

# Dividend



Poland

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**D**ear Alumni and Friends,

This semester we are hard at work on the MBA Pilot Program, a major curriculum revision commissioned by the faculty last April. Since then, a committee headed by Paul Danos, professor of accounting, has been looking at several important components of the program. They include: better executive and leadership development for our students; increased opportunities for interaction with the business community; and the implementation of a new schedule that will divide the semester into two seven week blocks instead of the standard 14 weeks. This new schedule, to be introduced next fall in two first year MBA sections, will ultimately allow students more flexibility in course selection. Our goal is to ensure that through constant innovation we have the very best MBA program among the leading business schools.

A reality we're dealing with this year is the fact that our placement season is coinciding with a recession – the first time that has happened since 1981-'82. Although the job market is much more competitive this year, the Michigan business degree continues to be a very strong calling card. To assist students, the Placement Office traditionally offers a series of workshops, video-taped mock interviews, and counseling about career planning and the job search. This year they have added interview workshops for consulting, corporate finance, and advertising, as well as strategy sessions for MBA career changers. As always, they encourage students to use the alumni network for advice about the job search.

This issue of *Dividend* has a new look which has been created by Randi Williams and Cynthia Reno, principals in Randall Reno Design. They were both students at the University of Michigan School of Art ten years ago, and at that time worked with us on posters and booklets associated with our first capital campaign which raised the money for our three new buildings. Since then, they have founded their own thriving design firm, and have worked with us on various projects, including the poster for "Music at Michigan 1991" which you will see reproduced on the back cover. We are happy to continue this long-term relationship by having them do the design for *Dividend*, and hope you like the new look.

Sincerely,

A handwritten signature in black ink that reads "Joe". The signature is written in a cursive, flowing style with a large initial 'J'.

**B. Joseph White**  
Interim Dean



# Dividend



## The Mitsui Life Financial Research Center

A new center, which will focus on Asian financial markets, has been established at the Business School with a \$3 million gift.

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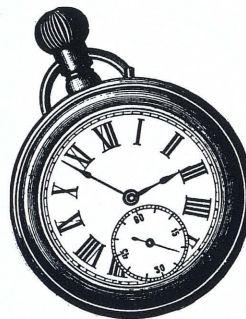
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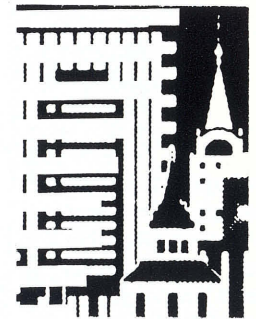
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About the Cover:

Six of the nine members of the Michigan MBA Corps take a break at a sidewalk cafe in Cracow, Poland. From left to right, they are Karen Knister, Jeff Sands, Carolyn Kley, Mike Shingler, Joe Petrosky and Ken Knister.

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# THE MITSUI I



Standing at the door of the offices of the Mitsui Life Financial Research Center are (left to right) Takaaki Wakasugi, professor of finance at the University of Tokyo, who is co-director of the Center; Koshiro Sakata, president of the Mitsui Mutual Life Insurance Company, which financed the Center with a gift of \$3 million, and his wife, who attended the dedication ceremonies; and E. Han Kim, U-M professor of finance, who is the director of the Center.

# FINANCIAL RES CENTER



IFE

## Mitsui Life Finances \$3 Million Center

The new Mitsui Life Financial Research Center at the Business School got off to an auspicious start in October, when its very first speaker, Merton Miller, won the Nobel Prize for economics two days after appearing here.

The center, which will focus on Asian financial markets, was dedicated September 21 at a luncheon ceremony. Mr. Koshiro Sakata, president of the Mitsui Mutual Life Insurance Company, which financed the new center with a gift of \$3 million, came to Ann Arbor with his wife to attend the dedication.

The 63-year-old Mitsui Mutual Life Insurance Company is one of Japan's largest life insurance companies. The firm is a member of the Mitsui Group, one of Japan's foremost corporate groupings. Its membership includes Mitsui Bank and Toshiba Corporation.

"Mitsui Life is greatly honored to have its name on the research center at this School," said Sakata at the inauguration ceremonies. "The University of Michigan is one of the best universities in the United States. The top minds and resources imaginable are available here. The new financial research center could not be better placed."

E. Han Kim, chairman and professor of finance and Fred M. Taylor professor of business administration at the Business School, was named director of the new center. Takaaki Wakasugi, professor of finance at the University of Tokyo, was named the co-director. Wakasugi recently was a visiting scholar at the Michigan Business School.

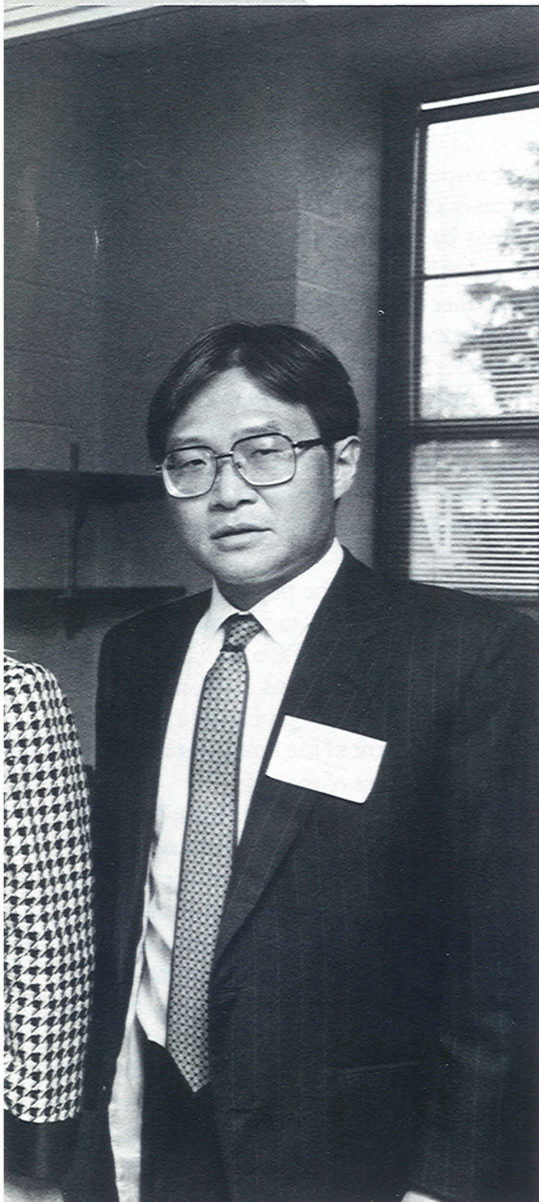
Other representatives of the Mitsui Life Company who were present for the dedication included Kazuaki Naito, Osamu Kida, Jun-ich Ota and Takaaki Shirooka. Professor Wakasugi was also present.

"Very little academic research has been conducted on the Tokyo stock market, which is the largest stock market in the world, or on the stock markets in Singapore, South Korea, Hong Kong and Thailand, which are the fastest growing in the world," said Professor Kim.

"We intend to penetrate that area of academic inquiry. Our research goal will be to arrive at a better understanding of Asian and global financial markets. We will examine how events in Asia affect the

***"Very little academic research has been conducted on the Tokyo Stock Market, which is the largest stock market in the world, or on the stock markets in Singapore, South Korea, Hong Kong and Thailand, which are the fastest growing in the world."***

— E. Han Kim, Director of the Mitsui Center



Gregory Fox

ARCH





***“The work of the center promises to add substantially to our understanding of this critical region of world economic activity. The center’s activities also will complement existing programs in Asian business at the Business School, and in Asian studies at the University.”***

– Gilbert R. Whitaker, Jr.,  
U-M Provost

American economy and financial markets and vice versa.

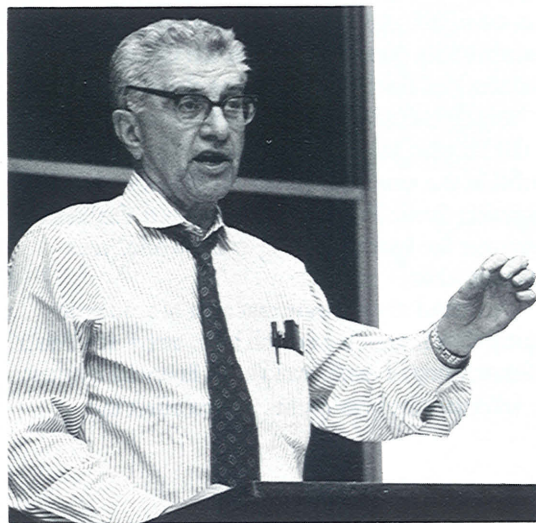
“This information is vitally important to international money managers and corporate financial managers who want to raise funds abroad by issuing stocks and bonds in global capital markets.”

The center will sponsor faculty and doctoral student research, sponsor periodic symposia in Pacific-Rim financial topics, and house a researcher from Mitsui Life.

“The work of the center promises to add substantially to our understanding of this critical region of world economic activity,” said Gilbert R. Whitaker, Jr., former dean of the Business School and now provost of the U-M. “The center’s activities also will complement existing programs in Asian business at the Business School, and in Asian studies at the University.”

**K**im added that the Michigan Business School is well-positioned to carry on the center’s research. “We have one of the most active young financial research groups in the country,” he said. “They are very capable of dissecting the different issues concerning global finance and extracting new knowledge from which future financial managers can benefit.”

Five major activities are planned for the future. They include: The Mitsui Life Distinguished Lecture Series of about four speakers per year; a working paper and reprint series, with distributions to various academic institutions worldwide; expansion and maintenance of financial data on Pacific-Rim capital markets; faculty and doctoral research grants through a competitive award program; and an annual symposium on global financial markets, which will alternate its location between Ann Arbor and Tokyo.



D. C. Goings

▶ Merton Miller, the first speaker at the Mitsui Center, won the Nobel Prize for economics two days after appearing here

The first speaker in the Distinguished Lecture Series was Merton Miller, Robert R. McCormick Distinguished Service Professor at the University of Chicago. He spoke on “Volatility, Episodic Volatility and Coordinated Circuit Breakers.” His talk focused on circuit-breakers, one of the solutions currently being explored by the exchanges and their regulators for mitigating the problems, real and perceptual, posed by episodes of extreme volatility such as those of October 19 and 20, 1987 or October 13, 1989.

He reviewed the case for circuit-breakers and appraised prospects for achieving further intermarket coordination of circuit-breakers along the lines proposed recently by the New York Stock Exchange Special Panel on Market Volatility and Investor Confidence.

Two days after his speech here on October 12, Dr. Miller was informed that he had won the Nobel Prize in economics for his contributions to the field of corporate finance. His contribution came in a series of articles, one of which was co-authored with Franco Modigliani, entitled “The Cost of Capital, Corporation Finance, and the Theory of Investment,” that appeared in the *American Economic Review* in June, 1958.

**T**hat article applied the physics principle of conservation of matter to the study of the value and riskiness of the corporate entity. In his theory, the corporation was a stream of expected future cash flows, or profits from operations. These were independent of the financial policies and dividend payout policies of the firm.

This approach allowed Miller and his followers to apply rigorous mathematical analysis in understanding how increasing long-term debt levels or changing dividend payout rates affected the overall value of the firm. Miller is recognized today as the father of modern corporate financial theory, paving the way to understanding the important role of taxes in corporate policy and how financial markets for securities and derivative instruments operate in arbitrage equilibriums.

Recently, Miller was chairman of a special panel appointed by the Chicago Mercantile Exchange to examine the role of futures markets in the 1987 stock market crash.

The next speaker on the Distinguished Lecture Series was Toyo Gyohten, former vice minister for international finance at the Ministry of Finance of Japan, who currently is teaching at Princeton university. A renowned expert in Japanese finance, he spoke on “Recent Developments in Japanese Financial Markets: Global Implications.”

A third speaker will be Woo Choong Kim, an entrepreneurial businessman who is chairman of the Daewoo Group, a large Korean conglomerate.



# Michigan in Poland

Six MBA students describe their experiences this summer while working in Poland to help create a market economy.



(Photo copyright 1990 by James Dostie)

Joe Petrosky and Carolyn Kley in Cracow, where Joe worked for a transportation components company and Carolyn worked for Qumak, a company that assembles and sells computers and other electronic products.

When Karen Knister turned on the faucet in her Warsaw apartment, the water flowed onto the floor because the faucet extended out to the rim of the sink. That's one small symptom of the problems Poland must resolve as it struggles to create a market economy.

The good news is that Poland has a highly skilled and educated work force that, given the right changes in the system, will be able to produce quality products at reasonable prices.

The bad news is that Poland's attitude toward customers was developed in an era when goods were so scarce that everything (including faucets) was bought immediately, no matter how dysfunctional or lacking in quality. And, when you could sell everything you made, it didn't seem necessary to worry about pleasing the customer.

These are two of the conclusions reached by Michigan MBA students who spent last summer in Poland working to help with the transformation that is painfully taking place in that beleaguered country.

In the six capsule interviews that follow, we hope you will get a flavor of the difficulties, challenges, triumphs and day-to-day struggles that they experienced in a summer none of them will ever forget.



# IN POLAND, "BUSINESS"



(Photo copyright 1990 by James Dostie)

Karen Knister and Mike Shingler (right) buy lunch in Warsaw. Mike, who is a CPA, helped evaluate companies for export capabilities.

## Working on a Paradigm Shift

"After 40 years of a centrally planned economy, the mind-set change that is necessary amounts to a total about-face," said Karen Knister, who was part of the government's Task Force on Company Assistance. Headed by U.S. consultant Kevin McDonald, the task force helped Polish companies become more competitive and looked at industries to determine which of them could successfully sell to the West.

"The old paradigm was: to maximize production, keep people employed, and to follow orders," said Karen. "The new paradigm is to maximize profits, serve the customer, and to take initiative. But the old paradigm is very much still in evidence. For example:

"When I bought a book at one Warsaw store, it required four clerks and three stations to process the transaction. In the past, the fundamental goal of the economy, and therefore the goal of each enterprise, was full employment rather than profit-making. As a result, highly inefficient processes are seen in industry at every level.

"One task force consultant asked a company how long it took between the time consumers placed an order and the time they received the product. When the answer seemed excessive, the consultant asked if such a long lead-time was a problem with customers. 'It is not a problem,' came the response. 'The customers know this lead-time before they order, so if it's too long, they just don't order from us.' No problem."

On the other hand, Karen also worked with a number of state enterprises whose management had begun the shift of paradigms. Prochnik, located in the city of Lodz, is one of Poland's best apparel manufacturers, and is among the first group of companies to be privatized. "We were in contact with several Western buyers of apparel who provided us with garment patterns so that Prochnik could produce test samples," said Karen. "The quality was equal to that in Western Europe and the cost was 20 percent lower."

Karen, whose undergraduate degree is in industrial and operations engineering, emphasized that anyone living in a centrally planned economy would have managed their business the same way. "I relate all this to organizational change," she

added, explaining that before she came to business school she worked as a manager in a plant that was shifting to self-directed work teams. "This gave me first-hand experience in how hard any culture change is — just one change within one organization. Now try to think about Poland with 8,000 companies and 40 million people — and they are trying to change *everything* about their work culture. In many cases they may want to change, but they're not even sure what to change to, it's all so foreign to them. We are talking about 40 years of undoing."





# S AS USUAL" NEVER IS

## *Down and Dirty Market Research*

Jim McKeon's radically different approach to business became clear when the consulting company he worked for got a contract from Unimor, a Polish TV manufacturer that needed a profile to introduce itself to potential suppliers and joint venture partners. In preparing the profile, the managers wanted to focus on what state entity owned them, what state entity they would have to work with, how many plants they had and the number of their employees.

Jim's approach was to focus on how they could attract consumers and what enticements they could give to retailers, such as longer warranties and better pricing policies.

"The conversations we would have were revealing," said Jim. "Unimor is a state entity and it's darned near broke. They would say, 'Our product is top quality — it's better than Russian TV sets!' But I saw a lot of Sony Trinitrons in Poland."

After studying the situation, Jim wrote a paper on focus groups and how Unimor might use them in getting consumer feedback. The concept blew them away. Ask the *consumer*? The investment manager said he wasn't sure focus groups would work because people would be very suspicious.

Jim suggested they form a team with one person each from sales, design, assembly, purchasing and customer relations. Send the team to a village, line up several different kinds of TV sets, start four villagers at the first station and let them talk about what they liked and didn't like about the TV set, and what would prompt them to buy one set over another. Have the team pay close attention to what people said, then go back to the

company and implement some changes. "When that team starts listening to customers," Jim explained, "a new message will start working its way throughout the company, and that will break through the bureaucracy because the team is cross-functional." By the time Jim left, the company was not only preparing to implement this idea, but was also considering the advertising theme, "Unimor listens."

Jim, an evening MBA student with seven years of general management experience, worked for Doradca, one of Poland's premier private consulting firms. It specializes in joint ventures and works with foreigners who want to invest in Poland. Doradca's head, Jan Krzysztof Bielecki, a former underground Solidarity activist and now a member of Parliament, was very pleased with Jim's contribution to the firm. "Taking part in the U-M program gave us a real business advantage," he said. (Editor's note: Since this was written, Bielecki has become prime minister of Poland.)

"The firm was five years old," said Jim, "and when a consultant got a contract, that consultant was completely responsible for everything to do with that contract. In effect, this made entrepreneurs of everyone. The consultant was really working for himself, and this quickly weeded out incompetent people. Its 12 professional consultants all spoke English and the company had PCs in every office."

A highlight of the summer, Jim recalled, was the day he was invited to play baseball with the Gdansk baseball club. "The bat was a fencepost, the ball was a regulation softball, and the fans were about 30 soldiers who stopped to watch the game. The players thought the batter's box was home plate," he says, "so anything that passed within six feet of you was a strike. It was a riot."





Jeff Sands (left) and Janusz Stajszczak, an atypical Polish entrepreneur who considered himself a mix between Donald Trump and Ross Perot.

## An Inverted House of Cards

Jeff Sands expected Weltinex, the foreign trade enterprise he worked for in Poland, to be antiquated both in its facilities and its attitudes. Instead, he found a \$200 million company being run by Janusz Stajszczak, an atypical Polish entrepreneur who considered himself a mix between Donald Trump and Ross Perot.

"The Donald Trump side of Janusz was evident at the Poznan International Trade Fair," recalled Jeff with a smile. "He arrived in his newly-purchased Lincoln limousine complete with his initials emblazoned on the doors. Needless to say, he attracted a great deal of attention.

"Janusz is entirely capitalistic in his thinking," continued Jeff. "Besides his charismatic and aggressive style, his internal and external network of associates runs deep throughout Poland. The central office

of the company has over 60 operating phone and telex lines combined (normally it takes two years to get a single telephone installed in Poland). This enables Weltinex to move quickly when trading opportunities arise.

"Janusz formed his 1,300-employee organization two years ago with the equivalent of 200 U.S. dollars and an underlying strategy to exploit *all* opportunities. He made sure his organization was focused around fresh thinking and aggressiveness. You have to look hard to find anybody in the management structure older than 38. The reason, according to Janusz, is that "any person older than 35 has spent too much time working for firms tainted by the Communist system. They have been corrupted by their work philosophies into believing that cheating the management system is all part of the game. I try to find the people who are willing to work hard now, and get them to join the team with hopes to

share in the financial rewards of the future."

"What I saw at Weltinex," Jeff commented, "were managers working diligently six to seven days a week on various projects, or painstakingly searching documents for just the right relationship between price, product and demand on import items. Rather than getting raises, these people received new cars or were moved to better living accommodations. With an eight-year wait list for new cars and an 18-year average wait for apartments, these incentives were powerful and innovative ways to reward employees.

"On the other hand, the company was almost like an inverted house of cards. Everyone reported to the director and he made all the decisions. This followed the model of days gone by, when the government made all the decisions. This man didn't have the concept of pushing decision-making down into the lower levels of the organization. He wasn't delegating enough — a typical entrepreneurial problem.

"My challenge," continued Jeff, "was to try to coordinate management functions. There was so much opportunity around that everyone was trying to do everything. I tried to show them that they could be more efficient if they had more focus in the different functional areas."

Jeff, who has experience as an industrial designer and who founded and ran his own entrepreneurial firm for several years, said he learned in Poland all over again the kind of dedication it takes to be successful. "I also value my educational experience much more after being in Poland," he said. "I didn't realize how much I learned at Michigan until I was in Poland. This summer I had to go back and think about all the basics I learned in the core courses and apply them, explain them and simplify them for the work I was doing. My evaluation process refined." No doubt it will refine even further, as Jeff works on the case he is writing about Weltinex for a class in international business management.



