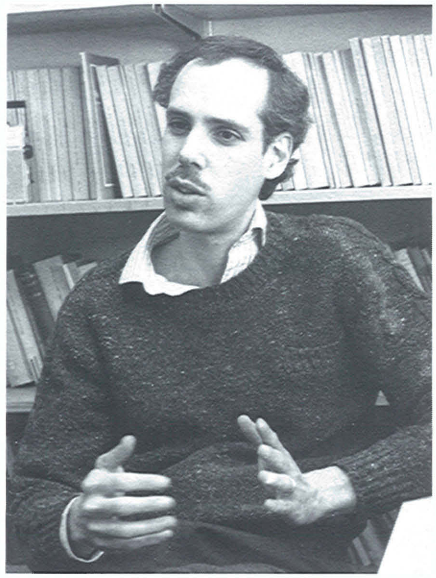
Jim Wheeler gave a presentation on the U.S. Treasury's white paper on transfer pricing at the 39th Midyear Conference of the Tax Executives Institute in Washington, D.C. (His work on transfer pricing was quoted in the white paper.) He has been making numerous presentations on financial statement analysis and valuation issues to IRS international examining agents or to their large case agents and the attorneys that

Roger C. Kormendi, promoted to professor.

try transfer pricing cases. He has also been an expert witness for the IRS in several very large corporate tax cases involving transfer pricing.

Eugene Imhoff and **Jacob K. Thomas** co-authored an article entitled "Economic Consequences of Accounting Standards: The Lease Disclosure Rule Change," which appeared in the *Journal of Accounting and Economics.* Gene also participated in a panel discussion on "Accounting for Postemployment Benefits Other than Pensions: Are We Heading in the Right Direction?" at the annual meeting of the Mid-Atlantic Region of the American Accounting Association.

Several members of the accounting faculty report that they've received good news from editors. **Harry Newman** has had articles accepted at *The Accounting Review* and *The Journal of Institutional and Theoretical Economics.* **Richard Helleloid** was notified of acceptances by the *Journal of the American Taxation Association* and the *Tax Advisor.* **Marlys Lipe** received the same good news from the *Journal of Behavioral Decision Making* and *Issues in Accounting Education.* **Vic Bernard** and **Tom Stober** learned that their paper is forthcoming in *The Accounting Review. The Accounting Review* has also accepted (contingent on minor editorial revisions) a paper by **Carol Frost** (Ph.D. student) and **Vic Bernard.** Finally, **Vic Bernard** and **Jacob Thomas** (former Ph.D. student) had an article accepted for publication in the *Journal of Accounting Research.*



Joel B. Slemrod, promoted to professor.

Michael Johnson's paper with **Charlie Plott** (Cal Tech) on "The Effect of Two Trading Institutions on Price Expectations and the Stability of Supply-Response Lag Markets" has been accepted for publication in the *Journal of Economic Psychology* and appeared in the June issue of the journal. Michael also reports that he has been invited to join the editorial board of the *Journal of Consumer Research.*

Bill Cooke has published "Improving Productivity and Quality Through Collaboration" in the spring issue of *Industrial Relations.* Bill, and **Dave Meyer** (Michigan Ph.D.) published "Economic and Political Factors in the Resolution of Formal Grievances" in the Fall 1988 issue of *Industrial Relations.* Also in press is Bill's and Dave Meyer's article "A Discrete Choice Model of Corporate Labor Relations Strategies" forthcoming in *Industrial & Labor Relations Review.* Lastly, in a nationwide competition, Bill received a $17,000 research stipend from the U.S. Secretary's Commission on the Quality of the Work Force and Labor Market Efficiency. Bill has been asked to synthesize and critique the literature of labor-management collaboration and advise the Commission on future research funding on this subject.

Elaine Didier, director of information resources, has been elected to the University Senate as a representative of librarians across campus. Her three-year term began in May 1989. Also *AACSB Newsline Magazine* of April '89, had an article on the Business School library of the future in which she was quoted extensively. The magazine says that our business school was one of the first to formalize the convergence of library science and information science by putting library management and computer operations under one director of information resources.

