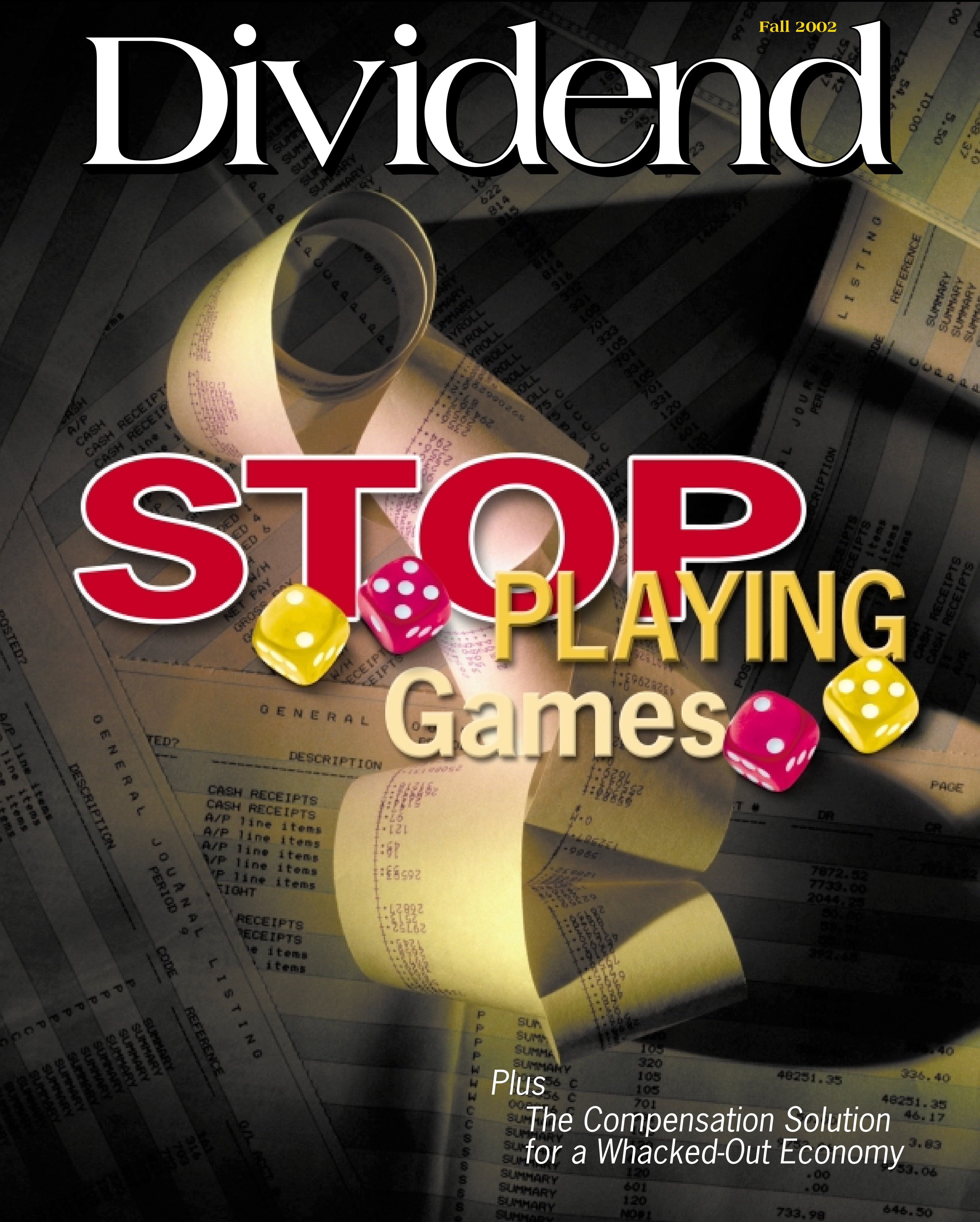
University of Michigan Business School

Fall 2002

Dividend



STOP PLAYING Games

Plus

The Compensation Solution for a Whacked-Out Economy

The Louis and Myrtle Moskowitz

Symposium on Resilient Capitalism

Friday, January 31, 2003, 8:00 a.m. to 4:30 p.m.
Hale Auditorium, Ann Arbor Campus

In the wake of recent corporate scandals, the Moskowitz Symposium on Resilient Capitlism will provide a high-level perspective on issues relating to reporting, monitoring and corporate culture, and address the current crisis of confidence in American business. Expert panels will focus on underlying issues of this crisis by analyzing similar past situations and solutions and recommending solutions for the future. These discussions also will address the complex issues of corporate governance and accountability, and the inherent resilience and adaptive powers of the American economy.

Panelists will include noted scholars and teachers in business and law, as well as regulators, institutional investors and corporate executives. The invited keynote speaker is Mr. Larry Thompson, the U.S. Deputy Attorney General. The introduction will be offered by Dr. B. Joseph White, former Interim President of the University of Michigan and former Business School Dean.

This event is co-sponsored by the University of Michigan Business and Law Schools. Admission to the Symposium is free, but advance reservations are required as space is limited. Registrations will be accepted in the order they are received.

Register by calling **(734) 763-1000** or sending an e-mail message to **Symposium@bus.umich.edu.**

Dividend

Fall 2002

FEATURES

INTELLECTUAL CAPITAL

DEPARTMENTS

Cover design by Linda Carroll, Blue Pencil Creative Group, Ltd.

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Vol. 33, No. 2: ©2002 The University of Michigan Business School. This publication is produced twice a year by the Office of Communications and made possible through the generosity of private donations. For more information, contact *Dividend,* The University of Michigan Business School, 701 Tappan, Ann Arbor, Michigan 48109-1234.

University of Michigan Business School Web site: **www.bus.umich.edu**

Executive Education

Arthur Yeung to Head New Asia Initiative

Arthur Yeung, PhD '90, has been appointed executive director of the new Organizational Effectiveness Laboratory (OEL) in Asia, where he will spearhead efforts to penetrate the China market.

OEL is set up as a consortium composed of senior managers from large Chinese corporations and multinational companies that have a significant presence in China. Its primary goals are to educate and assist senior managers in change management, facilitate faculty research with consortium members and increase Michigan's presence and visibility in China.

D.C. Goings

Arthur Yeung

Yeung, who was named an adjunct professor of business administration, will be located in Hong Kong at the Business School's Asia Pacific Regional Office. That office was opened in 1997 by Yeung, who served as its first executive director before taking a position as chief human resource officer and corporate vice president of the Acer Group, one of the world's largest personal computer companies. He also helped to establish the Asia Pacific Human Resource Partnership.

"Arthur is a very accomplished academic, entrepreneur and business executive, and we are very fortunate to have him return to our community," said Ray Reilly, associate dean for executive education and professor of business administration.

"I view OEL as an initial experimentation that will enable the Business School to better understand the needs of our consortium partners, discover the best learning approaches for Chinese executives and establish our presence in this huge emerging market," says Yeung. He plans that OEL will build partnerships with more than 40 leading firms in China and Asia to share knowledge and experience on transformation through forums, case studies, white papers and action-learning teams.

Yeung also expects to make OEL a vehicle that Michigan's faculty and students can use to increase their understanding of the new business realities in China through research, interaction with OEL partners and MBA project team activities.