## How Do You Value a Company?

"Most companies I visited did not know the cost of their products," said Mike Shingler, who along with Karen worked for the Task Force on Company Assistance and evaluated companies for privatization. "Before 1990, companies had no need for this information. They were granted monopoly positions by the government, and sold everything they made. Companies had figures on the cost of making all of their products as a whole, but the notion of an individual product-cost was foreign to them. Obviously this creates a problem. How can you price anything if you don't know what the manufacturing costs are? How can you arrive at any profit calculations?"

Mike, who is a CPA with six years working experience, visited 10 companies in Lodz to evaluate them for export capability. With his interpreter, who spoke eight languages, he looked at each company's facilities and equipment, gathered information about labor relations, interviewed key management people, and later wrote a report with recommendations to the Task Force about the type of help each company needed.

Before you can privatize a company, said Mike, it must first be restructured and then valued. One problem is that Polish financial statements of previous years are basically useless. For example, costs of raw materials do not reflect market rates, since everything before 1990 was subsidized by the government. Also, indirect labor costs can be excessive compared to the West because the government used to pay companies according to a formula that added 15% to total costs, creating a built-in incentive to make costs as high as possible. Management would hire people for no reason other than to increase costs and thus increase the amount of their 15% "bonus." This wide-scale subsidization makes data on raw materials and labor unreliable, and so it is extremely difficult to come up with a realistic profit calculation.

Another of Mike's projects was to develop a course in business fundamentals for managers and entrepreneurs in the city of Lodz. The course covered marketing, cost accounting, valuation, and financial statement analysis. For reading material, Mike wrote in English on half of each page; the other half carried the Polish translation.

"I really worked to try to help them understand marketing concepts as we know them in the West," said Mike. "One way to do this was to use as many local examples as possible. For instance, Polish milk isn't homogenized and in some cases isn't pasteurized, so it doesn't taste very good nor is it very healthy. Most Polish

people I spoke with didn't like Polish milk. But there was one store in Warsaw that sold pasteurized, homogenized milk. People would line up at 6:30 a.m. to buy this milk, which was normally sold out within two hours. I tried to show them there's an opportunity here — there's a need, and here's what you could do to fill the need."

Evaluations of the course by participants were highly favorable, and Mike received two offers to publish the course in Poland. His course is currently being used to train Polish consultants who will themselves be helping Polish companies in the move to a market economy.



(Photo copyright 1990 by James Dostic)

Karen Knister and Mike Shingler (right) speak with their interpreter (pictured left) at the Task Force for Company Assistance. The interpreter was fluent in eight languages.





**Ken Knister was assigned to the Office of Privatization in the Ministry of Finance. While there, he helped screen companies to recommend which of them should be the first to be privatized.**

## Hitting Pay Dirt with Cegielski

“Our job was to pick the best,” said Ken Knister of his summer work at the Office of Privatization in the Ministry of Finance. “Poles in this generation have never owned stock and don’t know what stock ownership is all about,” he explained. “So the first companies to sell stock to the public have to be so good that the investors will make money for sure — otherwise people will lose confidence in the whole idea of privatization.”

Ken and Eric Mikesell, another Michigan student who worked at the Office of Privatization, first screened state-owned

companies based on their financial reports; then visited the companies to do business assessments before making recommendations about which companies should be privatized first.

Ken spent a week and a half at Cegielski Metal Works in Poznan, a firm that builds diesel engines for ship propulsion. He worked with a Polish consulting firm that included a certified accountant, a registered engineer, a financial analyst, a marketing expert, an organizational behavior expert and the team leader.

“Cegielski was fearless,” said Ken, who spent several years as an industrial and operations engineer before coming to the Business School. “They were already the Western European market leader in their

field and had maintained very strong ties with the West. They continually sold in the West and these ties kept them up-to-date.

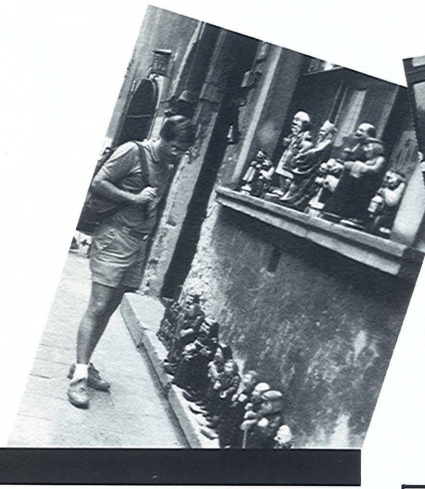
“The inside of Cegielski’s main factory was an imposing site. The cavernous buildings house gigantic, modern machine tools from West Germany. What’s more, these machine tools were retrofitted with even newer General Electric process controls by Cegielski’s own engineering staff. The fact that the company could pay for the Western machinery with its strong export earnings is a testament to its success. Equally significant to its success has been its surprising work force, which has been the driving force behind economic changes for several decades. In fact, the forerunner of the Solidarity strikes that eventually brought down the communist government began at Cegielski in 1956.

“Even so, the company had some problems,” said Ken. “Its goals were to keep the capacity fully used rather than, for example, to gain market share. Managers were baffled when we asked questions about strategy. For example, we asked if they wanted to increase their market share in the European market. Their response was, ‘Why would we want to do that? We are already at capacity.’ We would answer, ‘Because if you increase market share, you could make more profit.’ Then they would seem to be thinking things over and would eventually say something like, ‘That’s a novel idea.’

“But Cegielski had world-class standards of quality. This company, which had been around for 100 years, used to compete in machinery design contests and used to pride itself on beating the Germans next door. The workers want to be privatized so they can go back to competing without government interference.

“Unfortunately, Cegielski is the exception in Poland and not the rule,” Ken continued. “Before World War II most Polish companies had quality standards and work habits comparable to those in Western Europe. However, under communist rule and the resultant lack of incentive, enterprises allowed their standards of performance





and work habits to deteriorate. Now, many Polish enterprises are not competitive.

"There were so many concepts that were foreign to the Poles," said Ken. "For instance, they did not understand that a healthy economic system includes unemployment and bankruptcy. The things that *cause* unemployment and bankruptcy were present under communism, but they swept it under the rug and tried to subsidize it away. Capitalism is not a panacea. It is messy and chaotic and there are winners and losers. On the other hand, in communism everybody loses."

One thing that stands out in Ken's mind is the bravery of the Polish people. "They stepped forward with one bold stroke to change their economy," he said. "And their standard of living got *worse*. People used to have a low wage but everything was cheap because it was subsidized. A person used to spend about half of his or her wages on necessities. Now it's more like 80 or 90 percent. Wages are the same, but prices are dramatically higher.

"I don't think you'll see a dramatic change in the standard of living for five years, because they have so much to change," mused Ken. "How many of 8,000 companies can you privatize in one year? Under the approach they're taking, probably the most you can do is 100 per year. Will the people be able to stay the course? I think so. They are absolutely convinced that they *must* change, whatever the cost, because one thing that is crystal clear to everybody is that the old way didn't work."

## The U-M's Expertise on Poland Gave Our Students a Head Start

The University of Michigan has a well-deserved reputation for the depth of its expertise on Poland. This made it possible to give our students a powerful month-long orientation course prepared by the University's Center for Russian and East European Studies. Before leaving for Poland, they were given intensive language instruction, as well as lectures by University experts in the fields of Polish history, literature and culture, economics and politics.

"The U-M students were extremely well-prepared for working in the Polish environment," commented Kevin McDonald, leader of the Polish government's Task Force on Company Assistance restructuring Polish state enterprises. "In fact, they were the best prepared of all the members on our team, which included students from Harvard, Stanford, Wharton, and several other business schools." Here are some of the resources that were available to our students.

The Center for Russian and East European Studies (CREES), directed by Dr. Roman Szporluk, who received his first degree in Poland, has been involved in extensive research, exchanges, and a wide variety of direct contacts with institutions and individuals in Poland. They organized the orientation course.

Dr. Michael Kennedy, a sociologist and Center associate, has done pioneering work

on the evolution of post-war Polish society and has just published a groundbreaking history of the Solidarity Trade Union. Professors Zvi Gitelman and William Zimmerman have done extensive research throughout Eastern Europe and their studies of political developments in the former Soviet bloc are widely acknowledged as among the best.

The Institute for Social Research (ISR), directed by Dr. Robert Zajonc, a native of Poland, has been instrumental in establishing a sister ISR in Warsaw in cooperation with the University of Warsaw. This initiative will assist in the training of Polish social scientists and lay the groundwork for Western-based scholarship in fields related to human behavior.

The research on privatization by Dr. Ernest Wilson, director of the Center for Research on Economic Development, has direct application in Poland, where Dr. Wilson has served as a consultant to the Ministries of Finance and Privatization.

Dr. Bogdana Carpenter of the Slavic Languages and Literature Department is one of the world's experts on Polish literature. The department is only one of a handful in the U.S. that has both extensive Polish language and literature course offerings.

In the field of economics, Professors Morris Bornstein and Roger Gordon have carried out extensive research on the evolution and transformation of the East European economies. Dr. Gordon has been in Poland for the past four months studying the privatization effort.





(Photo copyright 1990 James Deser)

Joe Petrosky worked for WSK Transportation Components Company in Cracow. While there, he put together a seminar on marketing and sales for the employees.

## *Breaking the Logjam*

As Joe Petrosky's plane flew over the Polish landscape on its way back to the United States, he looked down at the countryside. The small oblong agricultural plots formed a random pattern over the landscape.

"Earlier I had seen these same fields from the ground; many farmers still cultivate their crops using manual labor and horse-drawn farming tools," he said. "From the air, the pattern produced by these small inefficient plots resembled a large logjam.

"Looking back on my summer experience," he continued, "a logjam analogy could be extended to many aspects of the current situation. Many of the resources are there — roadways, rails, buildings, an educated workforce — but the activities

required for a flourishing economy are only beginning.

"For example, quick communication by phone, mail or fax is still only a dream; and insensibilities ingrained by over 40 years of communist rule are still prevalent. A friend's office building housed a cafeteria that closed for lunch so the kitchen workers could eat! Cashing traveler's checks requires forms filled out in triplicate; receipt of foreign letters is carefully noted and numbered; piece-rate wage systems exist where workers may be submitting over 100 tracking cards each week in order to be paid; and yet for the multitude of information recorded, little data is available that is useful or trusted."

Joe, a mechanical engineer with several years' work experience, was assigned to



WSK Transportation Components Company in Cracow. The company employed 1,400 people, and made parts such as radiators and water pumps for all sorts of vehicles. "It was like a large job shop," said Joe. "It made hundreds of products, most of them in very low volume."

One of Joe's assignments was to look at a product line and make recommendations for improvements. One of his suggestions included preventive maintenance for the machines. "There was a big problem with down-time," he explained. "You could wait for three months for parts to come in, because there was no particular incentive to get things done more quickly. I pointed out that if they gave attention to preventive maintenance, they could identify problems before the machine actually broke down and order the part ahead of time."

Joe also put together a seminar on sales and marketing for the employees. "I started with trying to give an overview of the various areas in Western business," he explained, "but soon found there were concepts within concepts. For example, when I taught a session on market research, I brought information about annual reports, and about the ability to do database searches on companies. That amazed them. A method of gathering information on the resources of a company and industry! They marvelled and wondered why people supply this information."

"That led to a discussion of the stock exchange, the sale and purchase of publicly-owned companies, and the accounting procedures that go into that. They'd say, 'But how can you trust the figures you get?' (In Poland everybody massaged the numbers.) Then I'd try to explain the SEC. Every bit of information I gave them led to a whole other area that needed to be explained."

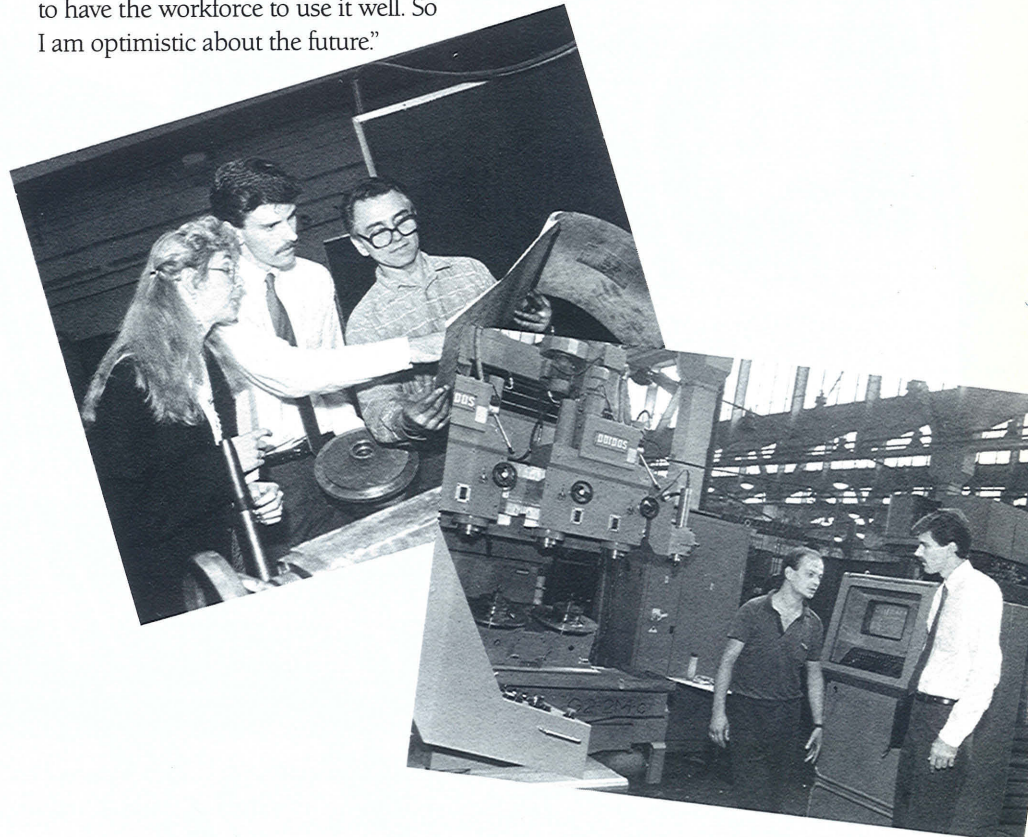
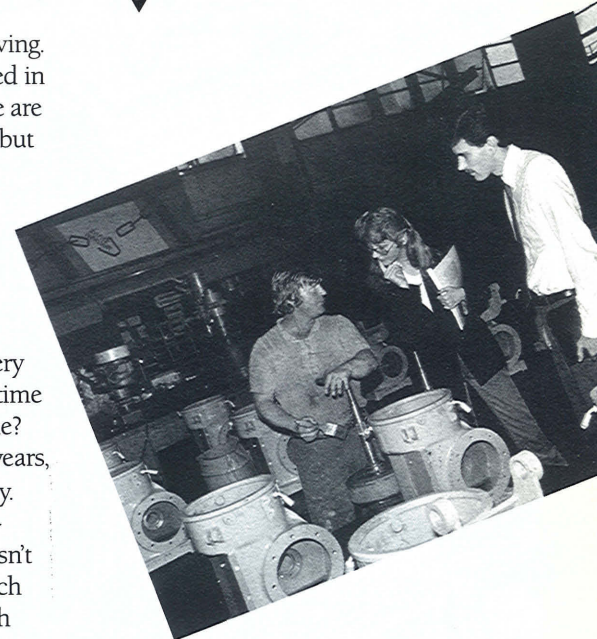
You adopt a different framework when you're in Poland, Joe said. You know you have to boil the water because of pollution; you don't expect to find showers wherever you go; and it all becomes the norm while you're living it. People in Poland are constantly shopping. It takes at least an hour a day just to shop for food. The lines are long

not because goods are not available, but because there's only one person behind the counter to wait on customers. Many people used to shop during working hours, but have stopped that now that they are afraid of losing their jobs. At Joe's company, 120 people were laid off right before he arrived, and another 60 as he was leaving.

Polish companies are very interested in foreign investment, said Joe, and there are solid investment opportunities there, but you need a level of commitment. For example, his company was making a decent product, but with help they could make a *great* product and do it cheaply.

"There's an excellent work force in Poland," said Joe. "Highly educated, very skilled and adaptable, but it will take time to change the system." How much time? Joe looked thoughtful. "Some say 20 years, but I can see them catching up quickly. For example, they may be using a machine that's 10 years old, but that doesn't mean it will take them 10 years to catch up. The machine they buy next month may be state-of-the-art, and they're going to have the workforce to use it well. So I am optimistic about the future."

Joe Petrosky is shown here as he consults with workers to make recommendations for product improvements. "There is an excellent work force in Poland," he says. "They are highly educated and very skilled and adaptable, but it will take time to change the system."





# MAKING THE POLISH CONN





# NECTION

## Matching Companies in Poland with Participants in the MBA Corps

by Marian J. Krzyzowski  
Director, MBA Corps for Poland

For several months in the spring of 1990, I lived next to a fax and made innumerable phone calls to Poland (an activity requiring patience and persistence). By mid-May I had identified at least 15 potential assignments for the first participants in the new MBA Corps established to provide interested Michigan MBA students with the chance to help Polish firms adjust to global markets.

The current prime minister of Poland, Jan Krzysztof Bielecki, is pictured here second from left. He is standing with Associate Dean Edwin Miller (left) and Marian Krzyzowski (behind him to the right). Bielecki, who became prime minister in January 1991, is a Polish entrepreneur who founded the consulting firm Doradca, where Jim McKeon, one of our students, worked this summer. (For more on his experiences, see page 7.) The picture was taken this summer when Miller and Krzyzowski were traveling in Poland. To the right of Marian are Jaroslaw Malec, senior consultant at Doradca; McKeon; and Jacek Siwicki, secretary to the prime minister.





For the first year of the MBA Corps, we wanted to offer a diverse set of experiences whose value could then be assessed and compared. The interns were placed in a variety of regions and industrial sectors. Ultimately we committed to the Baltic seacoast, Warsaw, Bydgoszcz (in western Poland) and Cracow in the south. We sent students into private companies, including one consulting firm, state enterprises and the Ministry of Privatization.

Although I use the word "students," the people we sent into Poland have finished University undergraduate studies, worked for 4-5 years in large and small companies, and then returned for more university training. They were referred to in the Polish press as Poland's "doctors of industry." Their work in Poland received extensive press coverage, and articles about them in various papers were entitled "Michigan to the Rescue," "Manager for Hire," and "An American in Cracow." Poles also heard about the MBA Corps from radio broadcasts and prime-time television interviews. (For profiles of six of these "doctors of industry," see pages 5-13.)

During July and August of the first summer, I traveled to Poland with Associate Dean Edwin Miller, who was the driving force behind the establishment of the program. We visited all the Polish companies and institutions as well as all the interns. The companies were all enthusiastic. It was clear that the Polish side was gaining not only directly increased sales, new investment, and better productivity, but also indirectly a new approach to management, a different view of organizational structure, new financial systems, etc. Each Polish company wanted to participate again next year.

We went to Poland again in October as part of our preparation for next year. The companies on our list for next summer include last year's participants as well as a large private tile manufacturer, a private chain of department stores, a state enterprise producing electromechanical products, an apparel manufacturer, and a commercial bank launched by the Solidarity Trade Union.

Based on the 1990 experience, the program will place emphasis on working with private Polish consulting companies (which will accept four of our interns) and newly es-

tablished private chambers of commerce or industrial societies. Private consulting firms like Doradca in Sopot, Partner in Warsaw, Eureka in Poznan, or Synteza in Bielsko provide the opportunity for leveraging the expertise of the business school interns.

As they work with a wide variety of clients, the consultants are able to transfer management know-how more widely and quickly. The chambers and societies, being private, non-government organizations, are ideally suited to identify potential Polish participants for the MBA Corps and are anxious to cooperate with the Michigan Business School. "The MBA Corps program should serve as a model for assistance to Polish private business," said Cracow Industrial Society's Lech Jeziorny.

Our intention this coming summer is to pair students off by city. In this way, each intern will have a "buddy" to rely on for further advice or guidance. This pairing will also reduce any sense of isolation that may result when there is only one American in town.

The benefits of the MBA Corps accrue not only to its U.S. and Polish participants. The Corps also contributes to the growing internationalization of the University of Michigan Business School experience and curriculum. Case studies derived from the work of the first nine students have been written and next year's interns are expected to produce another 10-15 such studies. The cases are in turn being incorporated into courses taught at the Business School and are

planned to be published.