David Wright was quoted extensively in an article in the May issue of the *Oakland Business Monthly* about auditors' responsibilities when companies go under. Is it the responsibility of the auditors to predict the demise of a company? The auditing industry is trying to make this "grey area" clearer through a set of new standards. Wright's paper "A Critical Evaluation of the AICPA Recommended Sample Sizes for Compliance Testing" has been accepted for publication by the journal *Advances in Accounting* and in April he presented the same paper at the Mid-Atlantic regional meeting of the American Accounting Association. His paper "Reducing the Risk from Misspecified Priors During Bayesian Estimation of Accounting Information" appeared in *Methodology and Accounting Research: Does the Past Have a Future?*

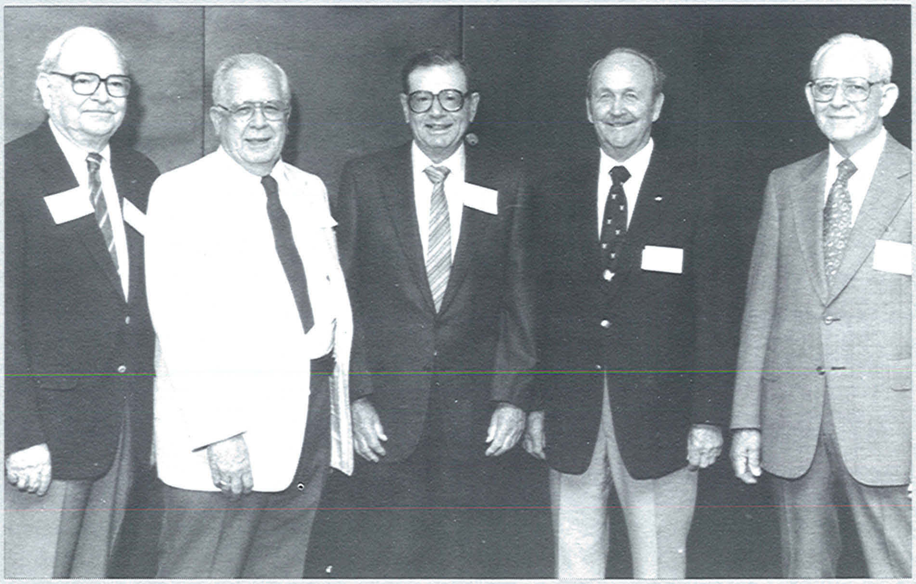
Lynda J. Oswald presented a paper entitled "Application of the ITC At-Risk Limitations to the Rehabilitation Tax Credit" in April at the Tri-State Regional Business Law Association annual meeting at Purdue University.

Noel Tichy gave a televised lecture on global leaders in the 21st century which was produced by NHK, Japan's only public broadcasting network, as part of a series entitled "Super Seminar."

CLASS NOTES

'49

L. William Seidman, MBA '49, delivered the commencement address at the William E. Simon Graduate School of Business Administration in Rochester, New York. He also received an Honorary Doctor of Laws degree from the University of Rochester. He is chairman of the Federal Deposit Insurance Corporation (FDIC). Before his appointment as FDIC chairman, Seidman held the positions of Assistant to the President for Economic Affairs in the Ford Administration (1974-77); co-chairman of The White House Conference on Productivity (1983-84); vice-chairman and chief financial officer of the Phelps Dodge Corporation (1977-82); and managing partner of Seidman & Seidman, Certified Public Accountants, New York City (1968-74). At the time of his appointment to the FDIC, he was dean of the College of Business at Arizona State University in Tempe, Arizona.