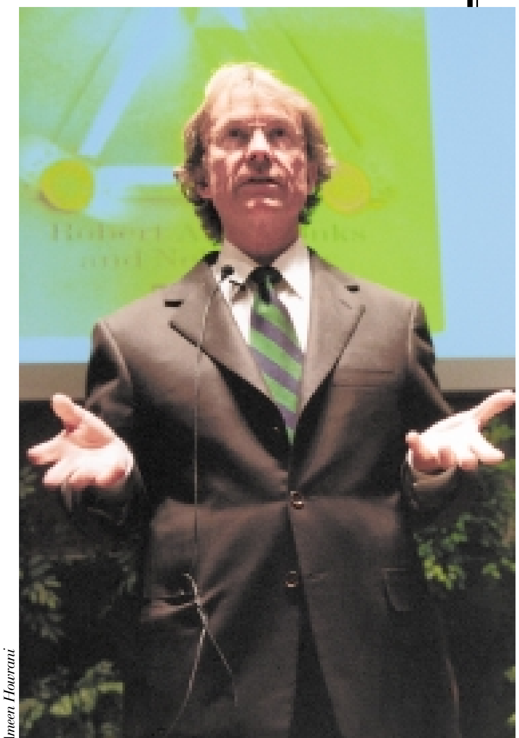
Corporate Governance

Wyly Supports Shareholder Rights

Dallas-based entrepreneur, investor and philanthropist **Sam Wyly, MBA '57,** appeared in Hale Auditorium as a guest speaker for Enterprise Organization, an undergraduate business course taught by Associate Professor of Business Law Dana Muir and Visiting Professor of Business Law Robert Kearney. MBA students from Muir's graduate course, Securities Law, also attended, as did other members of the Business School community.

Wyly Hall at the Business School is named in honor of the self-made multimillionaire whose $10 million gift in 1998 funded construction of the six-story, 75,000-square-foot building, which now houses the Executive Education Center and the William Davidson Institute.

Wyly, who has founded and helped build several publicly traded companies and a private hedge fund, created Ranger Governance Ltd. to promote better governance and management accountability, to ensure shareholder and employee rights and to support ethical business and accounting practices.



Ameen Hourani

Sam Wyly

The issues Wyly raised provide a context for teaching fundamental concepts about business, law and ethics. "These concepts include the fiduciary obligation of loyalty that corporate directors owe to shareholders and the importance of shareholder voting rights in fighting poor corporate governance and entrenched management," says Professor Muir.

Other lessons learned center on securities law, which obliges public companies to disclose accurate, timely information on their performance and management compensation, and supports proxy rules enabling dissident shareholders to nominate and support an alternative slate of directors. "Intertwined with all of the legal issues are ethical considerations of what actions by managers and shareholders are right, fair and appropriate," Muir adds.

(Editor's note: Last spring, Secretary of Labor Elaine L. Chao named Muir as one of five new members of the Department of Labor's ERISA Advisory Council on Employee Welfare and Pension Plans. She will serve a three-year term.)

ACROSS THE BOARD

New President

Mary Sue Coleman Takes Office

Mary Sue Coleman, the new president of the University of Michigan, officially began her term August 1. She is the 13th president and the first woman to hold that office, and succeeds B. Joseph White, who was appointed interim president on January 1. White is rejoining the faculty of the Business School, where he served as dean for 10 years.

Martin Vloet

Mary Sue Coleman

Coleman, who said she has spent her entire career at some of the nation's finest public universities, described the presidency of the University of Michigan as the "pinnacle of public higher education." She signed a five-year contract with the University, ending a six-month search for a successor to Lee C. Bollinger. She will receive an annual salary of $475,000. Before coming to Michigan she served as the president of the University of Iowa for seven years.

In nominating Coleman, Regent Laurence Deitch, chair of the Presidential Search Advisory Committee, praised her as "a national leader in higher education" and "the best candidate in an extraordinary field."

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At Iowa, Coleman was a professor of biochemistry in the College of Medicine and a professor of biological sciences in the College of Liberal Arts. Under her leadership, the university increased research funding from $178 million to more than $300 million and boosted total annual giving from $82 million to $172 million. She also oversaw major construction projects in a number of areas.

Coleman's dedication to science and her extensive background in biochemistry is a good fit with the University of Michigan's Life Sciences Initiative, which was spearheaded by former President Bollinger. He left Michigan last year to lead Columbia University.

In addition to the presidency of Iowa, Coleman held high-level appointments at other schools, including the University of New Mexico, the University of North Carolina at Chapel Hill and the University of Kentucky in Lexington. She earned a bachelor's degree in chemistry from Grinnell College in Iowa and a PhD in biochemistry from the University of North Carolina.

Coleman is married to Kenneth Coleman, a political scientist specializing in Latin America. Their son, Jonathan, is a portfolio manager with the Janus Capital Corp. in Denver, Colorado.

New Appointments

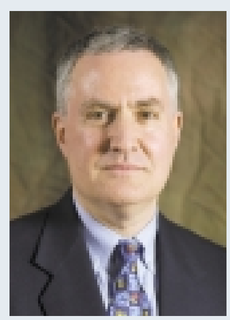
Four New Associate Deans Named

University of Michigan Business School Dean Robert J. Dolan announced four associate dean appointments, which became effective July 1. The new structure of four associate deans replaces the Business School's former structure of one senior associate dean for academic affairs and two associate deans, one for information technology and one for executive education. The appointments are as follows:

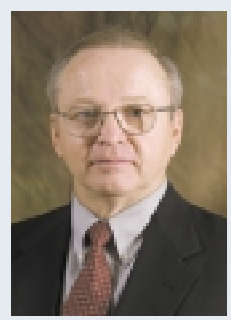
Photos by Martin Vloet

Gene Anderson

Izak Duenyas



Michael Gordon



Ray Reilly

Gene Anderson, former director of the Executive MBA program and professor of marketing, is the associate dean for academic degree programs with responsibility for the BBA program and all the MBA programs.

Izak Duenyas, the John Psarouthakis Research Professor in Manufacturing Management and professor of operations management, is the associate dean for faculty development and research and oversees the PhD program.

Michael Gordon, the Arthur F. Thurnau Professor of Business Administration and professor of computer and information systems, is the associate dean for information technology.

Ray Reilly, professor of business administration, is the associate dean for executive education.

In announcing the appointments, Dean Dolan cited several objectives for his selection, including better ongoing communication, more synergy among degree-granting programs, continued learning opportunities for faculty and enhanced branding of the Business School.

ACROSS THE BOARD

Regulatory Reform

Business Ethics in Skeptical Times

"Business Ethics in Skeptical Times" was the topic of the Hansen-Wessner Memorial Lecture Series, presented by the University of Michigan Business School and ServiceMaster Foundation last spring.

Martin Vloet

James Baker

Former U.S. Secretary of State James A. Baker III gave the keynote speech. He was followed by analytical commentary from C. K. Prahalad, the Harvey C. Fruehauf Professor of Business Administration and professor of corporate strategy and international business at the Business School, and Bob Knowling, chairman and CEO of Internet Access Technology.

This lecture was one of a series of lectures funded by the ServiceMaster Foundation to honor Ken Hansen and Ken Wessner, both of whom were former chief executives of ServiceMaster, a leading provider of a wide variety of home services that you can select, schedule and purchase online or by phone 24 hours per day. The lecture series is designed to serve as a forum for discussing moral and ethical frameworks for the marketplace.

Secretary Baker discussed the accounting scandals and the then-recent failure of Enron. Despite the upheaval, he expressed confidence the nation's economic system can self-correct, and cautioned lawmakers against hastily enacting regulatory reforms that would do more damage than good.