The idea for the MBA Corps, which was the brainchild of Associate Dean Edwin L. Miller, grew out of a series of meetings hosted by the Business School that brought together University faculty and researchers who had an interest in the changes sweeping Eastern Europe.

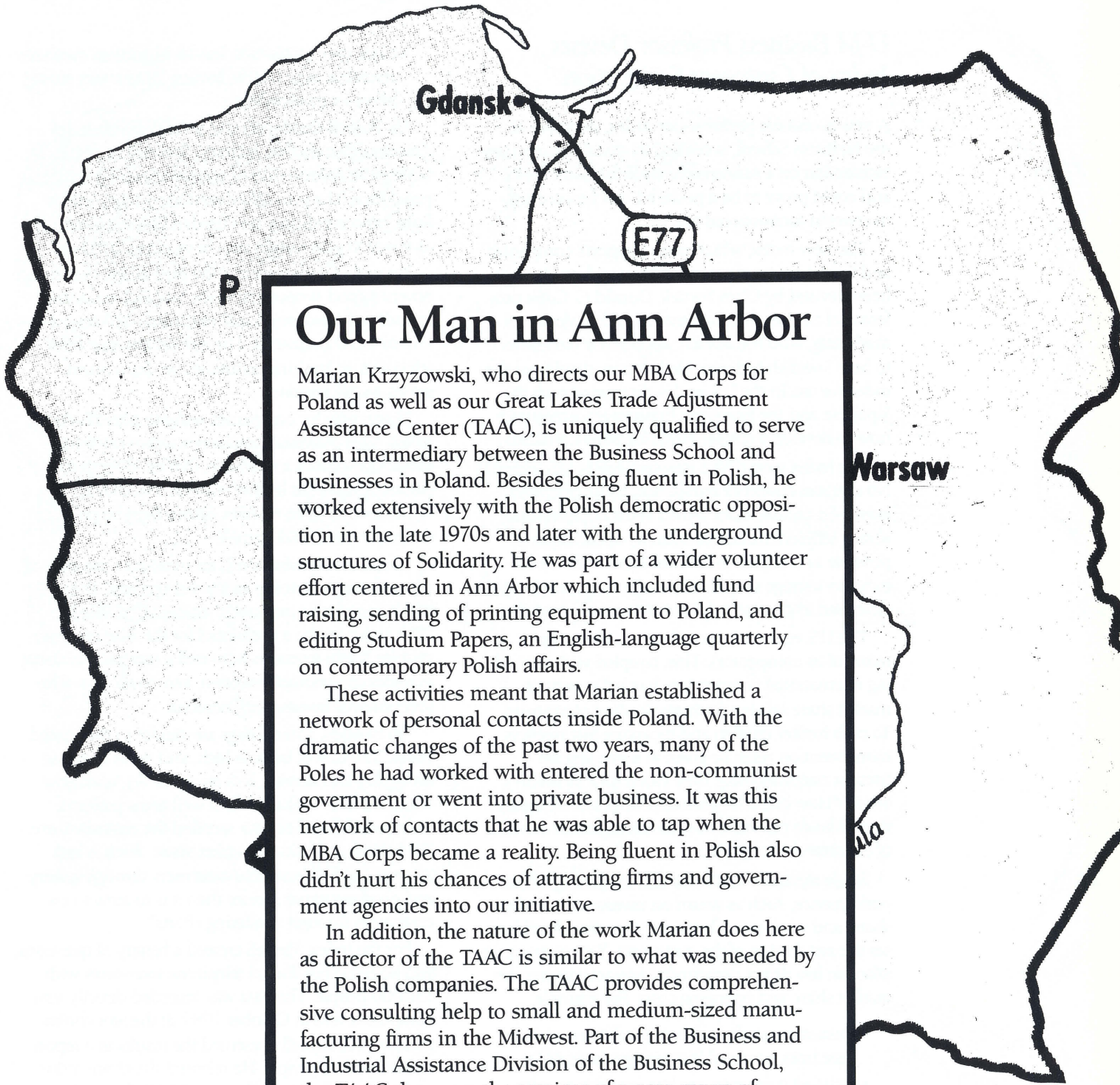


Poland was chosen as the site of the MBA Corps for several reasons. The economic shock therapy introduced by the Polish government in January 1990 opened the door to widespread private business activity. No other East European country had taken such dramatic steps toward introducing a market economy. As a consequence, Poland was the leader of the pack and was being viewed by the other nations of the former Soviet bloc as a model to replicate or as a pitfall to avoid. It was felt that by going into Poland the Corps would be on the cutting edge of historic events.

The Michigan Business Assistance Corps (MBA Corps) was partially funded in its first year by Sam Zell, chairman of the board of Equity Financial and Management Company and a good friend of the Business School. In addition, Zell persuaded American Airlines to donate round-trip airfare for the group from Chicago to Frankfurt.







## Our Man in Ann Arbor

Marian Krzyzowski, who directs our MBA Corps for Poland as well as our Great Lakes Trade Adjustment Assistance Center (TAAC), is uniquely qualified to serve as an intermediary between the Business School and businesses in Poland. Besides being fluent in Polish, he worked extensively with the Polish democratic opposition in the late 1970s and later with the underground structures of Solidarity. He was part of a wider volunteer effort centered in Ann Arbor which included fund raising, sending of printing equipment to Poland, and editing Studium Papers, an English-language quarterly on contemporary Polish affairs.

These activities meant that Marian established a network of personal contacts inside Poland. With the dramatic changes of the past two years, many of the Poles he had worked with entered the non-communist government or went into private business. It was this network of contacts that he was able to tap when the MBA Corps became a reality. Being fluent in Polish also didn't hurt his chances of attracting firms and government agencies into our initiative.

In addition, the nature of the work Marian does here as director of the TAAC is similar to what was needed by the Polish companies. The TAAC provides comprehensive consulting help to small and medium-sized manufacturing firms in the Midwest. Part of the Business and Industrial Assistance Division of the Business School, the TAAC draws on the services of a core group of professional staff consultants, MBA students and faculty.



# Introducing a New To

## *U-M Business Professor Devises Index of Customer Satisfaction*

A new economic performance index, designed at the Business School, is the first to calculate customer satisfaction on a nationwide, multi-industry scale, and could prove to be a powerful tool for competitiveness in international markets.

The new index, which rates a nation's companies and industries on customer service and quality, has been devised by Claes Fornell, Donald C. Cook professor of business administration and professor of marketing, who has already applied the barometer to help Swedish industry. He has now developed the index for use in the U.S. and is discussing with the Japanese and the European Economic Community how to develop a similar index for other countries.

The index would fill a unique need in U.S. industry. No national customer satisfaction index currently exists. An annual index would allow comparisons across different industrial sectors; would make it possible to compare individual firms with the all-industry average as well as to make comparisons over time; and to do research on customer orientation.

The U.S. economic growth rate is slower than many of its competitors. This, coupled with increasing international competition, has led to serious market share erosion for many leading companies. To curb further erosion and recapture lost markets, more attention must be given to managing the present customer base. How can it best be maintained? How can it be protected from new competition? A basic principle of such management consists of *customer-driven quality*.

There are other measures that reflect or predict performance, such as return on investment, market share, and stock price, but none that directly addresses the satisfaction of the customers. Yet customer satisfaction has direct, measurable impact on revenues, market share and operating costs. For example:

- Customer satisfaction can insulate a customer base from new and increasing competition.
- Satisfied customers are less sensitive to price increases.
- It is generally more costly to attract a new customer than to keep a satisfied one.

- Customer satisfaction has an impact on customer retention rates which, in turn, have a very strong effect on profitability.

Dr. Fornell developed and refined the National Customer Satisfaction Index in Sweden during 1989 under a \$1 million annual contract from the Swedish post office. The post office was facing competition from private industry, and funded Fornell's research as a way to gain insight into its own performance.

Instead of looking just at the post office, the survey covers a good proportion of the Swedish economy, including 30 industries and more than 100 companies within those industries. The industries range from television, to banking, to airlines, to department stores, to gas stations.

"Especially for companies without a lot of other assets, high customer satisfaction says something about the value of a company, that its strength is determined by the level of customer retention because most of its revenue comes from its present customer base," said Fornell.

"Customer satisfaction is an important measure of success, and it is not as easily manipulated as some of the accounting measures," commented Fornell. "The index is also a useful tool for the financial community. It tells investors how well a company is doing in terms of customer retention, and could be a valuable guide to investment decisions.

"In Sweden, some things are similar to the United States. The cost of labor is high, and firms compete on quality and service, less on price. Yet, until now when we have evaluated how well firms perform, we haven't looked at how satisfied the customers are. We looked at profits or market share. But it is less expensive to keep current customers through quality and good customer service than it is to attract new customers through marketing efforts."

For the index, Fornell created a battery of questions, and pollsters conducted telephone interviews with 150,000 people. The data was recorded directly into computers, and in October 1989, at the Stockholm concert hall, Fornell presented the results in a report to the Swedish people. He released the entire industrial ranking, from one through 25. Within each industry, however, he revealed only the top business. Individual firms could get information on how well they did, but this was not made public.



# ol for Competitiveness

Fornell found that privately-owned enterprises formed the top tier of companies in 1989, and state-owned industries — telephones, police, the railroad — formed the second half. The post office ranked highest in the second tier, and television broadcasting was at the bottom of the list. Toyota got the highest marks for either individual business or industry.

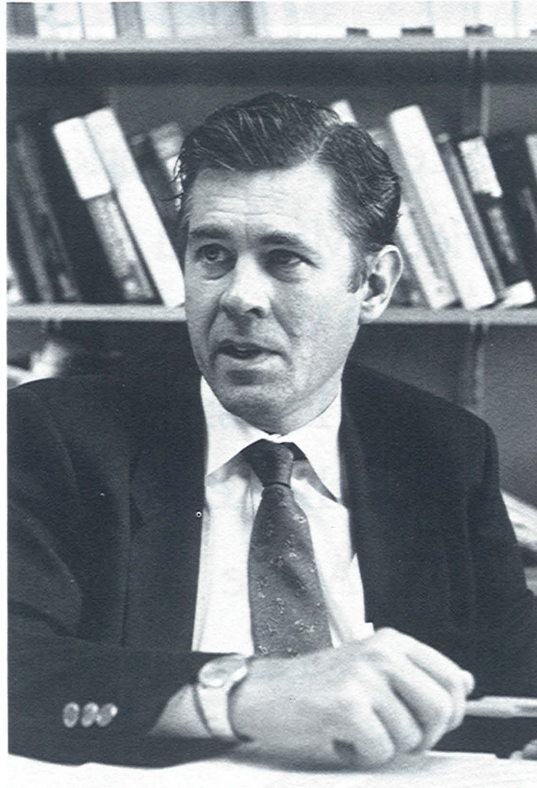
The response to his index was significant. There were a number of newspaper articles listing the results, as well as major broadcast coverage. The top gas station chain spent a day handing out roses to each of its customers, and a clothing chain took out a full-page ad declaring that it was the tops with consumers. Toyota based an entire advertising strategy around the index results. However, as more automobile companies were added to the study in 1990, Toyota lost its first place to another Japanese company: Mazda.

For 1990, the overall index for Sweden points downward. It predicts a troublesome future for Swedish industry as its customers become less satisfied. Whatever measures taken to improve quality have not been enough to offset the effects of high inflation, negative balance of trade, high interest rates and low wage increases, says Fornell.

In addition to identifying which industries and businesses have best pleased their customers, Fornell also developed an equation which can demonstrate to a firm just what will happen to its customer satisfaction score if it increases quality or customer service. The formula also can predict what will happen to customer satisfaction if there is a price increase. The satisfaction index can be translated into revenue and profitability. For example, a point increase in satisfaction for Volvo converts to \$56 million of additional revenue for the automaker.

“What is quality?” asked Fornell. “Only your customers can tell you. I relate that to satisfaction, and relate that to profit. I have developed a whole chain of causes and effects and can say, ‘Change this aspect of quality’ — a quicker repair job or answering the telephone more quickly, for example — and can trace that to customer satisfaction and customer retention. It provides a way to be more competitive and to do better in the marketplace.”

Fornell said a similar index in America will help strengthen the competitive position of U.S. industry. “It provides information for the industry and the



Gregory Fox

Professor Claes Fornell, pictured here in his office, has already applied his new barometer to help Swedish industry.

buyer as well. In today's marketplace, where it is more and more important to hold on to the customers you have, this instrument measures how strong your relationship with your customers is, and gives an indication of how to increase your customer retention rate.”

Professor Fornell is one of the world's leading experts on customer satisfaction measurement and analysis. He has been a consultant to several U.S. and European companies, including General Motors, Ford, GTE, IBM, Strohs, Gould, Lorillard, Unilever (U.K.), Wehkamp (The Netherlands), Nordbanken (Sweden), and others. He has written more than 50 published articles and two books.

Born and raised in Sweden, Fornell received a Doctor of Economics in 1976 from the University of Lund, Sweden. As a doctoral student, he was also a Fulbright Fellow at the University of California, Berkeley. In 1987, he was a visiting professor at INSEAD, France, and at the Stockholm School of Economics in Sweden. He has served on the faculty of Northwestern and Duke universities.



# HOW

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Japanese Men Do  
the Least Housework;  
Soviets (Men and  
Women) Work the  
Longest Hours; the  
U.S. is the Leader  
in 'Active  
Leisure'

A new study of time use done at the U-M shows enormous differences in how much time people spend at work and at leisure, depending on where they live.

For example, the amount of time men in different countries spend on the job varies from 54 hours per week in the Soviet Union to 33.4 hours in Denmark. Japanese men, at 52 hours a week, and Hungarian men, at 50.8 hours a week, also rank at the high end of the scale. American men spend an average of 44 hours per week on the job, according to the U-M researchers. Time on the job includes time spent commuting to and from work.

"The United States is clearly the leader in time spent on 'active leisure' — sports and hobbies — and 'social interaction,'" says Frank P. Stafford, professor of economics, who has studied time use in the United States, Japan and several European countries.

American men spent 20.5 hours a week in 'active leisure,' seven hours more than the 13.3 hours a week spent by Japanese men, according to Stafford and colleague F. Thomas Juster, professor of economics.

The difference between American and Japanese women is even greater; American women spent 21.8 hours, more than twice the 10.6 hours weekly Japanese women devoted to such activities, the researchers say.

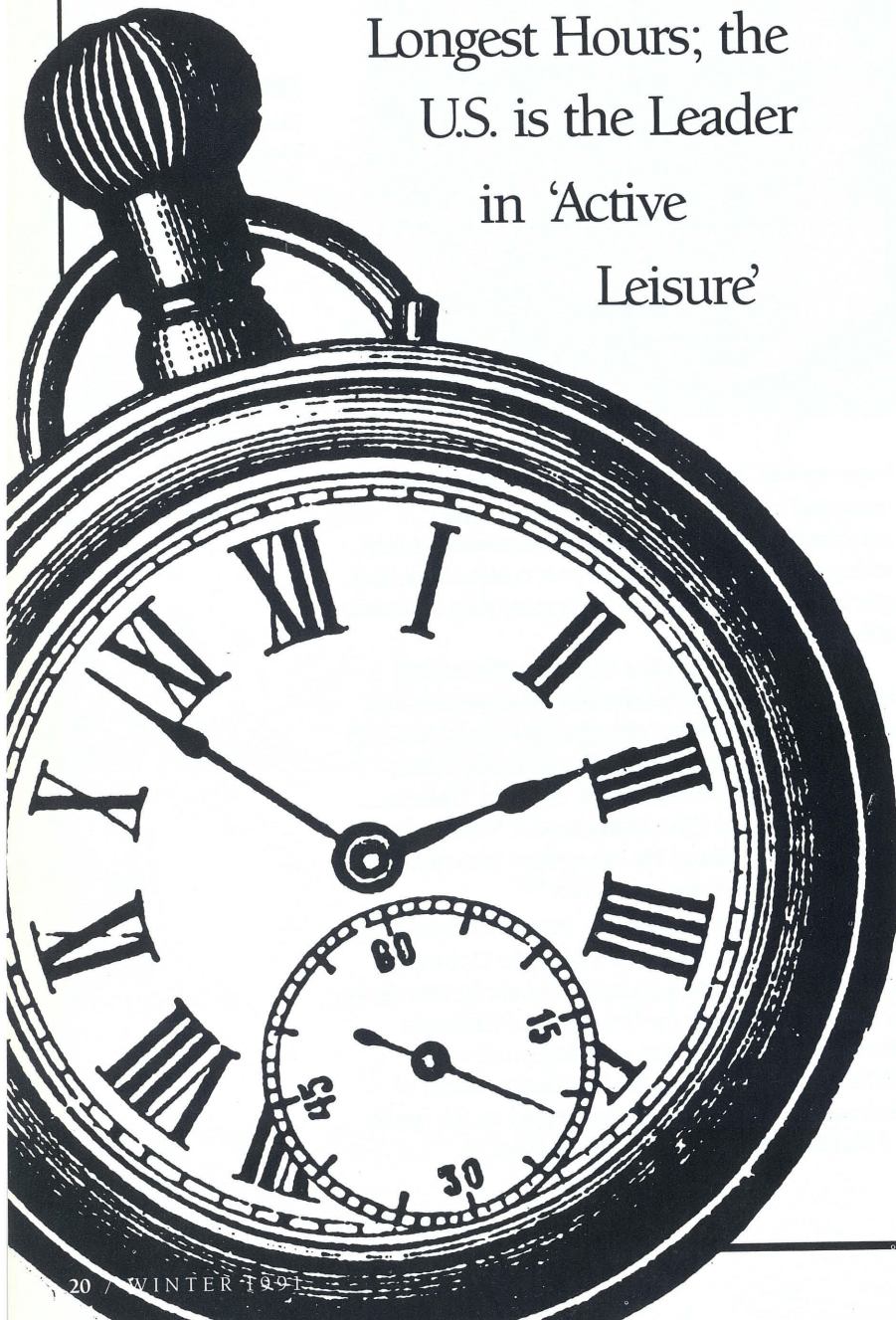
Although studies of time use date back to the early 1920s — the first was conducted in the Soviet Union in 1924 — Stafford and Juster are the first to standardize and compare time use data from different countries.

Their analysis is based on the most recent statistics available, which were obtained from surveys of 1,000 or more representative adult respondents conducted between 1964 and 1987 in the United States (1965 and 1981), Japan (1965 and 1985), the Soviet Union (1965 and 1985), Finland (1979), Hungary (1977), Norway (1971 and 1980), Denmark (1964, 1975 and 1987) and Sweden (1984).

Among the findings:

The amount of time spent on housework ranges from a high of 18.1 hours a week in Sweden to a low of 3.5 in Japan. American men spend 13.8 hours, Soviet men 11.9 hours and Norwegian men 16.8 hours. "Japanese men cut down so much on their housework time that their total work time, at home and on the job, is only 55.5 hours a week," the U-M researchers say.

— Soviet women spend more time working than





## *do you spend your time? It depends on where you live.*

women in any of the other countries studied — 39.3 hours per week on the job and another 27 hours a week at home for a total of 66.3 hours a week. By comparison, the average American woman works 23.9 hours a week on the job and 30.5 hours a week at home for a total of 54.4 hours a week.

Danish and Norwegian women work fewer hours than women in the other countries studied. Norwegian women work 17.6 hours a week on the job and 33 hours a week at home for a total of 50.6 hours a week. Danish women work 20.8 hours a week on the job and 23.1 hours a week at home for a total of 43.9 hours a week.

— Relatively low wages explain why Hungarians and Soviets work so many hours — they are not paid enough to ‘buy’ leisure time by working fewer hours, Stafford and Juster say. The situation in these countries is similar to that in the United States during the 1920s, when wages were low here and a 60-hour work week was typical, they add.

But in Japan, the researchers note, the wage rate is relatively high. So why do Japanese men work so many hours?

“While Japanese men work very long hours at their jobs, they still enjoy about the same amount of leisure time as men in the United States and Sweden — 40 hours a week, says Stafford. “This is because they do next to no housework — only 3.5 hours a week, which is about one-fourth of the time American men spend on housework, and a sixth of the time spent by Swedish men.

“Japanese women, on the other hand, spend more time on housework than they do on any other single waking activity — 31 hours a week — 10 times as many hours as Japanese men spend on housework. In the United States and Sweden, women spend only twice as much time as men on housework,” he adds.

— Leisure time taken by Japanese and American women is about the same — 40 hours a week — but while American women spend most of it talking to friends and family, Japanese women are more likely to spend it watching television.

Japanese women spend significantly more time watching television than women in any of the other countries — 21.4 hours a week, compared with 11.5 hours a week for American women and 7.7 hours a week for women in Finland. Japan is the only country in which women watch more television than men.