Members of the MBA class of 1939 returned to campus in June for their fiftieth reunion. Pictured at the reunion are (left to right): Robert S. Bradley, who retired to Ann Arbor three years ago after a career in the accounting-financial-treasury sector of manufacturing; Richard G. Broene, who has worked as a CPA in his own practice in Grand Rapids, Mich.; Mitchell Raskin, who now lives in San Francisco with his wife, and is retired from his work as a builder and developer of commercial and industrial buildings and shopping centers in San Jose, Calif.; Thomas G. Draper, who graduated from the Lit School in 1939; and Douglas C. Welfare, who worked for the Detroit Edison Company for 40 years.

'50

James E. (Jim) Foster, BBA '50, writes, "Upon graduation I returned to beautiful Charlevoix, Michigan. Through hard work and applying principles I had just learned, I quickly acquired the position of CEO of Foster Boat Company. Being the only child of Harry Foster helped. After three years we sold the boat company and concentrated on the manufacture of boat oars in Arkansas. By using the old fashioned way (inherited controlling stock), I soon became the CEO of Foster Oar Company. This company became the largest producer of boat oars in the world." He retired in 1978 and is living in Conway, Arkansas.

Er-Ying Lou, MBA '39, Has Received Many Accounting Honors in China

Er-Ying Lou, MBA '39, professor of accounting and honorary chairman of the department of accounting at Shanghai University of Finance and Economics in the People's Republic of China, won the Outstanding Educator Award in both 1983 and 1986, and was awarded the title of Distinguished Educator of Shanghai by the Shanghai People's Municipal Government in 1987.

He also was elected vice president of the Accounting Society of China and vice president of the Auditing Society of China. He is the author, coauthor, or editor of ten books on accounting or auditing.

'55

Tom Lester, MBA '55, has been promoted to first vice president of Great American Bank in La Jolla, Calif. Tom joined Great American in 1979 as vice president and data processing director. He was promoted to senior vice president in 1981 and currently manages the bank's Information Systems Division. He has also served as chairman of the San Diego State University Center for Data Processing Studies, and as president of the Data Processing Management Association. He lives in La Jolla.

'67

Paul Sheldon Foote, BBA '67, has left the faculty of Pepperdine University in Malibu, Calif., to become a professor of accounting at California State University in Fullerton, Calif.

'70

Nina Dodge Abrams, BBA '64, MBA '70,
has received the Frances R. Avadenka Memorial Award, given by the Oakland County Bar Association to the member who has made outstanding contributions to the community outside the legal profession. She has been a leader and held numerous offices in the Women Lawyers Association of Michigan, Women's Bar Association, Birmingham Community Women's Center, and National Women's Business Owners. She has also been active as an arbitrator and mediator. Her current law practice emphasizes general civil practice, family law, small business counseling, estate planning and probate. Frances Avadenka, in whose honor the award was established, was the first woman president of the 3,000 member Oakland County Bar Association. She died unexpectedly three years ago during her term as president of the Association.

Company Formed by Richard Rogel, BBA '70, Had a 95.62% 5-year Compound Growth Rate According to *Michigan Business Magazine*

Richard Rogel, BBA '70, formed PPOM in 1982. Today, his firm ranks as Michigan's second fastest growing, privately held concern in the Michigan Private 100 Companies, with a 95.62 percent five-year compound rate of growth. PPOM has grown from two employees and revenue of $101,000 in 1984 to 40 employees and more than $3.1 million in net sales today.

Rogel's early intent when he founded the company was to provide a forum for some new ideas in health care cost reimbursement, according to an article in the May, 1989 issue of *Michigan Business Magazine*. At the time, the preferred provider concept espoused by PPOM was not well-known. The company makes arrangements with a network of health care providers who agree to perform services at set rates.

The reimbursement methods developed by the firm are supposed to help keep costs down by directing the flow of payments so that a doctor makes more money for basic patient contact and less for ancillary services.

PPOM doesn't replace an employee's standard health care insurance. Rather, it becomes part of the insurance package. The company administrates rather than insures health care. The network primarily services southeastern Michigan, but opened an office in Grand Rapids in addition to its Southfield headquarters. Currently, more than 200,000 people in Michigan have the PPOM option.