"The challenge society faces today," Baker said, "is to study these events and to take lessons about ethical conduct—personally, as representatives of our companies and as public policymakers…I urge you to consider that our market is itself an ethical system, that it is self-correcting in response to the failure of Enron and that further reforms should be designed to strengthen that ethical system, not to weaken it."

Growth Capital

Entrepreneurs Compete in Choppy VC Market

Stephen C. Benoit came to the 21st Annual Growth Capital Symposium at the University of Michigan Business School this summer with the hope of securing $3 million in venture capital for series A round of funding for his start-up company, NanoMed Pharmaceuticals Inc.

> *"The money is out there, but the pace of investment is considerably slower."*

He was among 15 entrepreneurs who made company presentations to venture capitalists and corporate representatives attending the two-day event, which is produced by the Center for Venture Capital and Private Equity Finance (CVP). The symposium focuses on research commercialization through the collaboration of research centers, the venture-capital market, the entrepreneurial community and the large firms that serve as strategic partners in the process. In its 21-year history, the symposium has helped nearly 500 companies in their search for risk capital, according to CVP director David Brophy, associate professor of finance.

"The money is out there, but the pace of investment is considerably slower," Benoit reported. "There is more of a 'show me' attitude." This required due diligence has a positive side, however. "It forces you to work through lots of issues, strategy decisions and financial planning now, instead of waiting to address them later," he explained. "This will weed out mere ideas from true businesses."

> *"Venture capital is no longer this bi-coastal phenomenon people once talked about. We now see the democratization of the industry."*

Lately, entrepreneurs have been getting mixed signals from the venture-capital market. Returns have fallen off, IPOs have ground to a halt and some corporate investors have pulled their money out.

Mark Heesen

The venture-capital industry itself is undergoing significant changes, said Mark Heesen, who attended the Symposium as president of the National Venture Capital Association in Washington, D.C. "Venture capital is no longer this bi-coastal phenomenon people once talked about," he said. "We now see the democratization of the industry." The IT sector continues to draw 70 percent of all investment dollars. However, interest in the life sciences has increased recently, and investment in that sector has doubled to 20 percent.

ACROSS THE BOARD

Administration

Weiss Named Associate Provost

Janet A. Weiss, a faculty member and former associate dean of the University of Michigan Business School, has been appointed associate provost for academic affairs.

"My new job is very diverse," says Weiss, who is the Mary C. Bromage Collegiate Professor of Business Administration and a professor of public policy at the Gerald R. Ford School of Public Policy. In addition to overseeing some space and facilities, human resources issues and budgetary matters, she will have responsibility for a number of University libraries, museums and other "public goods" areas, such as Nichols Arboretum.

"It is terrifically exciting to be involved with the range of excellent work that goes on across the University," says Weiss. "Working with the provost, Paul Courant, who is both the chief academic officer and the chief budget officer for the University, gives me great opportunities to help the University to improve and flourish."

"It is terrifically exciting to be involved with the range of excellent work that goes on across the University."

Weiss is also the co-director of the Nonprofit and Public Management Center, a collaborative organization involving University faculty and students from business, public policy and social work. She holds degrees from Yale and Harvard, and was promoted to professor at Michigan's Business School in 1991. From 1992 to 1997, she served as associate dean in the Business School, and held positions as the School's ombudsperson and as a member of the Executive Committee.

Paul Jaronski

Janet Weiss

Commencement

Leaders Must Build Trust, Former CEO Tells Graduates

"As you go out into the business world, please remember that companies and organizations are more than balance sheets, income statements and returns," said John Lynch, former CEO of Knoll Inc., who gave the commencement address to the class of 2002 in Crisler Arena. "They are not toys to be bought, sold, merged, taken public or dissolved. They are a collection of people like us, who are trying to provide for their families and have meaningful jobs. They are people wanting to do their best, and needing trust, support and confidence in order to succeed."

Lynch drew many parallels between his seven years at the helm of Knoll, a leading office furnishings manufacturer, and his role as the coach of his daughter's Olympic softball team, the Grizzlies, in New Hampshire. "Whether it is 5,000 people in a company or 12 players on a team, the challenge is to motivate each worker or player to do his or her best," he said.

Another commencement highlight was the annual student awards for teaching excellence, which were presented to three Business School faculty members.

PhD award: Gerald Davis, professor of organizational behavior and human resource management

MBA award: Keith J. Crocker, the Waldo O. Hildebrand Professor of Risk Management and Insurance, and professor of business economics and public policy

BBA award: Paul Clyde, adjunct professor of business economics and public policy

Martin Vloet

John Lynch addresses the class of 2002 at commencement

ACROSS THE BOARD

Wall Street Journal Survey

Michigan MBA Program Ranked No. 2

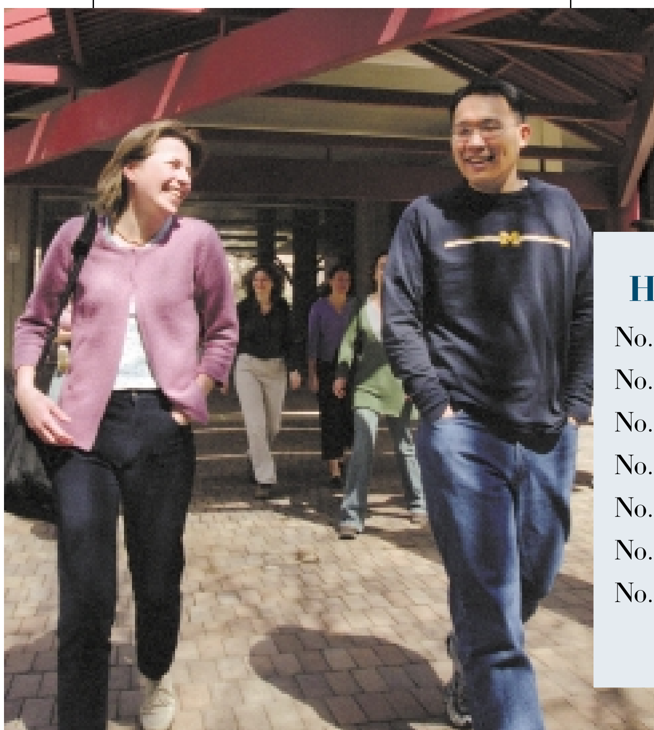
The University of Michigan Business School's MBA program was ranked No. 2 in the world by corporate recruiters in *The Top Business Schools* 2002 special report, released September 9 by *The Wall Street Journal* and Harris Interactive. The annual MBA ranking survey identifies school and student characteristics that recruiters consider most important when they make hiring decisions. This year, recruiters rated Michigan's graduates strongest on teamwork orientation, analytical and problem-solving skills, strategic thinking and general-management point of view.

Michigan moved up two places in the 2002 ranking of 50 top business schools to finish second only to Dartmouth College (Tuck). The School also placed first in several subcategories, including "Top 10 Large Schools" and "Top 10 Public Schools." Academically, Michigan's MBA curriculum was rated No. 2 in marketing and No. 4 in both general management and operations management.

Other distinctions mentioned by *The Wall Street Journal* included Michigan's strong manufacturing management program (notably, the Tauber Manufacturing Institute); and its ranking by The Aspen Institute and World Resources Institute as one of the top MBA programs in the world on corporate social and environmental leadership issues. Michigan also has built a strong reputation for diversity among recruiters, who named it most often as the best school for hiring minorities. In addition, the Business School was credited in the 2002 survey for spearheading efforts by a new nonprofit group of companies and schools to promote business careers to teenage girls and young women.