In the United States, total leisure time increased by 13.9 percent between 1965 and 1981, from 36.7 to 41.8 hours a week for men. Danish men have the most leisure time of any of the groups studied, 54.3 hours a week. They are followed by Danish women, 53.7 hours a week; Norwegian men, 45.5 hours a week; and Norwegian women, 45.2 hours a week. Hungarian men and women have the least amount of leisure, 30.4 and 25.3 hours a week, respectively.

“In each of the countries studied, there has been a decline in the amount of time men spend on the job. As economies grow and earnings rise, people basically buy more free time. This is a dividend of economic growth,” Stafford says.

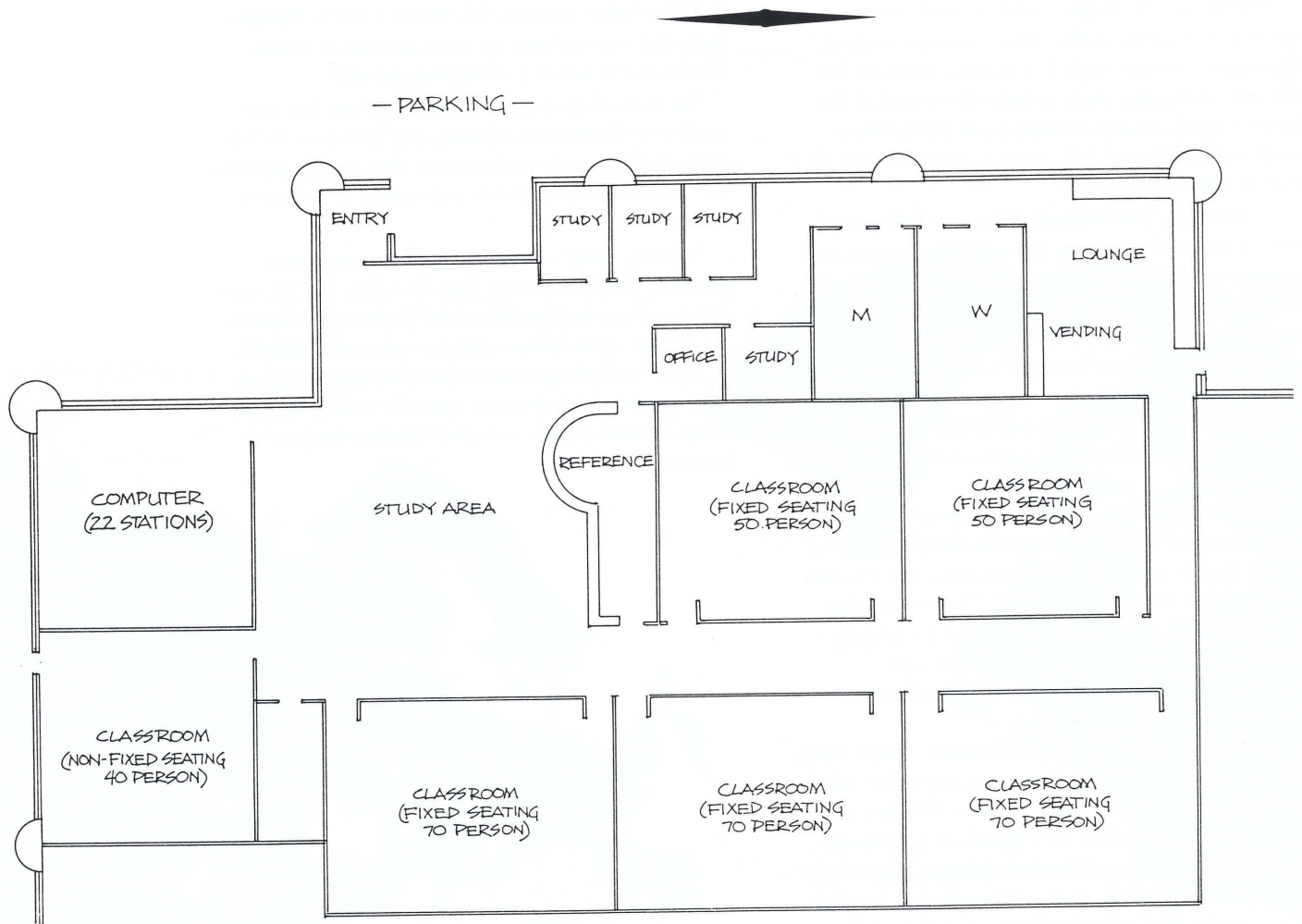
“Clearly, some subgroups, such as unmarried mothers, have less leisure time than they did 20 years ago, but if you look at the overall population, there is on average, more leisure time for men and women,” he adds. Stafford speculates that increases in leisure time, even as more women enter the workforce, also occur because people are spending less time on housework.





# THE BUSINESS SCH

Brand New Facility Houses Our Evening Students in Style



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# OO L AT COMMERCE

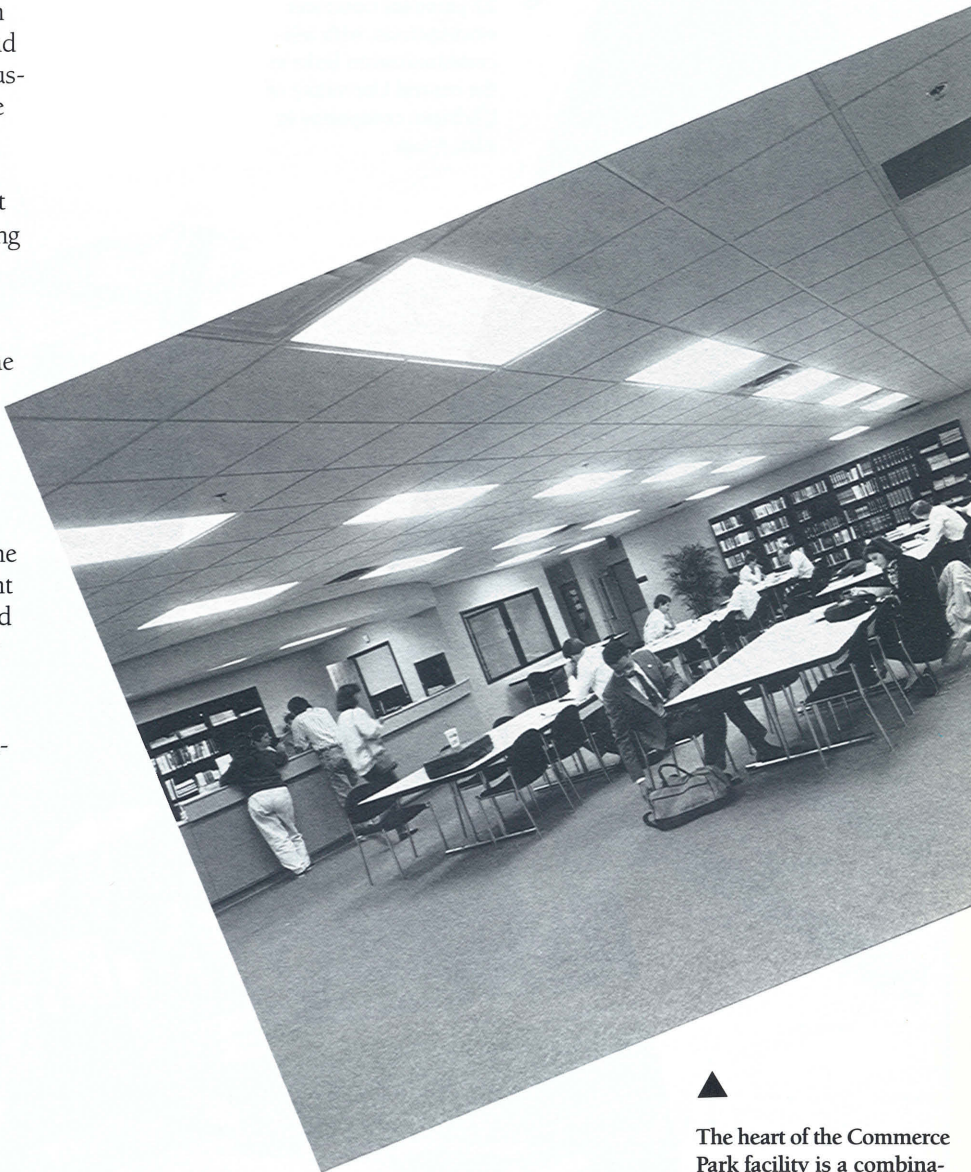
They start arriving around 5:30. Many of the women are wearing dark business suits, nice gold jewelry and tennis shoes; the men are mostly dressed in dark business suits and serious silk ties, although a few arrive in jeans and sweat shirts. They carry canvas book bags and paper sacks from McDonald's. They make a beeline for a seat in the library, or sit in the student lounge eating while studying. There is little socializing before class.

These evening students are attending classes in the brand new Business School facility located at Commerce Park in Dearborn, just north of I-94 at the Greenfield exit. The evening program was formerly housed in the Village Plaza office building in Dearborn, but enrollment growth in the '80s meant that the Village Plaza space would not be adequate for the 1990s.

The 14,700-square-foot facility being leased by the Business School is located in a new building adjacent to a number of other one-story research, training and office buildings. The interior space was designed for our specific needs and includes tiered classrooms, a computer lab/classroom, library study space, five group study rooms, a student lounge, and an administrative office. The building is adjacent to a large, well-lighted parking lot.

More than 700 students are enrolled in the Business School's part-time evening program, which generally takes four years to complete. Evening program classes generally meet once a week in the fall and winter and twice each week in the spring and summer. More than 40 different courses are offered throughout the year. Besides the facilities at Commerce Park, evening students are also welcome to use the resources of the Ann Arbor campus.

*Dividend* visited Commerce Park with a photographer, and here we bring you pictures of the new facility in use.



The heart of the Commerce Park facility is a combination library and study area, offering periodicals, books, and computer-based reference/research tools, as well as the services of a full-time librarian.

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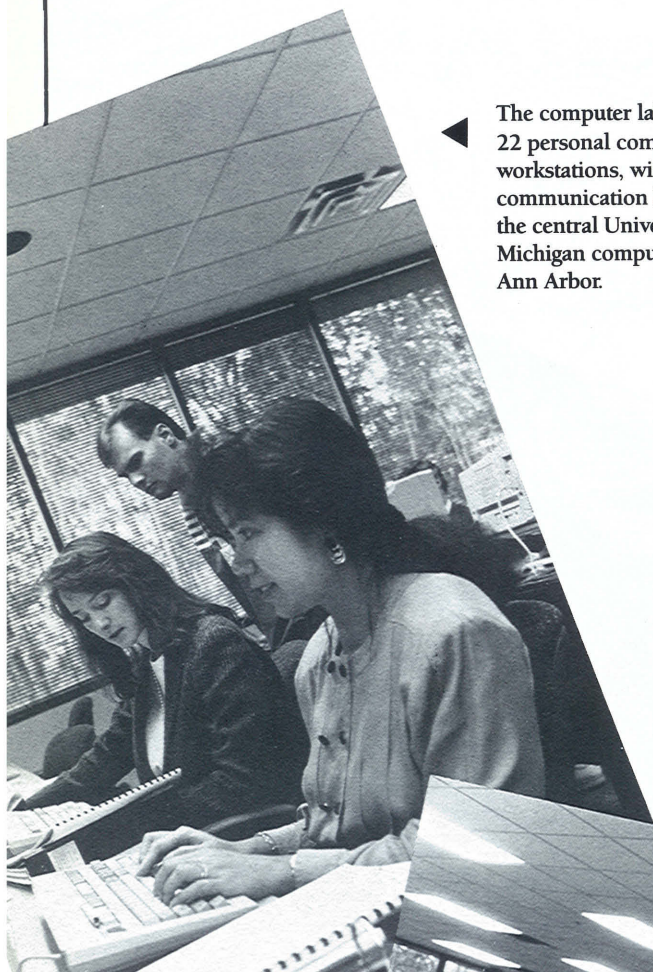
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# THE BUSINESS SCH

◀ The computer lab features 22 personal computer workstations, with telecommunication links to the central University of Michigan computers in Ann Arbor.



▲ The reception desk in the main study area.

Photos by Gregory Fox

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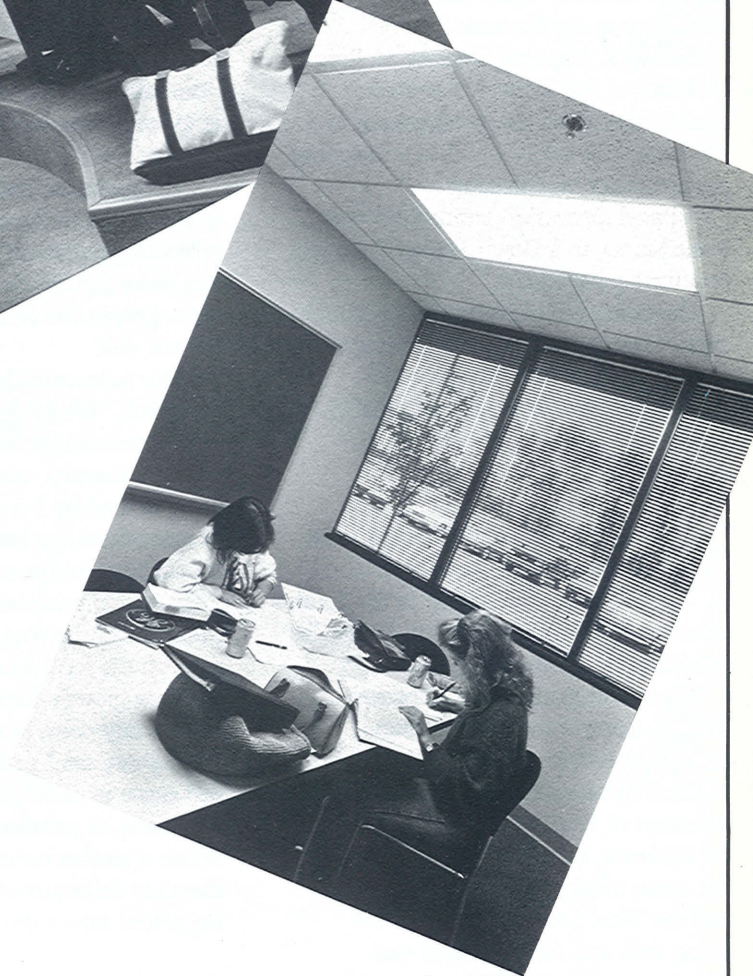
# OO L AT COMMERCE

An evening student arrives for class. As you see here, there is a large, well-lighted parking lot adjacent to the building.

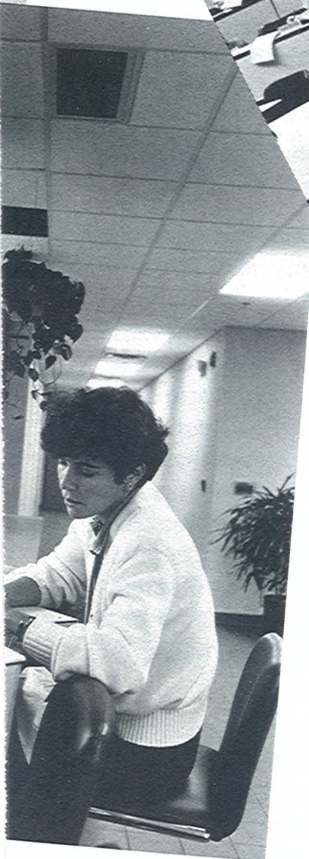


The new facility includes five tiered classrooms with fixed seating for 50 to 70 people and a wide array of audio-visual equipment. In addition, there is one 40-person classroom with movable tables and executive chairs.

Eating while studying is the style in this 700-square-foot student lounge with vending food service.



There are five private study and conference rooms, each seating from five to eight people, with chalkboard and telecommunication options.



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# WHERE IS THE RISKIEST



## **Professor Capozza's New Index, Presented at This Year's Annual Real Estate Forum, Aims to Answer That Question.**

A report on the riskiest real estate markets in the U.S. during 1990 highlighted the annual real estate forum held in November at the Business School.

Dennis R. Capozza, Stephen M. Ross professor of real estate and professor of finance, discussed the development of a real estate risk index which is an ongoing project under his direction.

A panel discussion entitled "How to Make Money in a Down Market" followed Capozza's presentation.

The riskiest markets in 1990, according to Capozza's index, were Anaheim/Orange County, San Francisco, and Los Angeles in California, and Albany, Baltimore, Hartford and New York in the Northeast.

**A**mong the least risky markets were Oklahoma City, San Antonio, El Paso and Houston in the Southwest and Salt Lake City, Tampa, Louisville and Kansas City elsewhere in the U.S.

In presenting his index, Capozza showed maps of the U.S. indicating changes in employment growth in the 1980s. The maps clearly showed that the recession of 1980 was concentrated in the Midwest, but by 1982 had spread to the entire country. By 1984, California and the West Coast and South were doing well, and New England was showing growth. By 1986, you could see the oil-related recession affecting the oil states, while New England and both coasts continued to show growth. In 1988, the growth pattern was mixed. In 1990, it was clear there was a recession in the Northeast.

These regional patterns are one important factor used in developing the index. Other factors include: city size, city growth, mortgage rates, inflation rates, construction costs, property taxes, personal income, and regional effects like growth controls, as well as an estimate of the impact in the 1990s of the decline in household formation.

"Our model also focuses on both systematic and unsystematic risk," said Capozza. "Systematic risk is the tendency of a city to expand and contract economically with the overall economy and tends to have a negative impact on real estate values.

"Unsystematic risk, on the other hand, is not related to the economy, but is a reflection of economic fluctuations specific to a particular city. It tends to be a much larger proportion of total risk than systematic risk.

"Our index acts like a leading indicator," he added. "While the leading indicators of macroeconomic activity tend to lead by a few months, our risk indicator is likely to lead by 3-5 years. This occurs because there is a long adjustment time in real estate markets. This slow adjustment in the residential market arises because the underlying growth trends work through the local economy very slowly.

"Slow growth does not necessarily make a city risky, nor does fast growth make a city safe," said Capozza. "Risky real estate markets are characterized by weak and/or unbalanced economies. When a market becomes distressed, there are delinquencies, defaults, declining prices, slow sales and equity erosion."

**B**efore coming to the U-M in 1988, Professor Capozza taught finance and business economics at the University of Southern California and held the Philip H. White Professorship in Urban Land Economics at the University of British Columbia. He spent a decade

studying 19 Canadian cities. His current research interests include urban land pricing and land conversion under uncertainty, risk and return in land markets, and the timing of demand decisions.

In addition to Capozza's report, real estate forum participants heard a panel discussion on emerging trends in real estate which focused on "How to Make Money in a Down Market."

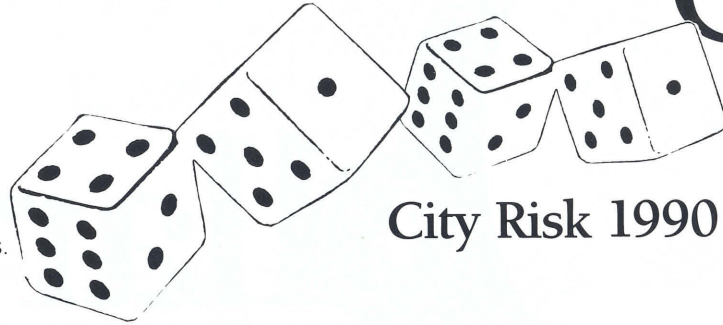
"Developers have to change their corporate direction," said Peter T. Allen, president of Peter T. Allen & Associates, adjunct lecturer of real estate at the Business School, and organizer of the real estate forum. "The fee-driven developer is not going to survive. An astute developer will emphasize sales, rental and market research of unfilled niches rather than adding any new construction."

Other participants in the panel discussion included:

- *Craig Hall*, chairman of the Dallas-based Hall Financial Group Inc. With a portfolio which now includes more than \$2.5 billion in assets under management nationally, the company is one of the largest owners/managers of apartments in the United States. The Group provides real estate investment, asset management and property management services to both affiliated and non-affiliated real estate owners. Other services include acquisition structuring, financing and restructuring of property debt, disposition brokerage and private banking for real estate.
- *Clarence E. Kettler*, president and chairman of the board of Kettler Brothers, Inc. He has led his company in the development of major housing projects in Washington, D.C., northern Virginia and the Maryland suburbs. Under his guidance, his company developed the first New Town in Montgomery County, Md. The community is largely self-sufficient and contains a broad range of



# REAL ESTATE IN THE U.S.?



## City Risk 1990

housing opportunities as well as many cultural, social and recreational amenities.