The cumulative impact on Michigan's economy of just the 100 companies is significant. As a group, they added almost $1 billion to the state's economy and created 6,399 new jobs in just four years, from the beginning of 1985 through the end of 1988, according to *Michigan Business Magazine*.

'72

Ronald H. Hoffman, MBA '72,
has been promoted to vice president, finance/operations of the Global Businesses Group of Baxter International, Inc. in Deerfield, Illinois. Ron will have responsibility for finance, planning, and operations for the Global Businesses, which includes Baxter's blood therapy, critical care, diagnostic, renal therapy, and industrial product lines in both domestic and international markets. He joined the corporation in 1977 as manager of corporate reporting. Before assuming his current position, he was vice president/controller of Baxter's diagnostics business, which serves the hospital and industrial laboratory markets.

David Schultz, MBA '72,
is now group vice president for electronic materials of the Carborundum Company. In this position, he will oversee all business operations for Carborundum's electronic materials product lines, including silicon carbide heating elements and igniters, electrical components, boron nitride products, advanced ceramic substrates, and the company's emerging participation in the microelectronics industry. The Carborundum Company operates manufacturing facilities throughout North America and in Brazil, Germany, England, and Australia to serve its domestic and international markets. It employs nearly 5,000 worldwide and has annual sales in excess of $375 million. David and his wife Becky have two daughters and live in East Amherst, N.Y.

'75

David Friedlander, BBA '75,
has been admitted to the partnership at KPMG Peat Marwick in Chicago. He attended law school at St. Louis University and began working at Peat Marwick in Chicago in May, 1978. As tax partner in charge of personal financial planning, he will be responsible for providing tax and financial planning services to high net worth individual clients.

Steven M. Racine, MBA '75,
is a new partner at KPMG Peat Marwick, where he was a senior manager in the consulting department. He has more than fourteen years of financial, data processing, and general management experience in the fields of government and higher education. In his new role, he will continue to be responsible for directing the public sector consulting practice in the state of Michigan. Steven, who joined Peat Marwick in 1984 after serving as the finance director for Washtenaw County, was also director of management and budget for Wayne County Community College.

'77

Michael Amspaugh, MBA '77,
is the new president of Critical Path Software Corporation, a Los Angeles based management consulting firm. He and his wife Scarlette are expecting their first child, and live in Santa Monica, Calif.

Jim Keskeny, BBA '68, MBA '72, Rolls in the Paris Marathon

Jim Keskeny, BBA '68, MBA '70, who was diagnosed with multiple sclerosis in 1966, participated in the Paris Marathon in April in his wheelchair.

Ann Arbor News Photo by Marcia Watson

Jim Keskeny rolls by stores in Nickels Arcade.

Of all the experiences coming from the seven-day trip to Paris, the most positive was the "awakening to the problem of MS on a world-wide level," said Jim, noting that there are two million people in the world with MS, 250,000 of them in the U.S., and 15,000 in Michigan.

"We awakened a thought process on the part of the French people," said Jim. He added that the French are about 15 years behind the U.S. when it comes to facilities for disabled people. But partly because of his visit, he hopes that will change.

"Everyone seemed to take a genuine interest in all of us being there," he said. "We got a tremendous amount of support from the mayor's office in Paris. That showed me they have an interest in trying to do something."

Jim has been involved with golf outings, speaking engagements, and various other aspects of fundraising for MS, and is on the board of the Michigan Chapter of the National Multiple Sclerosis Society. MS is a chronic neurological disease of the central nervous system that generally strikes people between the ages of 20 and 40. There is no cure.

"By participating in the Marathon, I'll be helping out future generations that may not have to worry about MS," said Jim. "I'd do just about anything to try to get an answer to this problem. Twenty-three years with it is a little longer than I had planned."

Jim was equipped with a special wheelchair and was pushed over the 26.2 mile course by about 15 volunteer members of the Paris French/American Football club. He said he did about a mile of the course himself.