"This affirmation should be particularly gratifying to all of us," said Business School Dean Robert J. Dolan, "because it captures our abilities during perhaps the most difficult year in memory—the year of the dot-com collapse, the downturn in the economy and the terrorist attacks of September 11."

The Wall Street Journal/Harris Interactive Business School Year 2 Survey was based on the opinions of 2,221 MBA corporate recruiters, who were interviewed between Oct. 23, 2001, and March 1, 2002. Fifty business schools were rated and ranked, with each school receiving at least 20 ratings. Scores were based on how recruiters rated each business school on 26 attributes, as well as the number of respondents who said they recruited at the school. Those attributes included students' communication and interpersonal skills, students' leadership potential and ability to work in teams, past success in hiring top-quality graduates, the MBA curriculum, the faculty and the career-services office.



How Michigan Ranked

No. 1 in "Top 10 Large Schools"

No. 1 in "Top 10 Public Schools"

No. 2 in "Top 50 Business Schools"

No. 2 in marketing

No. 4 in general management

No. 4 in operations management

No. 4 by recruiters in the technology industry

Alumni Society

New Board of Governors Members Appointed

Six new members have been appointed to the University of Michigan Alumni Society Board of Governors, which is the voice of alumni to the University of Michigan Business School. Its semi-annual meetings provide a forum for an exchange of ideas between the Board and the school. In addition, the Board strives to strengthen the network and fellowship among faculty, alumni, students and friends of the school. The new members are:

Elizabeth D. Black, MBA '87, managing director, TIAA-CREF, Portfolio Management, New York

Jeff T. Blau, BBA '90, president, The Related Companies, New York

Christopher S. Cooper, BBA '88, MAcc '88, partner, PricewaterhouseCoopers LLP, San Jose, California

Jody C. Glancy, MBA '96, vice president, Kinderstreet, Ann Arbor

Brian M. Hermelin, BBA '87, principal, Active Aero Charter, USA Jet Airlines, Belleville, Michigan

Steve J. Mariotti, BBA '75, MBA '77, president and founder, National Foundation for Teaching Entrepreneurship, New York

Kudos

Three University of Michigan Business School alumni received awards in 2002, recognizing their outstanding service, professional achievements and success in building successful enterprises.

Michael R. Hallman, BBA '66, MBA '67, was presented with the Bert F. Wertman Alumni Service Award. Hallman is the founder of the Hallman Group, a management consulting firm in Kirkland, Washington, and has championed the use of new technologies in the Business School's curriculum. He and his wife have endowed the Michael R. and Mary Kay Hallman Endowed Faculty Fund in Electronic Business and New Economics. Hallman serves on the Visiting Committee and the advisory board of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies.

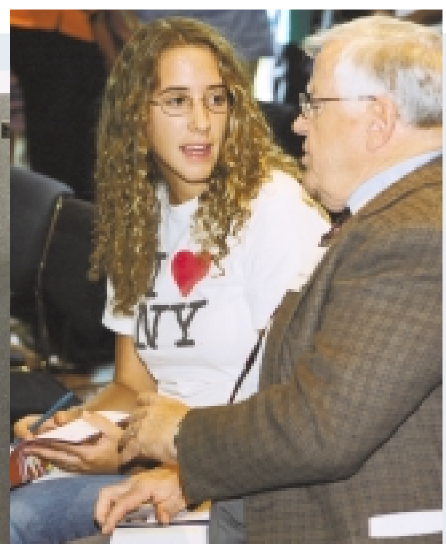
Cleveland Christophe, MBA '67, received the David D. Alger Alumni Achievement Award. Christophe has been the managing partner of TSG Capital Group in Stamford, Connecticut, since its inception. The private equity investment firm is the largest minority-run company in the U.S. and focuses on companies in diverse industries serving ethnic markets, notably African-Americans, Hispanics and Asians. Since 1990, Christophe also has been a principal of TSG Ventures L.P., a private equity investment company that specializes in financing minority entrepreneurs. He is active in the Business School's Black Alumni Association and serves on the Visiting Committee, Growth Fund and the Zell-Lurie Institute advisory board.

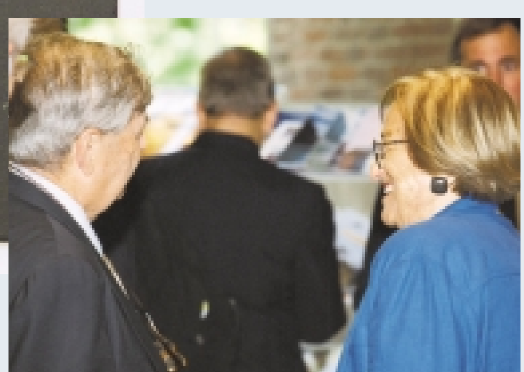
The annual Alumni Achievement Award was renamed in honor of David Alger, the president and CEO of Fred Alger Inc., who was killed during the September 11 terrorist attacks last year. Alger was the Commencement speaker five years ago and the recipient of the Alumni Achievement Award in 2001.

Michael J. Jandernoa, BBA '72, is the recipient of the Entrepreneur Award. He is the chairman of Perrigo Company, a West Michigan pharmaceutical firm. Under his leadership, Perrigo went public in 1991 and grew into a leading worldwide provider of store-brand, over-the-counter drug and nutritional products. Jandernoa is a member of the Michigan Life Science Corridor Initiative's steering committee and has been instrumental in promoting the development of the state as a research and commercial center. He also serves on the Business School's Visiting Committee.

* * *

The National Committee for Employer Support of the Guard and Reserve has awarded the University of Michigan Business School a Certificate of Appreciation. Lt. Thomas C. Crimmins, USNR, a full-time MBA student at Michigan, nominated the Business School for the "My Boss Is a Patriot" award last March. In making his nomination to the committee, Crimmins praised the School's faculty and staff for going "out of their way to support me in fulfilling my responsibilities to the Naval Reserve" in the wake of the September 11 terrorist attacks. The certificate is on display in the student lounge.





Photos by Marcia Ledford

The anniversary of September 11 was commemorated at the University of Michigan with the dedication of a plaque at the Alumni Center in honor of 18 alumni who died in the attacks. The victims included four Business School graduates: **David D. Alger, MBA '68; Scott Weingard, BBA '93; Meredith L. Whalen, BBA '00; and Marc S. Zeplin, MBA '93.**

In the wake of the tragedy last year, the Business School created the "Leading in Trying Times" Web site, which contains faculty-written articles about ways business organizations can overcome adversity and provide leadership under difficult circumstances. One Michigan graduate, **Mike Hennesey, MBA '01,** has taken a leading role in efforts to identify 9-11 victims through DNA. He works for GeneCodes, the main on-site contractor for victim identification, and has used the business skills he learned in class to organize data, manage the DNA profile matching and streamline operations. (See article, page 22).

ACSI

Customer Satisfaction is Up, Despite Waning Consumer Confidence

Customer satisfaction and consumer spending continue to rise even though consumer confidence has taken a large hit in the last year, according to the latest results of the American Consumer Satisfaction Index (ACSI).

The ACSI indicates that consumers today are more satisfied with the products and services produced by American businesses than they were a year ago. Updated with new customer satisfaction data on non-durable products, the ACSI rose slightly overall from a second-quarter score of 73 (out of a possible 100) to a mark of 73.1 in the third quarter. Compared with a year ago, the ACSI is up 1.5 percent from a score of 72.