- *Arthur P. Solomon*, general partner and head of real estate investment banking at Lazard Freres & Co. There he has responsibility for all property sales, project financial and support for mergers and acquisitions, sale-leasebacks, recapitalizations and other corporate real estate activities. He was formerly executive director of the Harvard-M.I.T. Joint Center for Urban Studies and a tenured professor at the Massachusetts Institute of Technology.
- *Dale Anne Reiss*, a CPA and managing partner of Kenneth Leventhal & Company's Chicago Office. Her activities include accounting and auditing, tax planning and consulting, and management advisory services with a primary emphasis in management consulting for real estate and financial clients. She has been actively involved in real estate merger, acquisition, and divesting activities, including structuring numerous transactions in excess of \$2 billion to maximize cash, tax and profit objectives.
- *John L. Tishman*, chairman and chief executive officer of Tishman Realty and Construction, Inc. The company is one of the largest of its kind in the nation. Tishman has been the prime force behind his organization's commitment to the advancement of modern building technology and techniques. The company specializes in construction management, development consulting and acts as an owner/builder.

Anaheim  
 Chicago  
 San Francisco  
 Albany/Schnectady  
 Baltimore  
 New York/New Jersey  
 Hartford  
 Los Angeles  
 Knoxville  
 Nashville  
 —  
 Houston  
 Omaha  
 Saint Louis  
 Akron  
 Kansas City  
 Louisville  
 El Paso  
 Tampa/St. Petersburg  
 San Antonio  
 Salt Lake City  
 Oklahoma City



Index of Risk

The analysis of real estate risk in different cities for 1990 according to the index developed by Dennis Capozza, Stephen M. Ross professor of real estate at the Business School.



# Dollars for scholars

## *Scholarship Established to Honor Ross Wilhelm*

Perry Drug Stores, in cooperation with family and friends of Ross Wilhelm, have established the Ross Wilhelm Scholarship Fund in his honor.

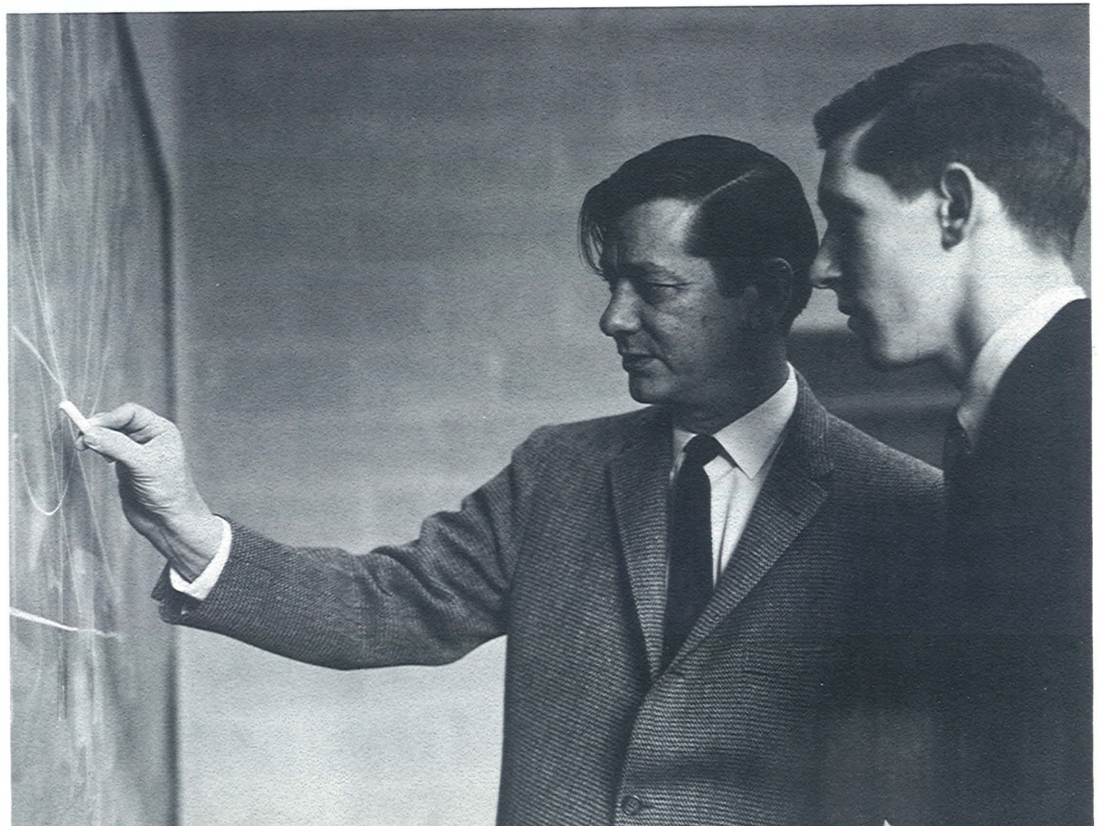
The first Wilhelm Scholarship recipient is second-year MBA student Richard Loy Kobylka. Before entering the MBA program, Richard worked

in the Wisconsin State Legislature as a legislative aide. He did his undergraduate work at Beloit College in Beloit, Wisconsin.

Professor of Economics Ross Wilhelm taught the required course in business, the economy and public policy for ten years, and as a result touched the lives of virtually every student who went through the program

during those years.

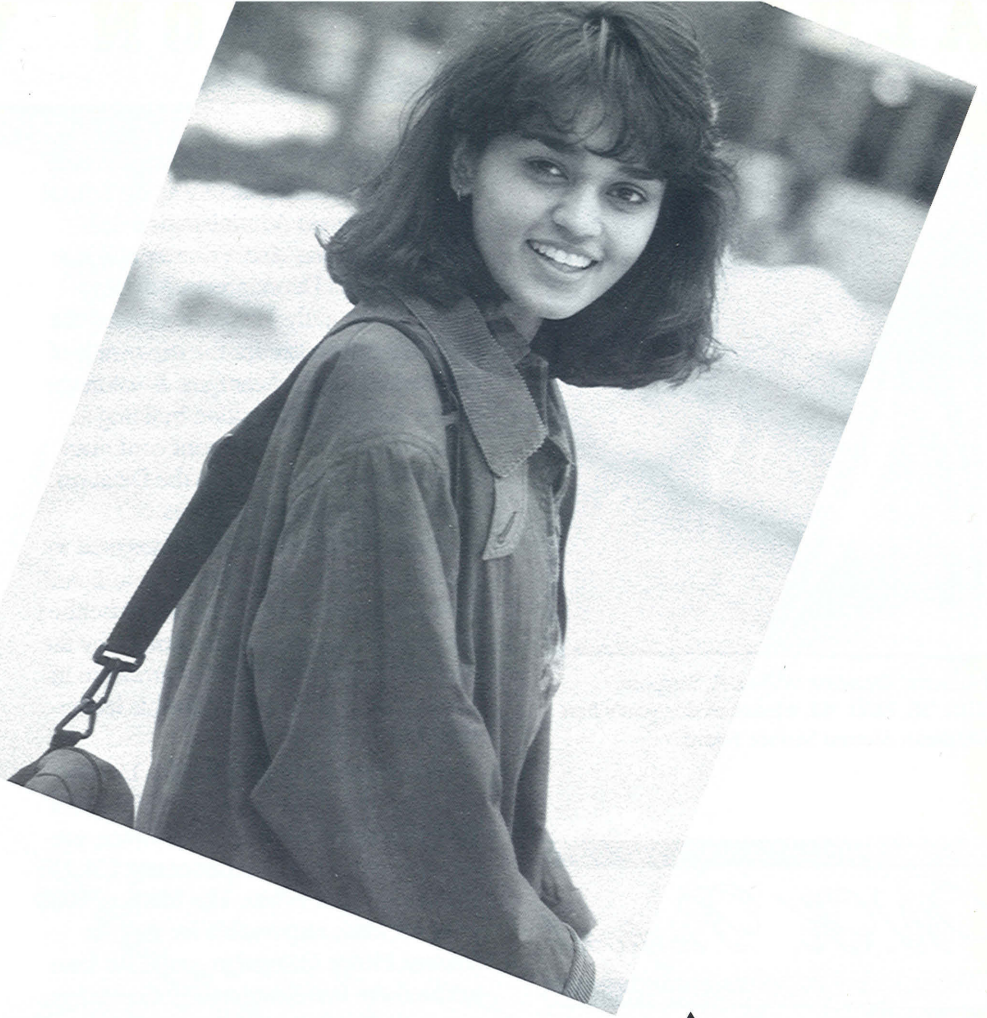
Professor Wilhelm was well known for taking a firm stand on whatever subject was being discussed. For many years he had a nationally syndicated radio program called "Business Review" and was the author of a regular newspaper column, "Inside Business," which was carried by over 300 weekly newspapers across the country. In



▶ Professor Ross J. Wilhelm with a student.



D. C. Goings



1973, he received the Janus Award for the best business radio program in the nation. In addition to many other awards, he received the U-M Distinguished Service Award in 1963.

A member of the U-M faculty since 1949, Professor Wilhelm was born January 24, 1920, in Arlington, NJ. He attended Otterbein College, Ohio State University, and Case Western Reserve University, where he received BBA and MBA degrees. He continued graduate studies after joining the U-M faculty and was awarded a Ph.D. degree in 1963. He died suddenly on March 21, 1983, just a few weeks before his anticipated retirement.

Those wishing to contribute to the Scholarship should send contributions to: The Ross Wilhelm Scholarship Fund, Development Office, School of Business Administration, University of Michigan Ann Arbor, Michigan 48109-1234.

### ***New Scholarships Benefit Minorities and Doctoral Students***

Two new scholarships, one sponsored by former dean and now U-M provost Gilbert R. Whitaker, Jr. and his wife Ruth, and the other by Price Waterhouse, have been established at the School.

The Whitaker Fellowship Fund has been established to provide financial support for minority doctoral students. On receiving the gift, Interim Dean B. Joseph White commented, "This wonderful gift is characteristic of Gil and Ruth's decade of leadership at the School. It expresses their special understanding of an important new frontier for us: training more minority students in our Ph.D. program so that they can join the ranks

of business school faculty across the country. This will enrich those faculties in the way more minority students have enriched our student body and the School community."

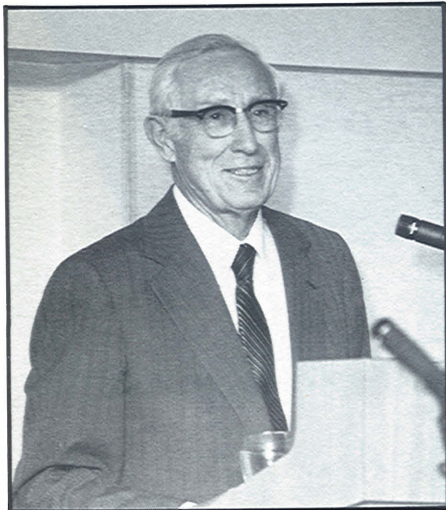
Price Waterhouse has sponsored a new minority academic scholarship to encourage minority students to become public accountants. The \$1,500 annual scholarship is earmarked for senior U-M accounting students.

The recipient will only be awarded the scholarship once during his or her undergraduate years and is selected by the dean of the Business School and/or the chairman of the accounting department.

The first winner of the award is Erica Garner, who plans to graduate in May and will enter public accounting.

▲  
Second-year BBA student Sonal Mithani won the 1990 Adcraft Club of Detroit Scholarship, a \$4,000 award sponsored by Detroit area advertising executives. Mithani, who has a near perfect grade point average, submitted four brief essays about advertising and was then interviewed by six members of Adcraft as part of her application for the scholarship, which covers tuition, books, supplies and housing during the senior year.





Professor Emeritus Wilbur K. Pierpont, MBA '38, Ph.D. '42, winner of this year's Bert Wertman Alumni Service Award.

*W.K. Pierpont*

## RECEIVES ALUMNI SERVICE AWARD

### *Several Other Awards Were Also Handed Out at the 7th Annual Reunion Dinner*

Wilbur K. Pierpont, MBA '38, Ph.D. '42, received the Bert Wertman Alumni Service Award at the 7th Annual Reunion dinner held October 19.

The award, presented to Dr. Pierpont by Interim Dean B. Joseph White and Provost Gilbert R. Whitaker, Jr., recognized Pierpont for his 26-year service to the University as its vice president and chief financial officer from 1951 through 1976. During the 1950s, when the university expanded rapidly, he became nationally known as a leader in the development of financial policies and organizational structures to respond to this growth.

Professor Pierpont, who served on the accounting faculty at the School of Business Administration over four decades, was also a charter member of the School's Development Advisory Board. In the early 1980s, he chaired the planning committee for the expansion of the Business School campus. A volunteer on the School's \$15 million building campaign, Professor Pierpont continues to serve as a key advisor to the Dean on current development activities.

A special award was also presented to Provost Whitaker from the Alumni Board past and present. The clock was inscribed "Presented on behalf of the alumni by the Alumni Society Board of Governors to its founder with appreciation for his leadership and inspiration."

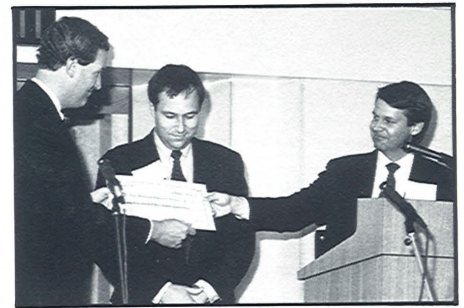
Also at the dinner, Clifford S. Deremo and Timothy O'Day, co-chairs of the first 10th Reunion Campaign Committee, presented a mock check representing \$51,275 to Interim Dean White. The MBAs of 1980 were the class responsible for the first Student Pledge Campaign, and now have initiated the first Reunion Gift Campaign, proceeds from which will establish the MBA Class of 1980 endowed scholarship.

"In addition to providing much needed financial aid, the Reunion Campaign Committee views this effort as the beginning of another tradition at the Business School — one that has tremendous potential to help the School remain competitive with our peer institutions," said O'Day in presenting the check.

Jack McCarthy, chairman of the Alumni Society Board of Governors, also recognized alumni who had come the farthest distance to attend the dinner. Winners were Mr. and Mrs. Herizod Razafimahaleo, who traveled from Madagascar, and Robert and Jill Gist of Northampton, England.

Alumni Weekend concluded with "Saturday Morning at the Business School" the following day. Students who had participated in the Michigan Business Assistance Corps (MBA Corps) in Poland last summer, spoke about their experiences. (See page 5 for more about this.)

After a tailgate picnic at the Business School portico, alumni adjourned to watch the U-M-Iowa football game.



Cliff Deremo (right), and Tim O'Day (center), both from the MBA class of 1980, present Interim Dean B. Joseph White a check representing the \$51,275 that has been raised in the School's first Reunion Gift Campaign. The MBAs of 1980 were also responsible for the first Student Pledge Campaign.



Jack McCarthy, MBA '68, chairman of the Alumni Society Board of Governors, presents a special gift to Provost Gilbert R. Whitaker, Jr. from the Alumni Boards both past and present. The award, a desk clock, was given to thank Whitaker, who founded the Board of Governors, for his leadership and inspiration.



Peter F. deVaux, BBA '66, MBA '70, who served as chairman of the Alumni Society Board of Governors for five years, and Bonnie Proctor, MBA '74, retiring member of the Board of Governors who was recognized at the Alumni Reunion dinner for her six years of devoted service.

Photos by Gregory Fox



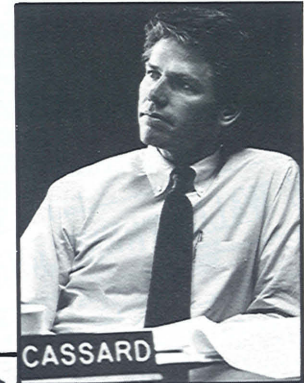
## NEW Members Join The Alumni Board of Governors

New member Mary Kay Haben, MBA '79, vice president of marketing at Kraft Inc. in Glenview, Ill.

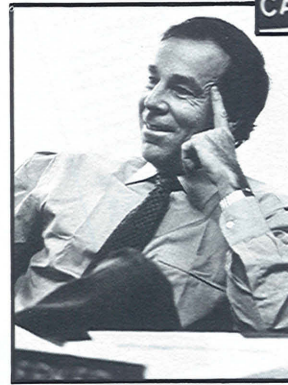


New member Ana Ramirez, MBA '85, assistant vice president of NBD-Grand Rapids.

New member David M. Cassard, BBA '75, president, Waters Corporation of Grand Rapids, Mich.



New member Lisa Herrick, BBA '87, senior consultant at Ernst & Young in Los Angeles.



New member Russell L. Epker, BBA '64, general partner of Berkshire Partners in Boston, Mass.

Photos by Gregory Fox

### *A Committee of the Board is Also Sponsoring "Round Tables About Michigan" for Alumni*

Five new members (pictured here) were at the table when the Alumni Society Board of Governors convened during the 7th Annual Alumni Reunion Weekend in October. Two of the seven new members were not able to attend the meeting and are therefore not pictured. They are Patricia L. Johnson, DME '86, vice president of government programs for Blue Cross of California; and Marion Rogers Sillah, MBA '69, associate professor at Morehouse College.

Besides welcoming these new members, Jack McCarthy, board chairman, also

thanked the two retiring members C. Wendell Tewell, MBA '70, of GE Capital Corp. in Stamford, Connecticut, and Bonnie R. Proctor, MBA '74, regional vice president of the Bank of America in Palo Alto, Calif.

The meeting began with an update on the Business School, given by interim Dean B. Joseph White. Then the board heard from Jeff Sands, MBA '91, who spoke about the graduate business school conference to be held at the School in the spring (see page 37). He was followed by Jeannette Jackson and James Perkins, both second-year MBA students who functioned as assistants to senior executive teams in the Global Leadership Program at Executive Education this summer. They briefly discussed their experiences in Russia and India respectively, where they traveled with the teams.

After lunch, the Board broke into committees which each met for an hour and then returned to report to the Board as a whole. One report was given by David Kilbury, MBA '72, chair of the alumni networking committee, who described the first "Round Table About Michigan" which the committee had sponsored in Connecticut as a pilot project and which turned out to be very successful. Dave mentioned that the committee's objective is to target other cities for similar programs.

The networking committee is one of three — the other two being the nominating committee and a committee on alumni resources, all of which are actively working on projects.

The meeting ended with an update from the search committee for the new dean. The Alumni Reunion Dinner followed the meeting.





# Michigan in the

# MEDIA



## Downsizing Can Backfire

Kim Cameron, professor of organizational behavior and human resource management, has done a three-year study of downsizing in U.S. corporations that is receiving press attention. In an article about companies that have no-layoff policies, *U.S. News & World Report* of January 14 quoted him as follows:

"Most organizations downsize poorly," contends Prof. Kim Cameron of the University of Michigan School of Business Administration, who has been tracking cutbacks at 30 auto-industry firms. 'Productivity suffers, morale suffers, innovation gets squashed and companies get less flexible and less competitive.'

"According to Cameron's study, the companies that have streamlined systematically have ended up boosting performance: the vast majority, however, have gone for the quick hit of blanket layoffs. 'That's like throwing a hand

grenade into a crowded room — you don't know which 25 percent you are going to kill," notes Cameron.

Unless management is very good, Cameron told the Associated Press, companies experience a backlash from downsizing. "The employees performed worse after the cutbacks," he said. "In only five or six of the organizations studied did I see a marked increase in productivity. In all the rest, performance went down."

The downsizing study was also cited in the October issue of *The Conference Board*, and Cameron was quoted in a December 2, 1990 story in the *Detroit News* about local layoffs: "Eliminating a bunch of salaries may help the bottom line in the short run," [Cameron] said, "But the real cost will occur in low morale, low trust, poor quality, high error rates, lack of loyalty, the loss of potential for innovation and continuous improvement."



## Love in the Workplace

Non-sexual love relationships are alive and thriving in the workplace, according to a study conducted at the University of Michigan that received attention from the *Wall Street Journal*, *USA Today*, the *Washington Post* and the *Detroit Free Press*, to name a few. The study, conducted by Robert Quinn, associate professor of organizational behavior and industrial relations, along with colleagues Sharon Lobel, visiting professor of organizational behavior, and Andrea Warfield, surveyed 1,050 men and women from a variety of industries and examined 50 case studies.

The researchers divided office love relationships into two categories described by the Greek terms Eros and Agape. Although none of the relationships were consummated, the researchers found about half of them fell into the Eros category characterized by excitement and infat-

uation, and the other half were Agape relationships, equally intense and important, but without the erotic charge.