'78

Larry D. Wilkerson, BBA '78,
president of Larry Wilkerson & Associates, CPAs, writes that his firm was recently awarded a sub-contract agreement from Coopers & Lybrand in Detroit to help in restructuring the finances of the Detroit public schools.

Harry L. Featherstone, MBA '78,
writes that he has retired from the Navy after 20 years of service and is now a research fellow with the Logistics Management Institute of Bethesda, Maryland. Since graduating from the Business School, he remained on active duty as a U.S. Navy Supply Corps officer. His last assignment was as a program manager, reporting to the Secretary of the Navy and responsible for the introduction of a series of private sector business management and operational control practices in the Navy's $14 billion a year industrial activities. He now lives in Dumfries, Virginia.

Richard G. David, BBA '78,
who was a senior manager in the audit department of KPMG Peat Marwick specializing in serving middle market companies, has been admitted to the Peat Marwick partnership in Detroit. He has eleven years of experience working with enterprises in the retail, high technology, real estate, manufacturing, and service industries. He will direct KPMG Peat Marwick's high technology practice in Michigan. He has helped numerous clients with cash management, financing, and strategic and business planning, as well as initial public offerings and mergers and acquisitions.

'79

Julie A. Gerschick, BBA '79,
recently rejoined Peat Marwick in their Washington, D.C. office after having completed a two-year accounting fellowship with the Federal Home Loan Bank System. As a partner in KPMG Peat Marwick's regulatory, legislative, and policy group practice, Julie provides national support for clients and partners in the savings and loan and banking industries. She and her husband and their two children live in Rockville, Maryland.

'80

William and Ronna Nichamin, both MBA '80,
announce the birth of their daughter, Mindy Lea. Bill is working as a manager at Ore-Ida Foods and the family lives in Boise, Idaho.

Thomas Brainerd, BBA '78, MBA '80,
is now working with the Halliburton Company in Dallas, Texas, as senior tax specialist. In that role, he has responsibility for direct and indirect tax planning for all European operations.

'81

Ellen Ernst Kossek, MBA '81,
has just written a book entitled, *The Acceptance of Human Resource Innovation: Lessons for Management,* which is forthcoming from Greenwood Press in Westport, Connecticut. The book examines the adoption, implementation, and acceptance of work innovations introduced by management. The book is based on an extensive survey undertaken at a major insurance company to measure employee reactions to and acceptance of eight innovations: quality circles, job posting, flextime, a fitness program, flexible benefits, case rewards, an employee newsletter, and a peer award. The author analyzes why employees tend to accept certain innovations while rejecting others and offers suggestions for encouraging employee acceptance when it is lacking. Ellen,

who received her Ph.D. in organizational behavior from Yale University, is currently assistant professor of human resource management at the School of Labor and Industrial Relations at Michigan State University. She writes that her husband, Sandy, also MBA '81, is a systems engineer for IBM at the Lansing branch office.

Irene M. Esteves, BBA '81,
has been appointed corporate acquisitions director for SC Johnson Wax. She will be responsible for supporting each of the operation's acquisition, joint venture, and licensing needs. Before this appointment, she was the venture manager at the Johnson Family office where she was responsible for various start-ups and acquisitions.

David Bianco, MBA '81,
has recently had his second popular music reference book published. Entitled *Heat Wave: The Motown Fact Book,* it is a 524-page history of Motown Records, with complete discographies and artist profiles. Originally published in 1988 by Pierian Press of Ann Arbor, the book has been acquired along with the rest of Pierian's Rock and Roll Reference Series by Popular Culture Ink., P.O. Box 1839, Ann Arbor, 48106. David is currently catalog and publicity manager for Gale Research, Inc. in Detroit.

Catherine Gage O'Grady, BBA '81,
is now an attorney at Meyer, Henricks, Victor, Osborn & Maledon in Phoenix, Arizona. She writes to let us know that she and her husband, John, are the parents of a son, Casey Sims, born October 10, 1988.