Claes Fornell, a professor at the University of Michigan Business School, says declining confidence has not translated into materially less spending or lower satisfaction with the products and services bought. "Clearly, customer satisfaction is different from consumer confidence. A person can feel less confident about the state of the economy and yet be more satisfied with his or her automobile, sneakers or tax accountant," Fornell says.

"Is it consumer utility, as measured by the ACSI, or confidence about the state of the economy that drives consumer purchase decisions? Even though low confidence eventually may kick in and make consumers more cautious, we haven't seen it yet. So far, the empirical evidence suggests that utility is a more powerful predictor."

Fornell notes that strong consumer spending accounted for much of Gross Domestic Product (GDP) growth in the third quarter. He adds that because customer satisfaction has a strong effect on spending, the ACSI and GDP usually move in the same direction.

"Our whole market economy is built on the notion of satisfying customers, and everything else follows," says Fornell, the director of the Business School's National Quality Research Center, which compiles and analyzes the ACSI data. "If this trend continues as it has in the past, we should see more consumer spending and reasonably solid economic growth." Fornell is the Donald C. Cook Professor of Business Administration and a professor of marketing at the Business School.

Every quarter, the ACSI focuses on a different sector of the economy and asks consumers about their satisfaction and loyalty to different brands. These satisfaction "snapshots" yield important information about the performance of different sectors, such as retailing, durable goods, electronics and transportation. In addition, individual companies are "graded" on whether they have met or failed to meet the product and service expectations of their customers.

> *"Our whole market economy is built on the notion of satisfying customers, and everything else follows. If this trend continues as it has in the past, we should see more consumer spending and reasonably solid economic growth."*

In the current ACSI, the individual sector score for manufacturing non-durables reflects a similar percentage increase of that found in the overall ACSI score. But the current score of 81.4 for this sector—comprised of eight industries (food processing, soft drinks, beer, tobacco, apparel, athletic shoes, personal care products and pet foods)—is 11 percent higher than the overall ACSI score for all industries measured year-round.

Fornell says that compared with other sectors, non-durables enjoy greater customer satisfaction because of an abundance of consumer choice alternatives and low switching costs. Plus, the fact that this sector includes companies that manufacture candy, desserts, soft drinks and beer goes a long way in keeping consumers happy, he adds.

"Companies that, in one form or another, sell sweets or alcoholic beverages have higher satisfaction scores," Fornell says. "This is consistent with the notion that when people are anxious, as suggested by plummeting consumer confidence numbers, they appear to take a bit more comfort in inexpensive pleasures."

Leadership Development

New Management Program Targets Healthcare Practitioners

The University of Michigan Health System's new Leadership Development Program, launched in September, is designed to introduce management concepts and best practices to senior-level healthcare leaders. The initiative represents a collaborative effort involving the University's Health System, Business School and School of Public Health. Customized offerings focus on management and leadership topics from a healthcare perspective.

The 10-month program expands the long-standing partnership between the Health System and the Business School, which jointly have offered management courses for healthcare practitioners through the Center for Health Care Economics since 1999. The Business School's Executive Education Center has played a major role in developing coursework aimed at bringing business solutions to the healthcare field, and MBA students have worked in 12 Multidisciplinary Action Projects (MAP) associated with the Health System over the past four years. One MAP team developed a business plan for a new Proteomics Center, an important component of the University's Life Sciences Initiative.

"There is an accelerating pace of change in our scientific understanding of medicine, patterns of care delivery, and societal and payer expectations," says James O. Woolliscroft, executive associate dean of the Medical School and the Lyle C. Roll Professor of Medicine. "This requires leaders in academic medicine who have the skill sets to lead and manage a complex enterprise."

The new Leadership Development Program represents an important new direction for Executive Education. "This program provides an opportunity to apply our management-development capabilities to a large, and growing, sector of the economy," says Raymond Reilly, the faculty director and associate dean of Executive Education and a professor of business administration. "Initially, it will only be available to Michigan's Health System leaders, but we are working on ways to extend it to healthcare leaders everywhere."


Martin Vloet

"The economy is bad, and the natural assumption that companies make is to lower prices…. But emotionally, people are shaken up. They are looking for dependability, reliability and consistency. And that affects their purchase decisions more than everything else."

Aradhna Krishna, *professor of marketing, commenting on United States automobile manufacturers' efforts to gain a bigger market share.*

The New York Times, *October 24, 2002*

"The U.S. is probably rich enough to get away with stupid taxes. But it doesn't mean we should have them."

James R. Hines Jr., *professor of business economics and research director of the Office of Tax Policy Research, commenting on the way the United States taxes exporters and multinational companies.*
Business Week, *September 9, 2002*

"If we don't know where we're going, then going fast doesn't help."

C. K. Prahalad, *the Harvey C. Fruehauf Professor of Business Administration and professor of corporate strategy and international business, commenting on computer industry efforts to help companies meet the requirements of real-time collaborative business with on-demand technologies.*
InformationWeek, *November 4, 2002*

"I think the notion that these highly integrated financial services firms can in fact sort it out themselves is unbelievably naïve. I think it's ridiculous. They need help; we ought to give it to them."

B. Joseph White, *the Wilbur K. Pierpont Collegiate Professor and professor of business administration, in a question-answer session following his October 23 speech at the Business School honoring the late University of Michigan Regent William K. McInally. (See page 30 for related article.)*
Grand Rapids Press, *October 30, 2002*

"There's no question that measuring income and taxing on the basis of income is becoming increasingly more difficult. What's not clear is the effort this (President Bush's) administration is making to pursue income."

Joel B. Slemrod, *the Paul McCracken Professor of Business Economics and Public Policy, director of the Office of Tax Policy Research and professor of economics, commenting on tax-reform options.*
The Washington Post, *October 31, 2002*

"Our interpretation was that it was CEOs seeing what other CEOs were getting and proposing it to the board."

Gerald Davis, *professor of organizational behavior and human resource management, explaining how board interconnections and social ties among CEOs help transmit and reinforce compensation practices.*
Chicago Tribune, *October 27, 2002*

"Drawing on potent images is one way in which managers in low-performing firms can reassure shareholders that they are in control."

Fiona Lee, *associate professor of organizational behavior and human resource management, and of psychology, reporting research that shows weak companies can attract investors by dressing up annual reports with strong images and appealing designs.*
Sacramento Bee, *October 20, 2002*

"American relations with China have improved in a way that few could have imagined when the Bush administration entered office and declared China a 'strategic competitor.' Now signs of serious cooperation are everywhere. China has worked with the United States on the global counterterrorism effort, will not be the spoiler on a new United Nations resolution on Iraq, has recently adopted stringent regulations on dual-use missile technology exports and other proliferation issues, and is discussing cooperation with the United States on North Korea."

Kenneth Lieberthal, *the William Davidson Professor of International Business and professor of political science; Distinguished Fellow and director of the China Program for The William Davidson Institute, writing in an editorial about America's relations with China.*
The New York Times, *October 25, 2002*

"If the war talks continue or the war starts, my guess is there will continue to be short-term downward pressure on stock prices. I don't see where a war would help the U.S. economy."

Nejat Seyhun, *the Jerome B. and Eilene M. York Professor of Business Administration and professor of finance, remarking on investor unease.*
The Detroit News, *October 1, 2002*

"We really want them to think—we wanted to push ethics to the front from Day One."