The *Wall Street Journal* quoted Prof. Lobel as saying, "Managers do have to be sensitive about whether a close bond between two employees puts others at a disadvantage."

Compared to managers who don't engage in these celibate "affairs," wrote *USA Today*, involved couples feel more creative, motivated at work, have more fun and say they feel more competent and secure on the job. "We know these are conditions that make people more productive and benefit an organization," Quinn told *USA Today*. "For couples experiencing Agape, there's no downside. But the Eros pair may draw ugly sparks from co-workers who assume they're sleeping together and worry about favoritism on the job."



## Tapping the Taxpayer in More Subtle Ways

The cover story of *USA Today*, October 2, discussed the budget negotiations in Congress, and calculated the degree of suffering it will cause for taxpayers. It concluded that the amount of damage you'll suffer will depend more than ever on your lifestyle and your affinity for luxury items because of consumption taxes on tobacco, liquor and luxury items.



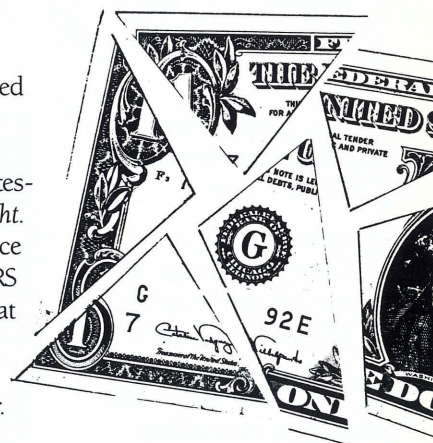
The story continued, "It's a difference between taxes coming out of your paycheck before you get it and taxes coming out of your paycheck when you go to spend it," says Joel Slemrod, director of the Office of Tax Policy Research at the University of Michigan. "And unlike income taxes, it means you may be able to manage your own tax bill by consumption decisions."

## Do Foreign Firms Pay Their Fair Share of Taxes?

Foreign firms in the U.S. make a lot of money, and thanks to the IRS, they get to keep it, according to the September 10 issue of *Insight*. From 1979 to 1987, assets of foreign companies in the U.S. grew 368 percent to \$959 billion. Yet in 1986, during a period of growth, these firms reported a net loss of income of \$1.5 billion. Last July, the House Ways and Means Subcommittee on Oversight asked Professor of Accounting James E. Wheeler to shed some light on this, and his testimony was covered in *Insight*.

"This is the first time since the income branch of the IRS has been keeping figures that U.S. subsidiaries of foreign firms have shown negative income," said Prof. Wheeler.

He went on to ask, "How many foreign-owned U.S. subsidiaries would be willing to tell their local communities and employees that even though they have large sales, a growing share of a market, and are continually investing in U.S. assets, they are paying less income tax than each of the individual workers in their factories?" Wheeler estimates that foreign firms owe \$23 billion in back taxes.



## Small is Not Necessarily Beautiful

The August 13 issue of the *London Financial Times* discussed the core competence of the corporation as described in a *Harvard Business Review* article by C. K. Prahalad, professor of corporate strategy and international business, and Gary Hamel of the London Business School. Their article discusses how decentralization renders companies incapable of transferring knowledge and skills from one part of the company to another.

"This inability to leverage the 'core competence of the corporation' constitutes a potentially lethal weakness for many American and

European companies in global competition against Japanese and other Far Eastern competitors," said the *Financial Times* in explaining Prahalad and Hamel's thesis.

The *Times* says: "In the words of the authors, Prahalad and Hamel, the Single Business Unit (SBU) concept has become 'a tyranny with toxic side-effects.' As they point out, the inability of many Western companies to transfer competencies from one SBU to another contrasts with the ease with which Canon, the Japanese camera, copier and printer manufacturer, has done so with three of its main core competencies: precision mechanics, fine optics, and micro-electronics"



# O·A·M·O·N·G·G Ourselves

## Professor Weick Wins Two Prestigious Awards in the Same Year

The highest award given by the Academy of Management has been awarded to Karl E. Weick, the Rensis Likert Collegiate Professor of Organizational Behavior and Psychology at the Business School. He received the Irwin Award for Scholarly Contribution to Management at the annual meeting of the Academy of Management in San Francisco. This award is for *lifetime* contributions to the study of management, and has been given only eight times previously.

At the same time, Professor Weick was also given the award for the best article of the year to be published in the *Academy of Management Journal*. The prize-winning article was entitled "Theory Construction as Disciplined Imagination," and was cited as a pathbreaking description of the thinking processes theorists use to gain an understanding of managerial behavior.

What is striking about the two awards is that, for the first



time in the history of the Academy of Management, one person was awarded both the lifetime achievement award and the award for the best article of the current year.

Among Weick's contributions over his career are studies on topics such as how people make sense of confusing events, the effects of stress on thinking and imagination, techniques for observing complicated events, self-

fulfilling prophecies, substitutes for rationality, determinants of effective managerial performance, high reliability organizations and the management of professionals.

Currently, Weick is investigating a range of topics including how people think using story forms rather than logic forms, the effectiveness of high reliability systems such as intensive care medical facilities, collective improvisation

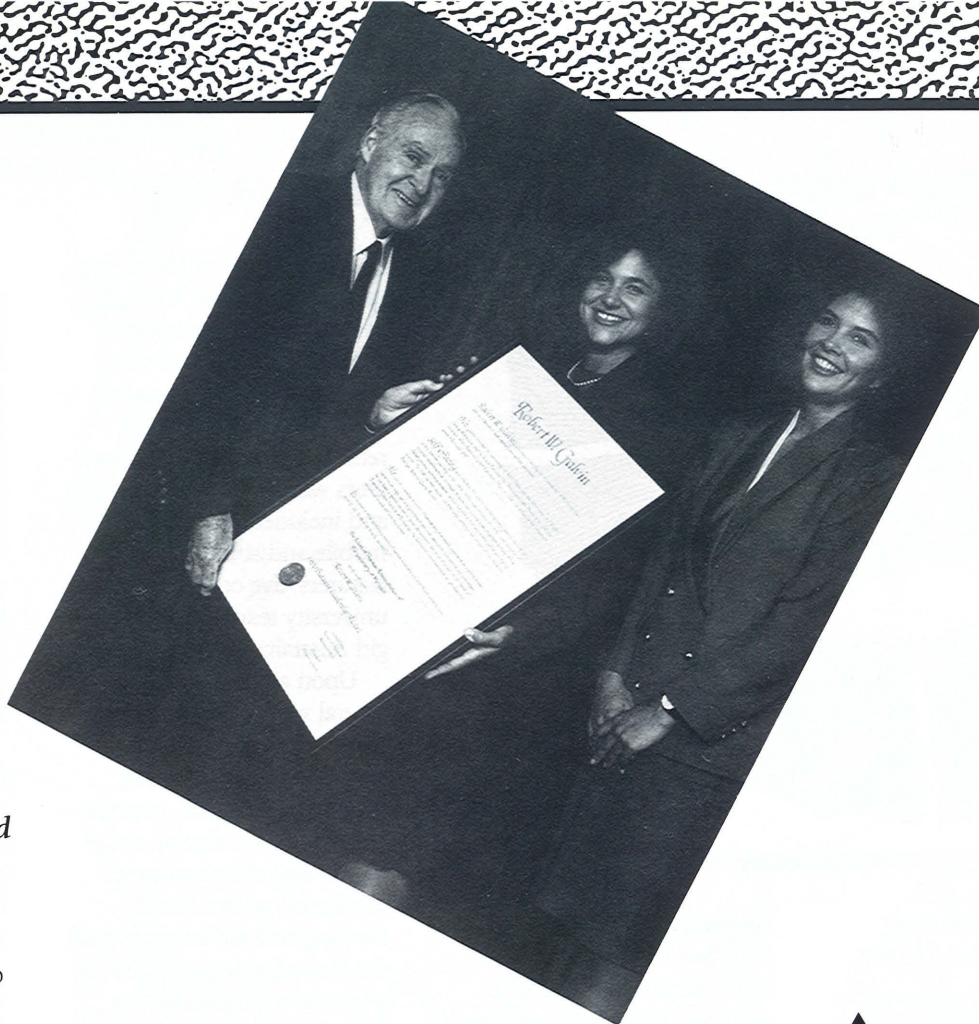
◀ Karl E. Weick, professor of organizational behavior, has received both the lifetime scholarly achievement award and the award for the best article of the year from the Academy of Management. This is the first time one person has received both awards in the same year.

as exemplified in jazz orchestras, conditions under which small managerial changes have disproportionately large effects, and how people deal with paradoxes.

Weick is the author of four books and numerous reviews and articles. He is former editor of *Administrative Science Quarterly*, the leading research journal in the field of organizational studies.

He received his doctorate at Ohio State University, and has served on the faculties at Purdue University, the University of Minnesota, Cornell University and the University of Texas. He has consulted with firms such as Coming Glass, Southland Corp., Texas Instruments, Lockheed, and the National Institutes of Mental Health and Education.





### ***Innovative Robert Galvin of Motorola Receives Business Leadership Award***

Robert Galvin, chairman of the executive committee of Motorola Inc., received the 1990-91 Business Leadership Award October 16 at ceremonies in Hale Auditorium.

Galvin has been described as one of America's leading electronic innovators by engineering Motorola's climb to worldwide success in cellular telephones, two-way mobile radios and paging devices. He is widely credited with leading Motorola's successful drive in the 1980s to dramatically improve quality and achieve a strong competitive position in global markets.

Motorola won the 1988 Malcolm Baldrige National Quality Award, testimony to its rigid standard of excellence. It was the first large manufacturing company to win the award.

"We are very pleased to honor Robert Galvin with the Business Leadership Award," said Interim Dean B. Joseph White. "He is clearly one of the nation's leaders in establish-

ing a quality standard for all of industry to emulate."

In his remarks, Galvin discussed what he called seed thoughts on leadership. "The history I've seen is a history of surprises and the failure of most institutions to adapt to them," he said. "The important issue is how does industry deal with the idea of surprise and what it does to anticipate the consequences of surprise. Leaders need to have the courage to commit resources to those who can anticipate. Anticipation and commitment can help us win at the margin." Galvin also emphasized the importance of training ourselves to think creatively.

Galvin is a supporter of global cooperation between business and government and has served on many high-level

government and trade association commissions and committees. He is co-chairman of the board of trustees of the Illinois Institute of Technology and also has taken a special interest in Junior Achievement. He has received numerous industrial, professional and national awards and honorary degrees.

After attending the University of Notre Dame and the University of Chicago, Galvin joined Motorola in 1940. He moved quickly through the ranks from executive vice president in 1948, to president in 1956. He became chairman of the board and chief executive officer in 1964, and served as the company's senior officer until 1990.

▲  
Robert W. Galvin, chairman of the executive committee of Motorola, Inc., receives the 1990-91 business leadership award from Student Council President Amy Lauer (center) and Vice President Teresa M. Sorrentino.





## The U-M's Sunrunner Places 3rd Down Under

On November 17, 1990, the U-M's *Sunrunner* crossed the finish line at McClaren's Vale, south of Adelaide, Australia, finishing six minutes ahead of fourth-place Hoxan Corp's *Phoebus III*.

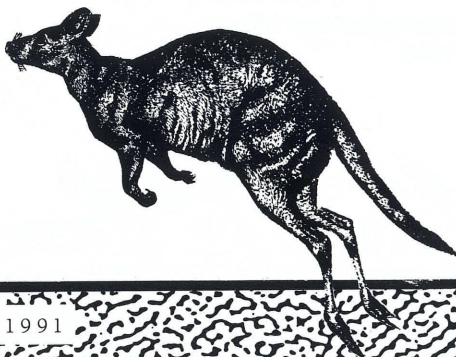
The *Sunrunner* was the first American solar car to cross the finish line of the 1,900-mile trans-Australian World Solar Challenge, placing third behind the Honda Corp's *Dream*, and the Biel Engineering *Spirit of Biel* from Switzerland.

The *Sunrunner* was the result of a team effort between students at the engineering school and the business school, as well as graduate

and undergraduate students from law, LS&A, journalism and natural resources, who designed, built and raced this winning solar car.

General Motors Corp. agreed to pay for the team's trip to Australia for the Darwin-to-Adelaide race after *Sunrunner* defeated 31 other U.S. university teams in the GM Sunrayce from Florida to Michigan last summer.

Business students raised funds and managed the team's financial affairs for the GM Sunrayce USA, which the *Sunrunner* won by an hour and 10 minutes. Michigan's team gathered nearly \$800,000 to fund the car. By the time the car was ready for the race in Australia, nearly \$1 million had been raised.



A core group of 15 students, most of them from the College of Engineering, transported the car to Australia, where they raced it through one of Earth's harshest and most remote areas. Their 35 competitors were from nine countries and included leading automobile and solar cell manufacturers, five other American university teams and an all-girl Australian high school.

Upon arriving in Australia several weeks before the race, team members drove the entire race route, charting each hill, cattle grid, stoplight and potential camping site. A typical day of race preparation began with a 5 a.m. meeting and did not end until the second meeting of the day was over at 10 p.m. By the time the race began, they had not only fine-tuned *Sunrunner*, they had simulated responses to almost every possible vehicle failure.

But the outback is a harsh place and the students had to endure some hardships. Straggly shrubs and lizards were among the few signs of life. Temperatures typically reached 105 degrees Fahrenheit during the day and rarely dropped below 85 at night.

Towns are few and far between and the Stuart Highway is so monotonous that driver Paula Finnegan found herself singing Christmas carols in her head to stave off boredom.

"The most difficult part was before the race began, but all the practicing paid off," said Susan Fancy, team manager.

Another World Solar Challenge is tentatively scheduled for 1993.

(This item was excerpted from a longer article written by Peter Seidman that appeared in the December, 1990 issue of *Michigan Today*.)

## C. K. Prahalad Wins Second McKinsey Award

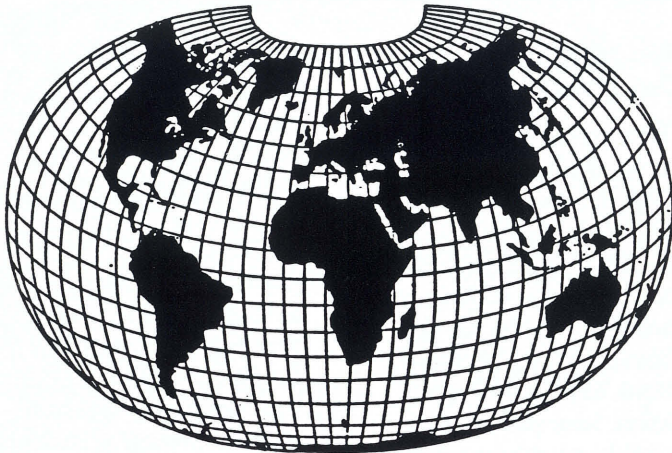
For the second year in a row, C. K. Prahalad, professor of corporate strategy and international business, and Gary Hamel, lecturer in business policy and management at the London Business School, have won the prize awarded to the best article(s) published in the *Harvard Business Review* for the year.

The McKinsey Award from the McKinsey Foundation for Management Research, Inc. recognizes outstanding and readable articles in the *Harvard Business Review* that

contribute significantly to top managers of businesses and are likely to have major influence on their actions. For 1990, a panel of distinguished leaders selected "The Core Competence of the Corporation," published in the May-June, 1990 issue, to be the second place winner of the award. In 1989, the article "Strategic Intent," by Hamel and Prahalad, which appeared in the May-June, 1989 issue, won first place.

The *Harvard Business Review* announced the 1990 McKinsey Award winners in the January-February, 1991 issue.





## **Executive Education Program Has Most Participants Worldwide for 1989**

For the third consecutive year, the Executive Education Program of the U-M Business School has the largest market share of all comparable programs.

A survey conducted by *Bricker's International Directory of University Executive Programs* showed the Michigan Business School with 13.4 percent of all participants in executive education programs in North America, and with 9.1 percent of all participants on a worldwide basis.

The annual survey counts the number of participants in

public, residential, non-degree programs which are at least five days long.

The U-M Executive Education's 15 management programs which meet this criteria included 1,984 participants during 1989, more than any other executive education program in the world.

Domestically, Harvard had the second highest participant level, with 1,854 attending its programs. Worldwide, after Michigan and Harvard, Ashridge in the United Kingdom had the third highest participant level at 1,690. This is the first year the survey has included executive education programs around the world.

## **Students from Top 30 B Schools to Attend Conference at Michigan**

Student delegations from North America's top 30 business schools and representatives from European universities will converge on the Michigan Business School March 22-24 to attend the 9th annual Graduate Business Conference.

This conference, which began at Columbia Business School in 1983, serves as a forum for business students to discuss current issues with business, academic, and other student leaders.

The theme of this year's conference is "1992 and the European Economic Community." One day of the conference will focus on the challenges and opportunities presented by the elimination of physical, technical and fiscal barriers in the European Economic Community.

Panel discussions and workshops will promote discussion of the economic consequences within the newly integrated Europe; the impact on world markets;

and the social, political and cultural implications of Europe 1992.

The second day of the conference will be a workshop day, during which students make presentations about innovative programs at their respective schools. By this sharing of good ideas, students hope to improve the overall quality of the student experience at the different schools.

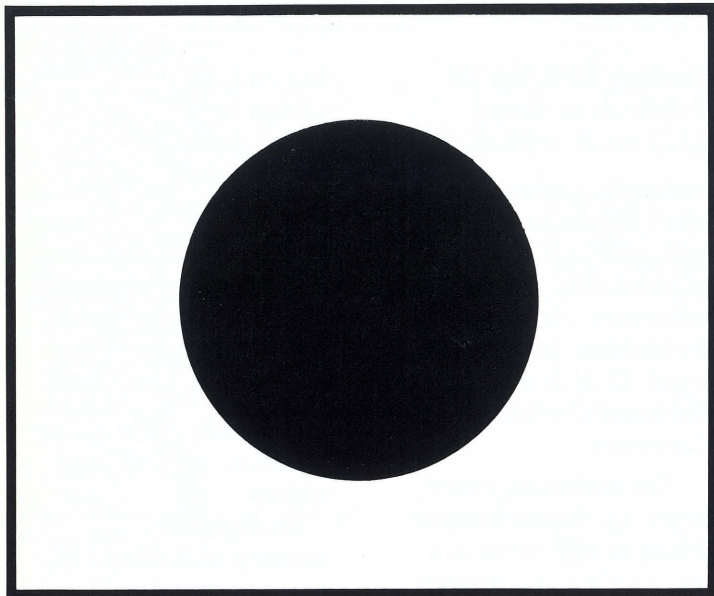
Michigan student council members worked especially hard on promoting Michigan as the site of this year's conference. Among other things, they made a special videotape on the School which was shown as part of their bid.

Last year's conference, held at the Darden School of the University of Virginia, had as its theme, "Business Ethics and Ideals." Other themes have included: "MBAs in the Information Age," "The Increasingly International Nature of Business," and "The Bottom Line of Leadership."

The 1991 Graduate Business conference is sponsored by Arthur Andersen and Andersen Consulting.







## **School Establishes Japan Visiting Researcher Program**

A new program at the Business School aims to provide selected Japanese companies with the opportunity to send qualified employees here for a business education experience designed to meet each researcher's specific needs and circumstances.

Visiting researchers accepted into the program will spend up to one academic year here. During the first year of the program, the total number of visiting researchers will be limited to three people.

During their residence at the School, each researcher will be under the guidance of a faculty advisor, and the researcher will have access to all degree program courses offered at the Michigan Business School.

The researcher will be expected to select a topic that

he or she would investigate during the academic year, and will be expected to produce a written report by the end of the year. Each researcher will be provided office space, a computer and telephone, secretarial assistance, and access to libraries and duplicating services.

Participating companies are asked to contribute \$50,000 for each visiting researcher in residence.

Inquiries about this new program should be directed to E. Han Kim, Fred M. Taylor Professor of Business Administration, 2247 Business Administration Bldg., University of Michigan, Ann Arbor, Michigan 48109-1234 — Telephone (313) 764-2282 or Takaaki Wakasugi, Professor of Finance, Faculty of Economics, University of Tokyo, 7-3-1-Hongo, Bunkyo-Ku, Tokyo 113, Japan — Telephone (03) 812-2111 Ext. 5530.

## **First MBA Sailing Cup Takes Place**

The first annual MBA Sailing Cup took place in November at the first-ever inter-school sailing regatta held in Newport, Rhode Island. Of the nation's top 20 business schools, ten participated in the two-day event, including Chicago, Fuqua, Kellogg, Michigan, Simon, Stern and Wharton.