Charlie Raffin, MBA '81,
is a charter member of the Ortho Biotech division of Ortho Pharmaceutical corporation, a subsidiary of Johnson & Johnson. He is division sales manager for the Piedmont division. Since graduating from the Business School, Charlie has held various sales and marketing management positions within the health care industry and is currently involved in the exciting and evolving market for pharmaceutical products derived from the biotechnology methods of recombinant DNA technology and monoclonal antibody production.

Don B. Quinn, BBA '81,
is general manager of Floor Craft Floor Covering, Inc., a commercial floor covering contractor in Mt. Clemens, Michigan. He had been a manager in the Detroit office of Arthur Andersen & Co.

Joe Orcxyk, MBA '81,
writes that he finished his Ph.D. in construction engineering and management in May, and is now an assistant professor in the building construction and contracting department at Purdue University. He lives in West Lafayette, Indiana, and has two sons, John and David.

Martin Schenkman, MBA '81, is a Lawyer Who Writes Prolifically on Real Estate

Martin Schenkman, MBA '81, has written two new books in the past year, both published by John Wiley & Sons, Inc. The books are entitled *The Total Real Estate Tax Planner,* and *How to Buy a House With Little or No Money Down,* which is a serious treatment of the housing affordability crisis. A third book of his, entitled *Real Estate After Tax Reform,* has gone into a third printing.

Martin also recently started writing and editing a newsletter, entitled "Real Estate Insight," which is being marketed nationwide by John Wiley & Sons, Inc. Martin has also published numerous articles about real estate and has been quoted on real estate matters in such publications as *The New York Times* and *Fortune*. He has become a regular guest on several radio talk shows, and has appeared as a tax and real estate expert on a number of television and cable television shows.

He also has his own law firm with offices in New York and New Jersey. The focus of his practice is tax planning, with real estate tax planning his most important area.

'82

David B. Miller, MBA '82,
has been appointed to the newly created position of marketing manager of Hines Industries, Inc. of Ann Arbor, Mich. The company designs and manufactures a variety of balancing machines. Founded in 1979, the privately owned company has grown to over $5 million in annual sales. Hines' manual, semi-automatic, and fully automatic balancing systems are American-made from the ground up in Ann Arbor, and are marketed worldwide. David also writes that he and his wife are the proud parents of twin boys, Nathan Taylor and Philip Graham, born February 24, 1989. David graduated from the U.S. Naval Academy, then served in the U.S. Navy, including duty in nuclear propulsion billets on the USS Enterprise. After receiving his MBA, he was a partner in Enzed Traders, Inc., an import/export firm.

Basil P. Kononetz, MBA '82,
has become a Certified Management Consultant (CMC) and has been elected a member of the Institute of Management Consultants. He is a director of Theodore Barry & Associates in Rosemont, Illinois. His consulting practice includes project, engineering, and construction management; cost and schedule control; utility/power plant operations; maintenance and life extension assessments/enhancements; management audits; and expert testimony. He is a registered professional engineer in Michigan and California, and a member of the American Nuclear Society.

'83

Dwight A. Mater III, MBA '83,
is director of strategic pricing management for Baxter Healthcare Corporation in Buffalo Grove, Illinois. He writes that he and his wife have moved from Dallas to Chicago and are now parents of twins, named Daniel Albert and Stephanie Rae.

Dean Emeritus Floyd A. Bond Has Emergency Heart Surgery

Dean Emeritus Floyd Bond writes us that he had emergency heart surgery in late March, but is now feeling much better after undergoing a course of cardiac rehabilitation. He and his wife, Dorothy, moved to California this year, and went on a Caribbean cruise in the winter. They are living at 467 Taylor Drive in Claremont, Calif. 91711.

Jonathan D. Brateman, MBA '83,
recently began his own real estate brokerage firm, specializing in leasing retail shopping centers, general office space, and medical offices. He writes that among his jobs is to create the proper mix of goods and services in a shopping center. "Seeing a first-time retailer go from a neophyte to a successful business person is a great thrill for me," he says. He adds that office leasing is also exciting because you see a shell of a building transformed into a vibrant working place. His firm is called Jonathan Brateman Properties, Inc.