Noel M.Tichy, *director of the Global Leadership Program and professor of organizational behavior and human resource management explaining why new Business School students are asked to write about the most challenging ethical dilemma they have faced.*
Business Week, *September 16, 2002*

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The Compensation Solution for a Whacked-Out Economy

The boom times that spawned executive pay excesses are long gone, and companies are trying to cut costs and revamp their reward systems for employees.

By John E. Tropman

Tropman is an adjunct professor of organizational behavior and human resources management at the University of Michigan Business School and a professor of social policy and nonprofit management at the School of Social Work. He also teaches in the Business School's Executive Education program and has authored or edited more than 35 books.

Scathing reports of executive-pay scandals have dominated the news in recent months. Enron, Tyco, WorldCom, General Electric and other leading corporations have been soundly criticized for providing their CEOs with lavish perks, "free" personal loans, hot IPOs or secret bonuses—excesses spawned when the economy was sizzling and the stock market was on a roll.

Now the economy is in the dumps, jobs have disappeared, 401Ks have shrunk and global commerce is out of whack. These negative economic changes have put pressure on compensation systems, forcing business organizations to rethink salary levels, stock options, bonuses, special perks and other pay variables.

When bad times hit, companies have two choices: reduce costs or enhance productivity. Most employers consider compensation, or at least cash compensation, a cost rather than an investment. So their natural inclination is to reduce cost by cutting personnel.

The problem with cutting personnel is that a company can only do it once. Although this action looks good temporarily, it therefore is not viable over the long term. Within eight to 12 months, companies often end up hiring new employees to fill the gaps in their workforce. Many business organizations, particularly automotive manufacturers, go through a constant cycle of head-count reduction and head-count enlargement.

As an alternative, I suggest employers view compensation as an investment that can be used to increase productivity in a variety of ways. The total compensation equation as I define it in my book, *The Compensation Solution*, has two broad categories of rewards, each with five variables. I identified these 10 variables in my research after talking with both employers and employees about what they consider compensation to be. (See box for a listing of the 10 variables.) "Hard" rewards deal with items such as salary and augmented pay, including overtime, stock options and other one-time payments. "Soft" rewards include items such as perks and extras that people value in their job, including company discounts, growth opportunities and flex time. Surprisingly, a lot of "soft" rewards don't cost very much, yet are very highly valued by employees. This insight provides employers with many opportunities for increasing total compensation while keeping cash compensation flat or growing slowly.

Rewarding productivity

Why does investing in total compensation increase productivity? There are many reasons, particularly when human nature is factored in. For one, employees tend to respond to rewards. Therefore, a thoughtful, strategically targeted "cafeteria" compensation program is much more likely to bring about the desired results than a one-size-fits-all compensation program. In other words, employees are more inclined to produce what a company wants, if the company produces what they want in terms of compensation.

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John E. Tropman

Employees also are an increasingly diverse lot with increasingly diverse needs. If a worker can customize his or her compensation to meet current needs, that person will be happier, less stressed and potentially more productive. For example, a middle-aged employee may be willing to pay a high deductible on a medical plan because he or she doesn't go to the doctor that often and has supplemental resources. In contrast, a young 30-something employee with a spouse and three kids who visit the pediatrician every month might prefer to have no deductibles. This approach assumes, of course, that the employer knows what he or she actually wants to pay for—a greater challenge than one might think. All too often employers are rewarding A while hoping for B.

Maintaining a balance between work and life is now an important consideration for most employees. Their options may entail job sharing, working from home, telecommuting and scheduling flexible hours and vacation times. I became involved in one case where a young engineer had 30 employees reporting to him. His dedicated team serviced one particular customer. The young engineer worked out a schedule, just by chance, in which everyone assembled Monday at noon and worked together until late Thursday. The team started their days at 7:30 a.m. and worked until 6 p.m., and they established a call system for the off times to cover for each other, so the customer was never without engineering support. The customer was delighted and told the bosses of the firm.

For the people on this young engineer's team, this was a fabulous set-up. Their salaries were good and they got bonuses, but what it gave them was quality of life. They all had young kids and spent Friday, Saturday, Sunday and Monday morning with their families. Because they didn't feel pressured at home or forced to make trade-offs, they really produced. So the team's results were fabulous.

I became involved because the young engineer's boss was extremely happy with this arrangement, except for one thing. He said to me, "Professor, you understand how pleased we are with this employee and what he has done. But I also know you understand that people need to come to work on Monday at 8 a.m. and work until Friday." I tried to explain that if he insisted on that regimen, he would destroy the very thing he was praising. The idea of results-based as opposed to time-based work was something he couldn't understand. I finally convinced him that he had, in effect, a pilot program. That seemed to satisfy him. This example is a powerful one because it reveals the inability of this manager to understand he should be paying for results. Often, cafeteria-style, customized compensation is considered by management as a loss of control. And when managers have to choose between control and results, control wins most of the time.

On the other hand, from the employee's perspective (and I include managers in their employee role), taking a customized approach to compensation provides something Americans really like, which is choice. American workers value choice in and of itself, even more than the things choice produces. Beyond the attraction of individual customization, they feel good because they get to choose some options and reject others. In the future, I believe employees will design their own compensation systems, in much the same way they use a cafeteria-style health benefits system to customize their own healthcare packages.

In addition, people today are seeking meaningful workplaces and meaningful work. One way they obtain this "psychic income" is by working in a place where they feel appreciated and where their contributions are valued. Providing employees with the gift of accomplishment is a fundamental type of compensation. I once consulted with a firm that complained it had a participatory program, but no one was participating. I was invited to assess what the "problem" was. As I went into my first meeting, I noticed a paper shredder outside the meeting room. On it, someone had stenciled the words "suggestion box." That pretty much told me what I needed to know. Employees were not participating because their suggestions went into a black hole, never to see the light of day again. The employer had failed to complete the loop. When employers invite employees to participate in the firm's compensation program or other processes, employees receive psychological gratification, which is a very important reward.

Making a business case

Adopting a customized approach to compensation will be challenging for American business organizations, however. In the past, compensation has been a lag variable in organizational change. It tends to reproduce the old organization in ways people who are seeking organizational change don't always understand or appreciate. As a result, compensation usually is the last thing that changes. It represents the proverbial bottom of the iceberg.

However, a strong business case can be made for adopting a total compensation solution. Companies that create rewards systems offering employees flexibility and choice will benefit in several ways. First, this approach can help firms attract high-caliber employees and reduce costly turnover. One of the biggest challenges facing businesses today is the extremely diverse nature of the workforce. Years ago, the employee pool was composed mostly of men. So companies had a one-size-fits-all compensation plan that worked fairly well.

Today, the workforce includes employees who are younger and older, male and female. They come from a variety of ethnic and religious backgrounds. Many couples have families and serve as caretakers for children, adolescents and grandparents. As a result, the kind of benefits people need in terms of compensation has become more complex.

Firms that can design a more tailored system encompassing this complexity will be able to attract and retain the very best employees. Overall company costs will go down because turnover will be reduced. Turnover is actually very expensive for firms, generally a significant multiple of an employee's first-year salary. Most employers don't understand that, because the cost of turnover is spread throughout different departmental budgets in an organization. If a company has low turnover, it realizes great savings in hiring, training, benefits and the cost of bad hires.