Michigan was represented by six second-year MBAs. The crew guided its 24-foot J-24 "Sweet Taboo" to a sixth place finish. Michigan had hoped to use its large crew size as an advantage in anticipated gusty

winds. However, gusty winds did not prevail and teams with smaller crews proved to be stiff competition.

The MBA Sailing Cup is open to current students and alumni of the nation's top 20 graduate business schools. Michigan has vowed to return next year and capture the trophy. This year, Michigan's team was jointly sponsored by the University of Michigan and BOC Corporation. It is hoped that funding for future MBA Sailing Cup crews can be met through corporate sponsorship and alumni donations.





# 7<sup>th</sup>

## **Business Week Survey: Second Installment Ranks Michigan Seventh**

The Michigan Business School ranks seventh in the nation, according to the *Business Week* survey which is done once every two years. *Business Week* rankings are based on a consumer's approach to business education.

The rankings ask the two major consumers — students and corporations that recruit at the schools — to fill out questionnaires. The responses become a composite for the *Business Week* rankings.

The graduates and the corporations that recruit them do

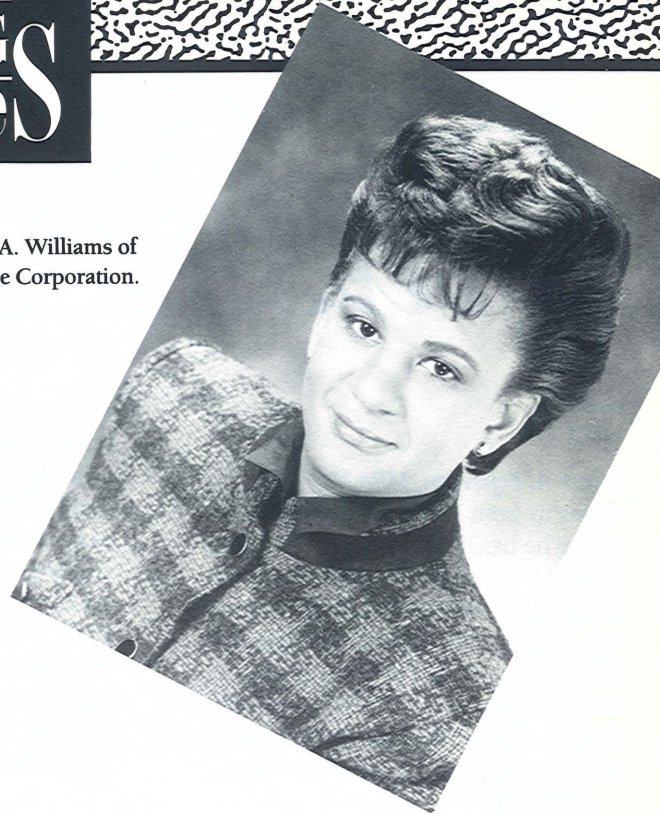
not share the same opinions. Graduates awarded top honors to Chicago, UCLA, Stanford, Carnegie-Mellon and Dartmouth. The corporations, on the other hand, liked Wharton, Northwestern, Harvard, Michigan and Chicago.

The top six schools were Northwestern (Kellogg), Pennsylvania (Wharton), Harvard, Chicago, Stanford and Dartmouth (Amos Tuck). The only newcomer to the top 20 is the University of Texas at Austin, thanks to a major overhaul of its MBA program. Yale slipped out of the top 20 in this second *Business Week* survey.

Michigan slipped to number seven. In the first survey, Michigan was ranked sixth.

The *Business Week* article, published in the issue of October 29, 1990, included an explanation of exactly how the magazine crunched the numbers to come up with the rankings; a discussion of research in the ivory tower and whether it is "fuzzy, irrelevant and pretentious;" and a story about the pay gap between male and female MBAs.

**Elynor A. Williams of  
Sara Lee Corporation.**



## **Elynor Williams Gives Address on Martin L. King Jr. Day**

Elynor A. Williams, vice president of public responsibility for Sara Lee Corporation, gave the Martin Luther King Day address January 22 in Hale Auditorium.

Her speech, entitled "The Person in the Mirror," focused on change and how to bring it about.

In her position at Sara Lee, Ms. Williams is responsible for the development of strategies and the recommendation of policies governing corporate and public responsibility programs and activities as these relate especially to key external corporate constituencies. She is executive secretary and staff liaison to the employee and public responsibility committee of the board of directors.

Ms. Williams also oversees the development of marketing-related public responsibility programs, and directs corpo-

rate activities that maintain product working relationships with social, political and corporate leaders. She directs and manages the operations fund which makes corporate contributions to public interest groups and national and state organizations, and represents the corporation as official spokesperson on issues relating to the public responsibility function.

Before joining Sara Lee, she held positions as a public school teacher, an editor and publicist, and as an executive and senior communications and public relations specialist with both non-profit institutions and Fortune 500 companies.

She began her career with Sara Lee Corporation in the company's North Carolina office, and was promoted to the corporation's executive offices in 1986. She holds a BS from Spelman College in Atlanta, Georgia, and a master's degree from Cornell University.

### **Looking for Articles from General or Specialized Business Journals?**

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# Class NOTES

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'40

**Oscar A. Feferman, MBA '40,** writes us from Longboat Key, Florida, where he has lived for the past 11 years enjoying retirement. He says he and his wife lived in Buffalo, New York, where he was in the ladies' apparel business, and have two children. Their son graduated from U-M law school in 1971, and their daughter, who is now an independent film maker, attended the U-M for two years.

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'41

**Tom K. Phares, MBA '41,** is the author of a new book, entitled "Seeking and Finding Science Talent," which is a 50-year history of the Westinghouse Science Talent Search, the oldest science competition open to high school students. The book, just published by Westinghouse Electric Corporation, will be distributed to all previous winners of the science talent search, to leaders in science education and to the media. It will also be given to all attendees at the 50th anniversary banquet to be held at the Washington Hilton in March 1991. Tom spent his entire 42-year business career with Westinghouse in public relations before his retirement in 1983 as Director of Corporate Communications.

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'49

**Karyl Lynn, BBA '48, MBA '49,** has returned from Colombo, Sri Lanka, where he served as a volunteer with the International Executive Service Corps (IESC). Karyl, who retired as director of personnel administration at Colt Industries, was recruited by IESC to help United Motors Limited set up a motivational compensation package for both

management and labor. The company imports, repairs and sells all types of vehicles. IESC is a not-for-profit organization of American business men and women devoted to providing managerial and technical assistance to private enterprises in developing countries. Since 1965, it has completed more than 12,000 projects in 90 countries. (For information on serving as a IESC executive volunteer, write W. J. Lippencott, IESC, P.O. Box 10005, Stamford, Ct. 06904-2005.)

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'51

**Richard W. Young, BBA '51,** has been elected chairman of the 90-member board of directors of the Michigan State Chamber of Commerce. He will preside over eight geographic regions, composed of 7,000 members. He said part of his job will be to develop a comprehensive list of pending issues, and the the group will take a position on virtually every major issue facing the Michigan Legislature. One of the major issues, he says, will be school finance reform. He is president of the Grand Rapids-based Behler-Young Co., a heating and air conditioning distributorship founded in 1926.

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'52

**Dave Freeman, BBA '52,** writes that his newest venture is to serve as conciliator-mediator between Pacific rim nations in their trade disputes. "My special background of exposure to Asian cultures has prepared me to handle resolution of these commercial misunderstandings and allow parties to proceed in business dealings without default," he says. Dave received his law degree from Stanford in 1955. He is now in full-time practice as a neutral, quasi-judicial dispute

resolver. He specializes in contract dispute solutions between management and labor unions or individual employees for both private and public sectors. His decisions have been published by Commerce Clearing House of Chicago and Bureau of National Affairs of Wash. D.C., as well as by California Public Employees Relations Research of the Institute of Industrial Relations at the U of California, Berkeley. He maintains offices in both Irvine and Sacramento. In writing to us, Dave sent a contribution to the Wernette Scholarship Fund with the following note. "Wernette was truly a great, warm, highly intelligent and strongly motivating teacher!! In fact, I believe he may have been indirectly responsible for my decision to combine my business education with a law degree. I attended four colleges and universities in the course of acquiring an education. I have forgotten most of my teachers. Not Phil Wernette. He stands out in my happy memories to this time!"

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'61

**Alan R. Kravets, BBA '61,** has joined Sheldon Good & Company as vice president and general counsel. Sheldon Good & Company is a Chicago-based national real estate marketing, auction and consulting firm with offices throughout the U.S. It has sold over \$3 billion worth of commercial, industrial, residential and development property and is recognized as a leading real estate auctioneer. In his new position, Alan will be managing the company's legal affairs, developing new business, and helping to structure and implement the firm's various auction and conventional real estate programs. Alan, who received his JD from the U-M in 1964, was a founding partner



of Portes, Sharp, Herbst, Kravets & Fox, Ltd., a real estate-oriented law firm. He has extensive experience representing financial institutions and government agencies, and was lead attorney in Good & Company's sales of Maine North High School and the Aransas Princess complex in Texas, both of which attracted national attention.

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**'62**

**Lee M. Seitz, BBA '61, MBA '62,** writes that in June, 1990 he passed the 18-year mark as president and owner of an employment agency, Success Personnel, Inc. in Grand Rapids, Mich. The agency specializes in college educated trainees for sales, retail management and restaurant management. He's also taking time to do something he says he's always wanted to do, and that is teach at the college level. He is currently teaching marketing and management at three different colleges in the Grand Rapids area and says he's had excellent student response to his "business world" iconoclastic presentation of material. He adds, "As Henry Ford said, 'A person, like a plant, should be repotted several times in a lifetime.' Teaching is my third repotting — after product management and small business ownership."

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**'63**

**M. Ann Blackwood, MBA '63,** was a recipient of the John G. Stutz Award, presented by the National League of Cities to recognize people who have completed 25 or more years of service as state municipal league employees. She is assistant director of the personal and labor relations services of the Michigan Municipal League, and is a past president of the central region of the International Personnel Management Association.



Gregory Fox

▲ **Alumni Reunion Weekend 1990 — Bob Jones and Katherine Slaughter, MBAs '80.**

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**'65**

**Grant McLennan, MBA '65,** has been appointed president and chief operating officer of Alpha Wire Corporation in Elizabeth, New Jersey. Alpha Wire is a manufacturer of electronic wire, cable and interconnect products. Grant joined Alpha in June, 1988 as vice president of marketing, and before that, was vice president of marketing for the Grow Group, a manufacturer of professional and household products. He lives in Bedford, New York with his wife and their two daughters.

▲ **Hong Kong Alumni**  
Alumni in Hong Kong who gathered for dinner with Business School professors are pictured here. They are, left to right, standing: Gunter Dufey, professor of international business and finance; Donald W. Peters, MBA '79, who now works for Bank of Boston in Hong Kong; Ting-Ko Chen, Ph.D. '73 of the CP/CT Group; Alex K. K. Au, MBA '88 of Nomura; Franklin C. B. Phoon, MBA '88 of IBM; Terence L. P. Lee, MBA '78 of Citibank; Herbert Hildebrandt, professor of business administration and professor of communications; Manvinder Saraon, MBA '88 of Hewlett-Packard; Ivan C. L. Lee, first-year MBA student working for the summer at Ernst & Young; Ronald K. W. Yu, MBA '81 of Image Alpha and James K. K. Cheng, MBA '88 of Morgan Stanley. Sitting, left to right, are: Teresa C. W. Pang, BBA '87 of Hewlett-Packard; Monica Shaw, MBA '85 of CEF Capital; Helen Kwan, BBA '86 of Turner Spurrier Rowland; and Mrs. Manvinder Saraon.



# ClassNOTES

## Michael Jandernoa, BBA '72, Heads a Company That's Grown from \$24 Million in 1977 to \$248 Million in 1990

The Perrigo Company, based in Allegan, Mich. and headed by Michael Jandernoa, BBA '72, is the world's largest manufacturer of private-label over-the-counter pharmaceuticals and personal care products. It is the largest producer of antacids in the world, and is capable of turning out 90 tons of toothpaste per day.

However, you won't find the Perrigo name on these products, because the products are sold under a retailer's own brand name, usually for up to 50% less than the national brands. Perrigo manufactures products for more than 189 retailers, including Meijer, Kmart, Walmart, Sears, Safeway and Walgreen. They make aspirin, toothpaste, and

mouthwash, to name just a few of the more than 400 private-label health and personal care products that are nearly identical to national brands.

Jandernoa, who is a CPA in addition to his BBA degree, joined Perrigo about eleven years ago as its chief financial officer. He was named executive vice president of sales and marketing about a year later, then was renamed executive vice president of sales, marketing and finance. He has been company president since 1982.

When Jandernoa came to the School to talk to the students in our Dean's Seminar series, he told them that the company has a commitment to producing the equivalent of national brands in quality. Perrigo employs a brand manager for each major category, and has an extensive packaging and graphics capability that includes 30 full-time graphic artists.

Aided by a slide show and a video presentation, Jandernoa talked to the students about his company's success in

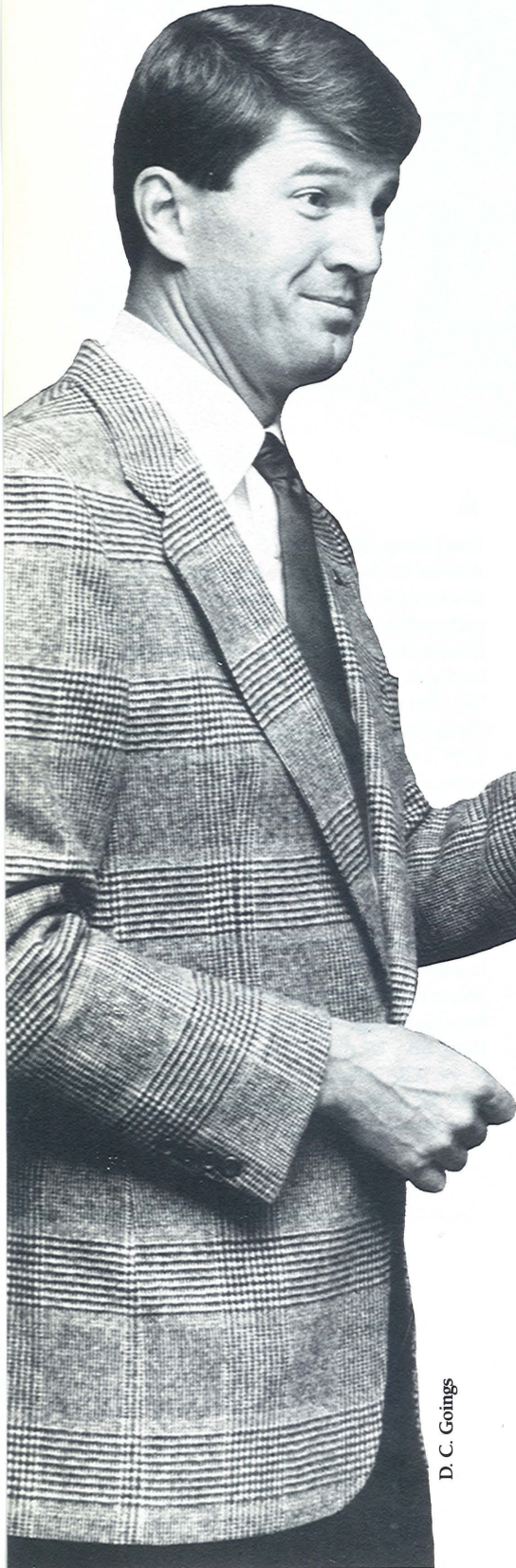
transforming itself from a family-owned business, content with steady but slow growth, to a world-class manufacturer with a professional management philosophy and a global emphasis. This change in culture has resulted in growth from sales of \$24 million in 1977 to \$248 million in 1990.

Jandernoa says the key to success is quality at a low price, and there are no shortcuts. His company is committed to providing a product that will look, taste, smell and work just as well as the national brands but which will cost up to 50% less.

Jandernoa emphasized that people are his company's greatest asset, and that when employees are working toward a common goal, "productivity gains can be astronomical." The company's progressive management style delegates decision-making power to the lowest organizational level rather than exercising it from above. The result is employees who have more of a say in how they do their jobs.

Perrigo was purchased by the New York-based Grow Group Inc. and went public in 1986. Grow Group sold it to top managers of Perrigo in 1988. The company has a facility in Allegan that underwent a \$12 million expansion in 1988 to add more than 234,000 square feet. Perrigo also has facilities in Montague, Greenville, S.C., and Cincinnati.

D. C. Goings





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'68

**David Vass, MBA '68,**

is the new president of Bondex International, Inc., a wholly-owned subsidiary of RPM. With headquarters in St. Louis, Mo., Bondex manufactures a complete line of paste and powder products including interior and exterior wall patching and texturing compounds, masonry water-proofing materials, and concrete repair products. Before joining Bondex, David was executive vice president of the Testor Corporation, another RPM company. RPM, Inc. is a widely-diversified producer of water-proofing and corrosion-control materials, specialty chemical products, and goods for the do-it-yourself homeowner and hobbyist. It has markets in about 75 countries and operates 44 plants in the U.S., Canada and Europe.

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'69

**Martha M. Valerio, BBA '68, MBA '69,**

has been promoted to vice president-policy benefits of the Northwestern Mutual Life Insurance Company in Milwaukee, Wisc. She heads the 180-member Policy Benefits Department, which is responsible for paying all death and disability claims. She joined the company in 1985, and before her promotion, had been director of support services in the New Business Department.

**Douglas Greenwold, BSE CHE '67, MBA '69,**

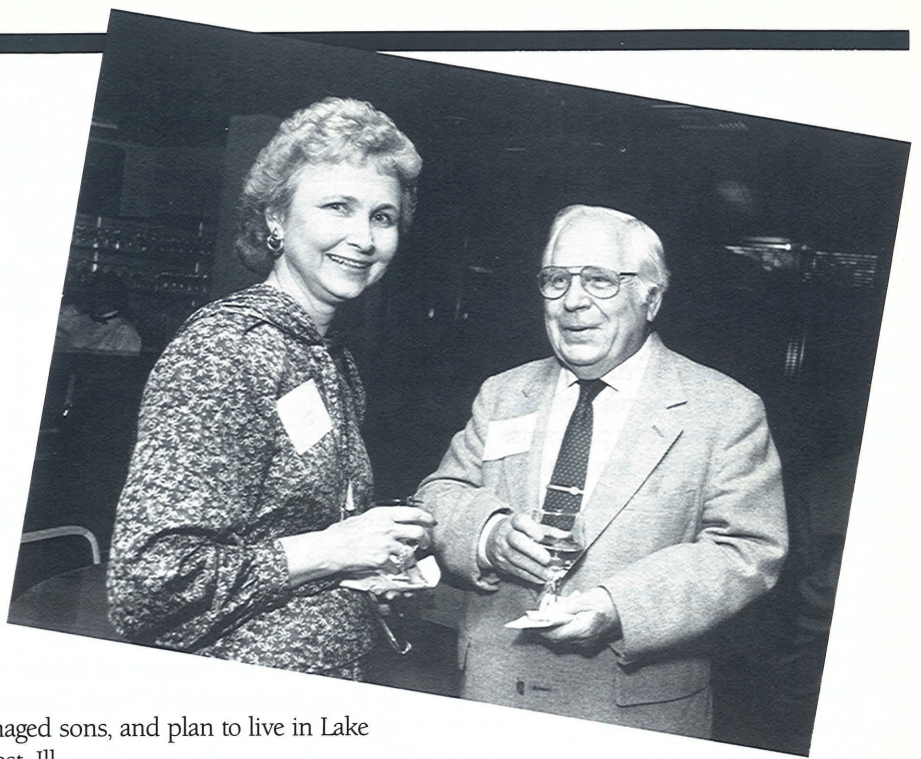
recently became director of marketing for the Industrial BioProducts division of Life Technologies in Gaithersburg, Md. In his new job, he focuses on bulk sales of molecular biology and cell culture products for use in pharmaceutical and biotechnology protein production systems.

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'70

**Patrick J. McDonnell, MBA '70,**

has been appointed managing partner of the Chicago office of Coopers & Lybrand, the international accounting and consulting firm. He was formerly the managing partner of C&L's office in Hartford, Connecticut. He and his wife have three



teenaged sons, and plan to live in Lake Forest, Ill.

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'73

**Michael R. Julien, BBA '73,**

was elected to the Cascade Township Board of Trustees in November. He ran on the Republican ticket. He is a CPA and a tax partner with the Grand Rapids office of Arthur Andersen & Co.