'84

David C. Moll, MBA, '84,
has recently been promoted to manage the transfer of pigment manufacturing technology for a project being designed in London, where he is currently living. He works for Kerr-McGee Chemical Corp. (Cristal).

Daniel O'Leary, MBA '84,
has just joined the Minneapolis Institute of Arts as assistant director. He was formerly the executive director and president of Michigan Artrain.

'85

David L. Heyman and Ellen Sussna-Heyman, both MBAs '85,
are proud parents of a daughter, Andrea Laura, born May 24. David is manager of consumer card marketing at American Express Travel Related Services Company, Inc. Ellen is a financial officer in the corporate financial planning and analysis group at Marine Midland Banks, Inc. They live in Fanwood, New Jersey.

Kim Kaprielian, BBA '85,
has completed a comprehensive examination on accounting and related subjects and satisfied the required two years of management accounting experience to become a Certified Management Accountant. She is a staff accountant at Deloitte Haskins & Sells in Detroit.

Gordon M. Stetz, Jr., MBA '85,
has been promoted to manager-financial planning for McCormick & Co., Inc., international producer of seasonings, flavorings, and specialty foods. His new position includes management of the strategic financial planning process, financial analysis of acquisitions, and the review of proposed capital investments. He formerly worked for Citicorp U.S. Card Products Group. He and his wife are parents of a son, Michael, and live in Reisterstown, Md.

'88

Jonathan Murray, MBA '88,
who is working as a consultant in San Jose, Calif., writes that he spoke on "The Role of the CFO in Market-Oriented Companies" before a session of the American Electronics Association. The CFOs of 25 Silicon Valley electronics companies were among the audience. They heard the message that financial models and statements must be derived from the firm's competitive position in the marketplace, not from accounting rules or other internal organizing principles.

Brian Barnier, BBA '84, MBA '88,
who is now managing director of the Livonia office of Strategic Innovations Corp., writes to tell us that he and his wife, Carol Lynne Clark, are parents of a new son, Glenn Albert James Barnier, born May 14, 1989.