Companies also benefit by moving to a customized reward system because this compels them to focus on results-based pay rather than time-based pay and head count. And paying for results enhances their bottom line. Unfortunately, most employers don't really understand what they are paying for. Generally, they pay employees for showing up and for expressing dissatisfaction; that is, if someone is a complainer, he or she might get a little more money. But neither of those two reasons has anything to do with results. With a total compensation solution, employers have to think through what they want their employees to produce and then develop metrics to gauge whether their employees are doing the job. Employers also can experiment with team-based pay, because much of what an employee can do depends on the resources provided, rather than the individual.

Under a results-based compensation system, it doesn't really matter how much

The Compensation Solution by John E. Tropman is part of the University of Michigan Business School Management Series.

- To order a copy, call toll-free 800.956.7739, fax 800.605.2665 or visit www.umbsbooks.com. Remember to use code UMB to receive your discount. If you have questions or commentary, feel free to contact Professor Tropman at tropman@umich.edu or 734.763.6275.
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people work. All that matters is their results. I once worked for a firm that spent money on two full-time clerical positions dedicated to checking unauthorized phone usage. When we actually looked at data, the cost of personal calls made by employees amounted to half of one of the clerical person's salary. So the firm was spending more to address the problem than the problem cost.

The costs of base pay are reduced under a total compensation system because it mitigates the very problem of paying through base pay for results in the future. The new system allows employers to pay employees larger amounts of money for achievements in the year they occur. This offers an attractive alternative to companies trapped in the base-pay-annual-raise box.

Under the older pay mindset, everyone was entitled to a cost-of-living increase, so companies typically dumped two to three percent of their payroll every year into an annual across-the-board raise. That was a substantial amount of money for most firms. From the employees' point of view, however, a two or three percent pay raise was trivial, and even insulting. Thus employers were spending a great deal of money for no results. Now this entitlement mindset is fading, and companies are adopting the view that employees must earn their right to increased pay. Employers who utilize a total compensation system can save money by flattening base-pay growth and increasing one-time pay growth. This enables them to reward high performance at the appropriate time, without locking in increased pay for subsequent years.

Transformational vs. transactional change

A company can move to a total compensation system in one of two ways. Transformational change is an all-at-once, revolutionary move, whereas transactional change is a one-step-at-a-time, evolutionary path. The choice depends upon the firm's business, structure, leadership and other factors. However, both approaches enable a company to leverage its existing compensation system. I have never run into an organization that doesn't have all these variables somewhere in its structure. For example, to request a raise in salary, employees go to the compensation manager. For a change in benefits, they go to the benefits manager. The boss handles the bonus. The training department handles opportunities for growth. Most organizations offer these reward variables, but not in a coherent way that leverages what the company already is doing. Firms don't think strategically about connecting each of them.

The total compensation solution simply encourages employers to take what they already are doing and to organize it in a reasonable system that provides added value. In the future, each firm will have a compensation case manager. Employees will go to that person, review the available forms of compensation at the firm and then mix and match them according to personal needs. In the process, the employer will communicate what he or she is paying for and that will also allow both the employer and the employee to target total compensation more effectively.

The total compensation system is composed of the following 10 variables.

Hard rewards include:

Base pay: an employee's salary

Augmented pay: a one-time payment that ranges from overtime to stock options

Indirect pay: traditional benefits such as health insurance and pension

Works-pay: company-provided resources that employees otherwise would have to purchase in order to do their jobs, such as cellular phones, uniforms and laptop computers

Perks-pay: upgrades that leverage the employer's ability to enhance employee compensation and provide lifestyle enhancement for the employee

Soft rewards include:

Opportunity for advancement: opportunities for employees to climb the corporate ladder

Opportunity for growth: firm-provided opportunities to learn and grow on the job

Psychic income: emotional satisfaction derived from the work and the workplace

Quality of life: balancing work and the rest of life

X factor: individual wants and needs that, with imagination, employers may be able to satisfy (e.g., taking a dog to work)

This compensation preference assessment offers a way to calculate the difference between what employees want and what they have in terms of their total compensation. In column A, the employee records the proportions he or she ideally would like to allocate to the various elements of the total compensation equation. These proportions must total 100 percent, the sum of all available compensation. In column B, the employee (with the help of the compensation specialist) places the current compensation fractions. The third column once again shows the absolute difference of the first two columns; and the summed absolute difference is again divided by two. The resulting number—the index of difference as applied to compensation—reveals exactly how the employee's wants differ from what the employee currently has, and where the differences occur.

A COMPENSATION PREFERENCE ASSESSMENT

DIMENSION	MY IDEAL JOB (A)	MY JOB NOW (B)	DIFFERENCE (C)
1. Base Pay			
2. Augmented Pay			
3. Indirect Pay			
4. Perks-Pay			
5. Works-Pay			
6. Opportunity for Advancement			
7. Opportunity for Growth			
8. Psychic Income			
9. Quality of Life			
10. The "X" Factor			
TOTAL	100%	100%	SUM [A-B]/2

Connecting with Customers

Companies should determine the value of information before they invest in IT systems, says Business Professor Roman Kapuscinski

As information-technology infrastructure has become cheaper, the cost of connecting with customers has become more reasonable for many companies. At the same time, firms have had to make decisions about what information to collect, where and how often to collect it, and how to maximize its usefulness.

Should a company establish information links with all its suppliers to track what goods or raw materials are available, in what quantities and how quickly those commodities could be delivered? Conversely, should it create an information system that monitors the inventory levels of goods held by all its customers? Today, supply-chain managers must grapple with these issues, as they seek new ways to leverage technology to expand their information networks and improve their operations.

However, before a company spends millions of dollars on an IT system, it is critical to determine the real value of the information targeted and whether the results fully justify the expenditure, says Roman Kapuscinski, the Sandford R. Robertson Assistant Professor of Business Administration.

"The expectation of many companies is that information is always very useful," he says. "But the conclusion I have drawn from my research indicates the usability of information varies dramatically, depending upon what type of demand and what kind of cost structure a firm faces." His findings were reported in an article titled "Value of Information in Capacitated Supply Chains," which appeared in *Management Science* in 1999. He recently completed a paper, "Advanced Demand Information and Safety Capacity," with two other Business School faculty, Xinxin Hu and Izak Duenyas, which extends many of the findings to firms with uncertain capacities.

To learn about the value of information, Kapuscinski studied a variety of companies with specific IT problems. Then he constructed mathematical models and ran simulations to develop generalized rules about how best to value information across different scenarios. One of the companies he observed was NSF, a manufacturer based in Pittsburgh. The company, which is the largest supplier on the east coast, prefabricates hamburgers for McDonald's restaurants and distributes many other goods to fast-food chains.

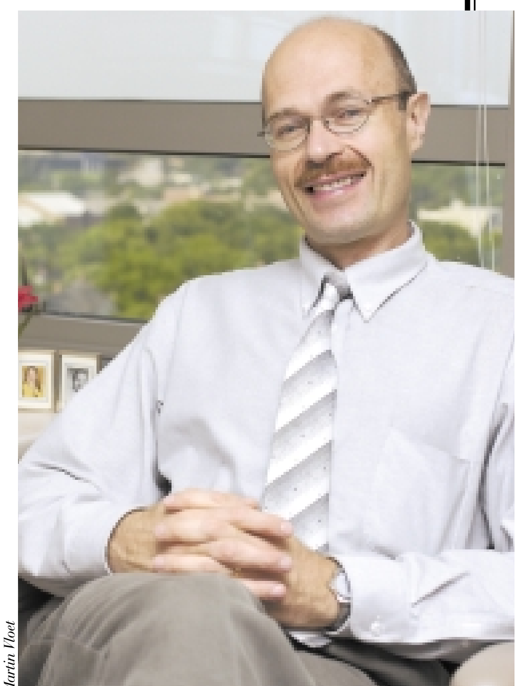
"Suppose this company decided to build an information system that allowed it to see the levels of inventory at its customers' locations," he says. "Should it target all McDonald's restaurants? Should it target all goods? Or should it target a subset of McDonald's restaurants or a subset of the goods it is providing to those locations?"