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'75

**Captain Donald K. Edgerton, USN, MBA '75,**

has been appointed Commander, Defense Logistics Agency-Pacific. This assignment is in addition to his responsibilities as commander of defense reutilization and marketing region-Pacific. He is responsible for liaison between the Defense Logistics Agency and all Pacific commands and for the coordination of DLA Pacific activities. Other responsibilities include the marketing of excess defense property and managing regional environmental programs.

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'77

**Larry Harder, MBA '77,**

writes that he has recently been promoted to the rank of captain in the U.S. Navy. He is currently Commander of Defense

▲ **Alumni Reunion Weekend 1990 -**

**Ernest Frank, MBA '34 and Jane Talcott, BA '60 from LS&A.**

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Contract Management Area Operations (DCMAO) in St. Louis, Mo. DCMAO St. Louis is responsible for administering about 3,400 contracts valued at \$4.3 billion. It employs a work force of 216 and has an annual payroll of about \$8 million. Larry also serves as chairperson of the Small and Disadvantaged Business Opportunity Committee, a group that promotes business between government agencies and small and minority-owned companies in the St. Louis area.

**Stephen R. Timmons, MBA '77,**

was named director of information technology at White Petrov McHone certified public accountants in Houston, Texas. In this position, he will be responsible for all consulting on large client engagements in the areas of local area networks and mid-range computer systems. He lives in Houston with his wife and four-year-old son.

**Tim Smith, MBA '77,**

has been promoted to vice president of sales for Avia Athletic Footwear, a division of Reebok International. He joined Avia as Midwest regional sales manager in 1987. He lives in Portland, Oregon.



# ClassNOTES

'78

**Susan Van Vleck, BBA '78,**

was promoted to national sales telemarketing center manager for AT&T Network Systems in May and now manages all national sales telemarketing programs. She has been with AT&T and/or the Bell System for 12 years. This summer she was installed as the international president of the Venture Clubs of the Americas, a professional woman's community service organization sponsored by Soroptimist. Her first official meeting was at the Soroptimist convention in Kyoto, Japan. She lives in Phoenix, Arizona.

'79

**Jay L. Welford, BBA '79,**

is currently a partner specializing in bankruptcy reorganization, loan workouts, and creditors' rights at the Detroit law firm of Jaffe, Snider, Raitt & Heuer. He is a graduate of Wayne State University law school. He and his wife, Lisa, a 1982 graduate of the Michigan School of Pharmacy, have two daughters and live in Farmington Hills, Mich.

**Robert L. Fregolle, Jr., BBA '79,**

was recently promoted to market division manager responsible for Procter & Gamble total sales in the mid-south area. He writes that he and his wife Lori now have two children, Robert and Hannah. The family is soon moving from New Orleans to Cincinnati where he is to assume responsibility for much of P&G's mass merchandiser business as manager-customer business development. He says they are excited to be moving closer to the Ann Arbor area, as it will give them a chance to see more football games and attend more Zeta Psi and Kappa Kappa Gamma functions.

**Peter J. Wendel, MBA '79,**

has spent the last 8½ years with Intel Corporation in various financial management and marketing positions. He is now

vice president, operations, of the public relations and advertising firm of Karakas, Vansickle, Quellette, Inc. in Beaverton, Oregon. His responsibilities include financial management, accounting, personnel, information systems and contracts.

'80

**John P. Coyne, MBA '80,**

writes that he has started a two-year assignment as the corporate controller for Texas Instruments Malaysia. He is stationed in Kuala Lumpur.

**Donald A. Rutishauser, MBA '80,**

has been named treasurer of Belden & Blake Corporation in North Canton, Ohio. In his new position, he will be responsible for all treasury and cash management activities of the corporation. He joined Belden & Blake in August of 1987 as senior financial analyst.

**Ted Stone, MBA '80,**

has been admitted to the partnership of Ernst & Young. He is now in the Washington, D.C. tax department where he specializes in corporate tax matters, and mergers and acquisitions. He recently co-authored a book on tax issues affecting S-Corporations. He and his wife have two children and live in Alexandria, Va.

'81

**Amy Mucasey Zavier, BBA '81,**

has joined the WW Group, Inc., the largest franchise of Weight Watchers International, as chief financial officer. She will be responsible for overseeing the finances of the WW Group while directing the day-to-day operations of the accounting and data processing departments. Amy, who is a CPA, formerly worked at Arthur Andersen & Co., Blue Cross/Blue Shield of Michigan, and AAA-Michigan where she was manager of budget.

**Dorea Ferris and her husband**

**Robert John, both MBAs '81,**

are proud to announce the birth of their second son, William Ferris John on Sept. 27 in Summit, New Jersey.

'82

**Scott C. Finerman, BBA '82,**

has been promoted to partner at Cohen & Co., a regional accounting firm headquartered in Cleveland, Ohio which specializes in providing consulting services to closely-held businesses. Scott, who is a CPA and also holds a JD from the Cleveland Marshall College of Law, has been active in the firm's litigation support services, which provides economic and financial analysis to attorneys on various types of cases. Scott is also treasurer of the City Club of Cleveland.

**Ronald E. Hodess, BBA '82,**

has recently joined the law firm of Miller, Canfield, Paddock and Stone in their Bloomfield Hills office. His practice is concentrated in the areas of real estate and environmental law. He and his wife Susan were married in April and live in West Bloomfield, Mich.

**Anmar K. Sarafa, BBA '82,**

has been awarded the Chartered Financial Analyst (CFA) designation by the trustees of the Institute of Chartered Financial Analysts.

**Rosemary Black, MBA '82,**

writes that she has been working in Tokyo for Andersen Consulting for the past three years. She says, "It has been a great expatriate assignment to gain experience in the Asia Pacific Basin." She has two sons, William and Michael.

**Gretchen Hazen, MBA '82,**

writes that she has been with Molecular Design Limited for over five years, which, she says, is a record time for her. MDL develops and markets scientific information management software, which is used by research chemists in pharmaceutical companies and others who do basic chemical research. She joined the company as a lead technical writer, but was persuaded three years ago to take on the job of director of quality assurance. In that department, she started with a group of seven and has built it into a department of 24. MDL is located in San Leandro, California and Gretchen lives in Oakland. She says, "In my spare time, I do a lot of



hiking in the Sierra mountains. For those who remember my attire while in the MBA program, no, I still don't wear a suit!"

**Wesley J. Hook, MBA '82,**

has been promoted to regional sales manager of Aspect Telecommunications in San Jose, Calif. Aspect, which went public in May on NASDAQ, specializes in automatic call distribution systems which attach directly to computers. He and his wife have two children. They live in Birmingham, Mich.

**'83**

**Tom Gorman, MBA '83,**

has accepted the position of general manager of E. Daneri I.C.S.A., the affiliate of Dana Corporation in Argentina. E. Daneri manufactures piston rings, CV joints, sleeves, universal joints and prop-shafts for the South American market. Tom, who speaks Spanish fluently, began work with Dana in 1982 as a summer intern at the Service Parts Group in Toledo. In 1983, he began full-time employment as a marketing manager with Victor Products Division in Lisle, Ill. He was named area manager at Victor's Chicago plant in 1986 and was promoted to plant manager of that facility in January, 1989. Tom and his wife and two children have moved to Buenos Aires.

**Alumni Reunion Weekend 1990 –**

**Julia and Jossi Razafimahaleo, who flew 22 hours from Madagascar to come to the 10th Reunion of the Class of 1980. Jossi received his MBA in 1980, and he and his wife own their own automotive business in Madagascar.**



**David J. Plewa, BBA '83,**

writes that he was recently married to Donna Ho and is now working as a tax attorney at 3Com Corporation in Santa Clara, California. He received his JD from the U-M in 1987 and worked as a tax attorney at the firm of Ware and Freidenrich in Palo Alto before taking his present job. He also says that one of his co-workers at 3Com Corporation is John Skadden, son of Don Skadden, former associate dean and professor at the Business School.



**David E. Fertitta, MBA '83,**

joined Baylor University Medical Center in June as administrative director of surgical services. Baylor is a 1,200-bed tertiary hospital located in Dallas. Before joining Baylor, David was with American Airlines for 6½ years, the last two of which he spent as administrative manager and controller for their medical department. He is now in charge of planning, directing and monitoring all business and administrative activities for the 300-plus employees in the 52 operating rooms at Baylor. He and his wife have two children and live in Bedford, Texas.

**Alumni Reunion Weekend 1990 –**

**Tom Bliska, MBA '80 (left), his wife Gray Bliska, and Jay Malik, MBA '80.**

**Alumni Reunion Weekend 1990 –**

**Bill Schwartz (left), Cliff Deremo and Andy Mandell, all MBAs '80.**

**Alumni Reunion Weekend 1990 –**

**Charles H. Goebel, BBA '50, MBA '54, who came to the School for the 40th Reunion of his class.**



All Photos by Gregory Fox



# ClassNOTES

## David White, MBA '71, Named Treasurer of Rockefeller Fund

David A. White, MBA '71, has been named treasurer and chief investment officer of the \$1.9 billion Rockefeller Foundation. He succeeded Jack R. Meyer, who took over the top investment job for the \$5 billion Harvard University endowment in June.

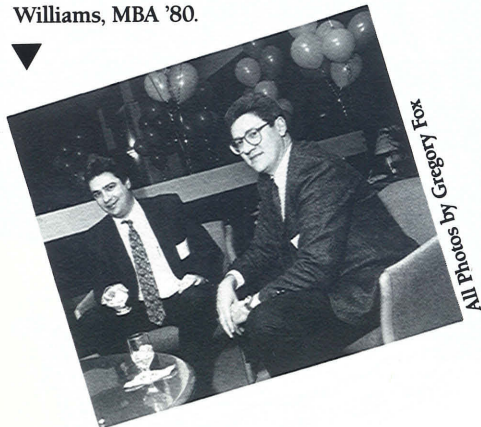
White was formerly head of Unisys Corporation's pension fund, where he became known for using new investment techniques for the \$2.9 billion fund, including risk arbitrage, currency investing and stock short sales as part of so-called market-neutral portfolios.

"We think we are going into a very difficult, troubled decade and we wanted someone who had sailed rough seas in the past," said Peter Goldmark, president of the Rockefeller Foundation. He described White as a "tough, modern portfolio manager primarily from the quantitative school."

White said that the Rockefeller Foundation's willingness to use new investment approaches attracted him to one of the investment community's most prestigious posts. "They certainly have been innovative in the past and I hope they will continue to be so," he said.

Before joining the Rockefeller Fund, White spent his entire career at Unisys and its predecessor, Burroughs Corp., which he joined in 1971.

Alumni Reunion Weekend 1990 - Tim Rinaldi, MBA '79 (left) and Mike Williams, MBA '80.



'84

**Martha McKee, MBA '84,**

writes that she moved to England two years ago, where she worked for Hay Management Consultants in Manchester for 18 months. She is currently working for a newly-privatized water company in Warrington, England, setting up their economic regulation section. She is one of three female senior managers in the company.

**Edward R. Arbitter, MBA '84,**

has been appointed assistant comptroller of General Motors' AC Rochester Division in Flint, Mich. He was formerly assigned to the GM corporate financial staff in Detroit, where he held a variety of positions, including director of the North American Product Program Analysis Section, director of the Operations Analysis Section, and executive financial liaison to the vice chairman. He also writes that he was married to Sandra Hess in March.

**Tom Jacques, BBA '84,**

is a sales administrator employed by Perini America, Inc., the North American branch of Fabio Perini S.P.A. of Lucca, Italy. He writes that he has traveled extensively in North America, Europe and Latin America as an account executive and sales manager; but now is concentrating on the "family track" by taking an in-house position as sales administrator; doing contract management. He is also pursuing his MBA part-time at UW-Oshkosh. He and his wife Tracy live in Green Bay, Wisc.

'85

**Jon C. Phillips, BBA '85,**

is finishing his MBA at Wayne State University, and writes that he was recently selected to be a guest columnist for the *Voice* newspaper based in Chesterfield Township, Michigan.

**Harry and Marsha (Sobieray) Heinkele, both MBAs '85,**

write that he was named director of quality assurance at Square D Company's

Power Protection Systems Division in San Diego. She has become coordinator of small business lending at Bank of America's regional commercial lending office. They had their first child, a son, on November 23, 1989.

**Tom Northenschol, MBA '85,**

has recently been named the group manager for materials after serving as the project manager for JIT and quality efforts for CPI in St. Paul, Minnesota. In his new position he will be responsible for purchasing and production control as well as the JIT process. He joined CPI after graduation in 1985, and spent the first three and a half years in the finance area before moving over to operations.

**Howard Handler, MBA '85,**

recently accepted the position of vice president of marketing at Broadway Video Entertainment of New York City. They are the producers of "Saturday Night Live," "Night Music," and "The Kids in the Hall." His responsibilities include public relations, licensing and merchandising and affiliate relations. Before joining Broadway Video, he held brand management positions at Quaker Oats in Chicago. He and his wife Wendy are expecting their first child in May and currently live in Irvington, N.Y.

'86

**Gordon J. Metz, MBA '86,**

has been promoted to vice president at Chase Manhattan Bank where he works as a senior member of the chemical mergers and acquisitions group. He writes that he has lately traveled extensively to South America, particularly Brazil.

'87

**David Tarizzo, MBA '87,**

has been living and working in Paris for the past three years as business manager for thermoplastic modifiers of Goodyear Chemicals Europe. He says, "I've seen, done, learned and lived more in these three years in Europe than most people expect to live in a lifetime. I'm responsible for marketing a product line throughout



Europe which allows for frequent travel. I've now mastered both French and Italian and have started to study German, as foreign language ability is absolutely essential here."

**'88**

**Charles (Chip) Roame, MBA '88**, has joined the asset management group of New York investment bank Kidder Peabody. He began his career after business school with the corporate finance and analysis group of Citicorp in Chicago, and reports that the move to Kidder is exciting as it gets him on the "Street," allows him to be on the "Buy Side" and lets him build a specialty in asset management companies.

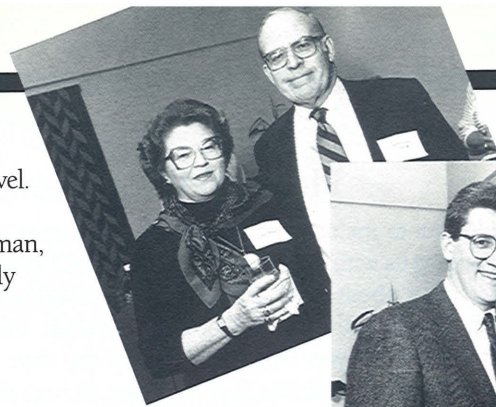
**'89**

**Pam Bethune, MBA '89**, writes that she joined American Cyanamid on a rotational program driven by a combination of individual desires and corporate needs. She first served as a first-line production supervisor running a polio vaccine production line. She has now moved to a position in materials management where she will concentrate on coordinating the continuing effort to install an MRP system capable of handling the special requirements of a vaccine manufacturer. She writes that the last position on her rotation will be as a field sales representative. She lives in Warwick, New York.

**Robert J. Sabo, MBA '89**, has been promoted to an assistant vice president at the Canadian Imperial Bank of Commerce in Chicago, and is also beginning part-time MBA studies at the University of Chicago.

**'90**

**James C. Melvin, MBA '90, JD '90**, has joined the Kalamazoo office of the law firm of Miller, Canfield, Paddock and Stone. As an associate in the business services department, he will be involved in local and national business and corporate matters.



Alumni Reunion Weekend 1990 – Richard O'Connor, MBA '57, and his wife Patti.



Alumni Reunion Weekend 1990 – Robert Wilson, MBA '64 (left), Richard Jensen, MBA '68 (center) and Louise Jensen.



Alumni Reunion Weekend 1990 – Members of the MBA class of 1980 Mike Williams (left), Phil Fowler and Russ VanWingerden.

**David G. Livingston, MBA '56, Tells Students, "Be Ambitious, But Be Patient"**

David Livingston, chairman and CEO of Ventana International, Ltd., a private investment banking firm, spoke with students during a Dean's Seminar at the School about his work in commercial banking over an 18-year span, and his experiences in investment banking over the past 15 years.

"In banking today, as well as other industries, people are so impatient, Livingston said. "After four months in a credit department they're ready to run out and start approving loans. Be ambitious, but be patient. In the two and a half years I spent in the credit department at Northern Trust Company in Chicago, I developed a grounding in finance and the real world that has helped me tremendously. Patience will bring you vast dividends in improved capability for the rest of your life."

Here are a few of the banking experiences that Livingston has successfully concluded. He was a key architect in orchestrating a billion dollar leveraged buyout of Kaiser Steel Corporation in 1984. He was involved in the sale of one of the nation's leading firms in the administration of health care plans to John Hancock Life Insurance Company, the acquisition and financing of two of New

Mexico's major racetracks, and the acquisition and financing of 4,000 acres of macadamia orchards on the big island of Hawaii.

This last transaction resulted in the development of the acquiring corporation into the world's second largest producer and processor of macadamia nuts. The corporation was eventually sold to one of Australia's largest conglomerates.

He has also for many years personally engaged in private venture capital activities, and has become a principal in a number of substantial companies, including one that has created one of Hawaii's premier estate developments on the island of Kauai.

Today, his Ventana International group is extensively involved in management buyouts, merger and acquisition assignments, and selected private placements of financing.

Livingston told the students to listen to their intuition when they make decisions. "If something about a course of action or some characteristic says 'I'm uneasy, listen hard,' he advised. "There will be times when everyone thinks a deal is the best idea but that doesn't mean it will be. Just because something worked in the past doesn't mean it will continue to work."

He also gave an encouraging piece of advice to the students. "Your own energy and attitude has more to do with success than anything else," he said. "Energy is contagious. It affects everyone you work with."



# ClassNOTES

## James Austin, BBA '64, Named Chapman Professor at Harvard

James E. Austin, BBA '64, has been named the Richard P. Chapman Professor of Business Administration at Harvard Business School. He is an expert on how managerial skill and administrative organization can be applied to business in less developed countries and has spent much of his career specifically studying agribusiness management and global malnutrition.

The author, coauthor, or editor of 15 books and numerous articles, Austin recently published *Managing in Developing Countries: Strategic Analysis and Operating Techniques*, for which he drew on 25 years of experience in LDCs. In this book, he establishes an analytical approach for examining and understanding the distinctive nature of the LDC business environment.

Austin developed the second-year MBA course on management in developing countries, which has also been an elective in Harvard's Advanced Management Program. For the last four years, he served as head of the required first-year MBA course entitled "Business, Government, and the International Economy"

After receiving his BBA at the Michigan Business School, Austin worked as a Peace Corps volunteer in Chile, where he organized and advised various types of urban and rural cooperatives. He entered Harvard's MBA program as a Peace Corps Fellow in 1966, and earned his DBA from Harvard in 1972, specializing in agribusiness and economic development.

## Please Tell Us About Yourself

We would like to include more news about alumni in *Dividend*, and hope you will help us by providing us with information about yourself. We'd like to know where you are working, and other news about you, such as promotions, new business ventures, any business or academic honors, authorship of books or articles, or other information that would be of interest to alumni. If you would like to take the time to fill out the form below and send it to "Pringle Smith, Editor, *Dividend Magazine*, School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109-1234," we would very much appreciate it.

Name: \_\_\_\_\_

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

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

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

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



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## A Melodious Way to Begin the Winter

A wonderful way to brighten up the winter semester began this year, as the Business School inaugurated a series of winter concerts to be held in Hale Auditorium.

The concerts, which are a joint venture between the Business School and the School of Music, carry a double benefit. Business School students have a chance to enjoy beautiful music, and students from the Music School gain more experience in performing before an audience.

The hour-long concerts are held on one Friday each month for an audience comprised mostly of Business School students, faculty and staff, although others are welcome to attend. Four concerts are scheduled for this semester, including soloists, ensembles, and other musicians. The first concert, which was held January 18, featured soloists in voice, piano, violin,

and saxophone, as well as a trombone quartet.

The concerts also are enhanced by the wonderful acoustics of Hale auditorium, a feature that was discovered when Hale auditorium was dedicated. The violinist who played at that first gathering commented on the excellent acoustics, something that perhaps is not particularly noticed at the lectures on accounting or corporate presentations which are usually held in Hale.

"Music at the Business School 1991" was planned and carried out by Anneke de Bruyn Overseth, associate dean of external relations at the Business School, in cooperation with Paul Boylan, dean of the School of Music, and Katherine Collier, a member of the piano faculty at the Music School. "American business is increasing its sponsorship of the arts," said Overseth. "It's also nice to see the Music and Business Schools working together to implement this program."



Poster by Randall Reno Design