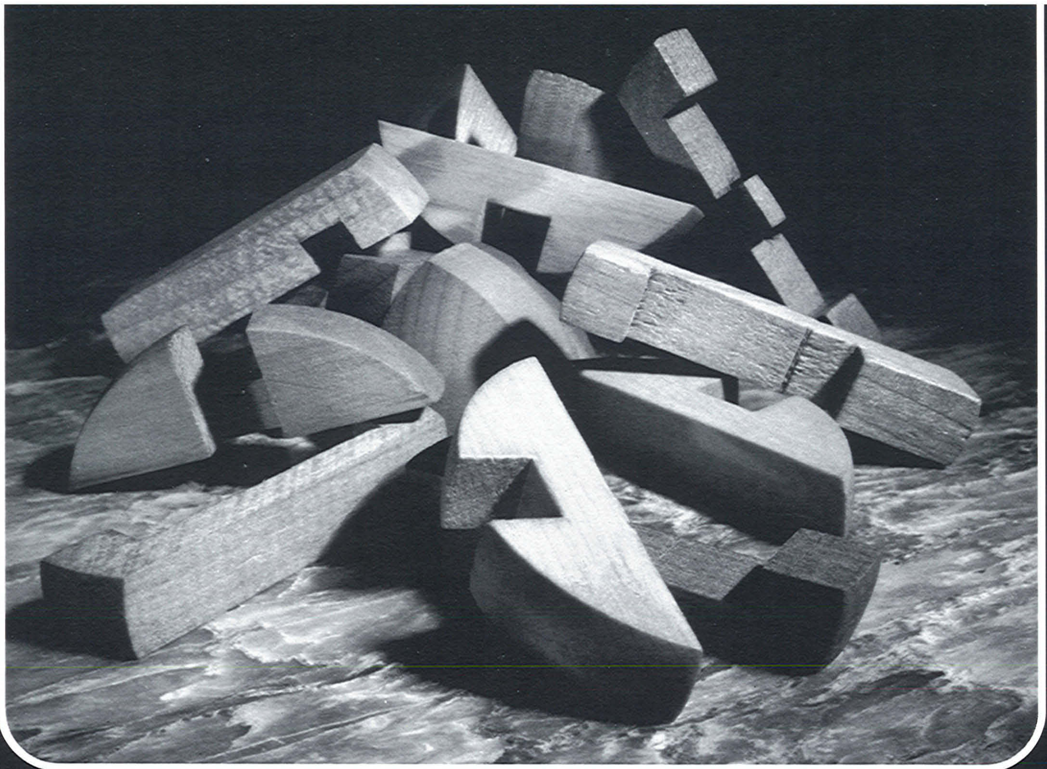
Ph.D. Notes

John L. Kramer, MBA '74, Ph.D. '75,
has been appointed interim dean of the College of Business Administration of the University of Florida. He is the Arthur Andersen Professor of Accounting at Florida and the co-editor of a two-volume federal taxation series published by Prentice-Hall. He is married to Sandra S. Kramer, MBA '73, and they live in Gainesville, Florida, with their three children.

Gerard J. Tellis, Ph.D. '83,
writes that he joined the Graduate School of Business Administration at the University of Southern California, Los Angeles, in July, 1989, as a tenured associate professor of marketing.

Executive Program

Kitti Chambundabongse, Executive Program 1985,
is CEO of SPA Advertising Co. Ltd., in Bangkok, Thailand. He says he thinks back to those days and reflects on "hot dogs, hamburgers, torn pants (while attempting to ride a bicycle), working on Lotus 1-2-3 (never touched one before coming to UM), and the stimulating mental exercise of trying like hell to catch up with the fast talking, sharp shooting professors . . . Well . . . At last being a CEO in one of the local top five ad agencies which has climbed up the ladder from 11th place to 5th place in two years — not bad for a local kid . . . with global vision. The five weeks I spent in Ann Arbor will always mean fond memories of sharing experiences with faculty members and global executive classroom participants."



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1989 Business School Follies Present "The Wizard of Biz"

By Kathryn Hay-Roe, MBA '89

"The Wizard of Biz" was one of the skits presented in the 1989 Follies, given by students as a spoof on the Business School. In the "Wizard" skit, Dorothy and Toto are swept away by Hurricane Gil Whitaker, and eventually land in the Kresge Portico. Once at the B-School, Dorothy meets an MBA who sings, "If I Had a Million Bucks," and another who laments having no time for fun in the song, "If I Only Had a Life!"

Pictured are Scott Wyler, MBA '89, in the plaid shirt; Mary Jo Degens, BBA '89, who played Dorothy; and Thom Shapton, MBA '89, who played Toto.

If you graduated before 1986, you are probably not familiar with the Follies, a variety show that spoofs life at the Business School.

Lynn Prince Cooke, MBA '86, first thought of holding the Follies as a way to improve camaraderie at the School. She got 30 people together, and in the last week of January 1986 they furiously wrote, rehearsed, and presented the first Follies in Hale Auditorium to an audience of about 200 people. The show lasted a little over an hour.

Four years later, the show has expanded to over two hours, audiences of close to 1,000 people, and the preparation starts much sooner. In fact, there is now a Follies board that is elected nearly a year before the show is presented. It is their job to coordinate the now huge cast and crew, determine the show's theme and manage all of the business tasks, such as advertising, sponsorship and ticket sales.

The 1989 Follies hosted the first alumni show in an effort to get alumni more involved in the production. Quite a few alumni showed up to watch, and Ryan Behroozi, MBA '88, producer of the 1988 Follies, wrote a musical skit.

Alumni who attended the show said it was a terrific opportunity to enjoy a hilarious show, reunite with old friends, and see how the Business School has changed.

This year, alumni are again invited to the Follies, which will be held in January.