Before analyzing the value of the information, NSF might well have decided to target all McDonald's restaurants and all goods. However, after examining the demand for burgers and the costs of either overstocking or understocking inventory, the supplier's decision turned out to be quite different. To illustrate, Kapuscinski offers three possible scenarios for NSF and its McDonald's customers:

1. Demand is extremely stable, with 2,000 burgers sold daily.
2. Demand is highly volatile, with anywhere from zero to 5,000 burgers sold daily.
3. Demand is somewhat volatile, but not extreme, with somewhere between 1,500 to 2,500 burgers sold daily.

Information about inventory levels is most valuable in the third situation, according to Kapuscinski. "My research reveals that inventory information is most useful when a company is dealing with average situations, not extreme ones," he explains. In the first scenario, the information is not really useful, because NSF already knows what a specific McDonald's store is going to sell on a daily basis. In the second scenario, the sales are so dramatically volatile that NSF will not have time to respond to spikes in demand, other than to keep a large amount of safety stock on hand.

"In the third situation, it is critical for NSF to respond quickly, but there is still time to respond, and that is what makes the system work," Kapuscinski explains. NSF's managers used Kapuscinski's computations and "menu of answers" to guide their decision-making about spending on IT systems.



Martin Vloet

Roman Kapuscinski

A slightly different problem arises when inventory is distributed to multiple customers with different valuation criteria, such as expectations for service levels and payment margins. "When a company has low inventory, it may even choose not to give that inventory to a specific customer, because there is a great likelihood a more profitable customer will request it very soon," Kapuscinski says. "This ration inventory, as it's called, is kept in stock for a special subset of customers and is not given to everybody."

Drawing on his observations at companies with heterogeneous customer classes, he developed a second rule about valuing inventory information, based on the average level of penalty for stock-outs or shortages. "If the penalty or cost of not having enough inventory is very low, information is not very useful," Kapuscinski says. "If the penalty or cost is extremely high, information also is not very useful; when a company knows up front about the high penalty for shortages, it will keep a lot of extra inventory in stock. However, if the situation falls somewhere between those extremes, the information on inventory levels is extremely valuable."

A third consideration for gauging the value of information deals with how constrained a company is by its production capacity. At NSF, managers initially assumed that when capacity was tight, obtaining inventory information from their McDonald's customers would be beneficial and help them improve their operations. That conclusion proved to be wrong.

"If a company has tight production capacity, it is nearly useless to have this information because the company cannot respond to increased demand in any case," Kapuscinski says. "On the other hand, if a firm has a lot of capacity, this information can make a huge difference because the firm can respond quickly to sudden needs for extra products and deliver them to specific customers. The more capacity a company has, the greater the value of information."

The value of information on inventory levels is highest when:

- The variability of demand is average, neither highly volatile nor extremely stable.
- The shortage penalty is average, neither big nor small.
- The production capacity is high, not tight.

These rules apply to buying and selling throughout the supply chain, whether manufacturers are marketing products and services directly to customers or suppliers are purchasing raw materials and goods from manufacturers. Across-the-board implementations of information linkages are typically very difficult to achieve, however.

"Although a company may want to connect with nearly all its customers and suppliers, it should start with the most promising ones, using the criteria I've outlined," Kapuscinski advises. "That sequence will produce the maximum benefits and allow the company to calibrate the advantages it could expect to gain by connecting electronically with other groups of customers and/or suppliers."

A manufacturer can coordinate its production schedule to the needs of specific customers. This reduces the cost of stocking extra inventory and avoids the penalty of shortages, which can result in dissatisfied customers, lost sales and second-hand corrections, i.e., expedited orders, overtime, discounts and/or shipments from other facilities. In addition, a company may be able to maintain its current service level at a lower cost, or increase its service level with little or no increase in cost.

"There are no universal lessons, however," Kapuscinski cautions. "It is important to be aware of the generalized rules for determining the value of information, but each company must be considered on a case-by-case basis."

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Through their ongoing research, University of Michigan Business School faculty members continue to bring new knowledge to the classroom and to the business community at large. Below are brief synopses of recent research in two different areas.

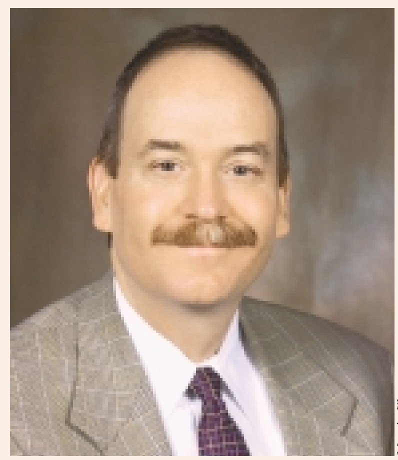
Equity Analysts: Following the Herd?

Equity analysts at investment banks "follow the herd" when deciding to initiate coverage of a firm and in making recommendations whether to buy, hold or sell a security, according to a new study published by Gerald F. Davis and his colleagues in the March edition of *Administrative Science Quarterly*.

Davis worked with two other researchers from Emory University and the Norwegian School of Management to examine the analyst coverage of approximately 2,000 Nasdaq firms from 1987 to 1994. The study reveals securities analysts tend to look at what their peers are doing before deciding what to do. Each member of a "herd" who adds coverage of a firm roughly triples the likelihood that other analysts will add the company to their coverage the next year, according to the research findings.

Davis and his colleagues describe analysts' coverage choices as "consequential, visible and subject to considerable uncertainty." Social proof, i.e., using the actions of others to infer the value of a course of action, goes a long way toward reducing that uncertainty.

Aside from a lack of independent decision-making, the study indicates analysts are more likely to overestimate a company's profitability. According to the research, analysts who add a firm after following a herd of at least 10 other analysts are more than three times as likely to substantially overestimate the firm's earnings than



Martin Vloet

Gerald F. Davis

analysts who maintain an independent viewpoint. Furthermore, analysts prefer to follow firms that do well or are expected to do well—fewer than 5 percent of analysts' recommendations are to sell, as opposed to buy or hold—but by doing so, they are more likely to overrate a company's stock.

Social proof is easy for decision-makers to use, but often leads to errors and decision reversals. The study reports once analysts have initiated coverage of a firm and can make direct evaluations, they no longer depend on external cues to make choices about abandoning that coverage. They also are able to discover and correct mistakes.

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Preferential Pricing May Hurt Loyal Customers

Companies that try to attract new customers by offering them price breaks fail to take into account the effect of such preferential pricing on existing customers, say Fred M. Feinberg and Aradhna Krishna.

Martin Vloet

Fred M. Feinberg

Customer preference for a firm's goods is based on more than just the price offered to that particular consumer, the researchers report. The decision to buy also is influenced by what others pay for that same product or service. As a result, loyal customers feel betrayed when "switchers" get a lower price or a better deal. In the long run, companies would be better off if they gave special deals to their loyal customers instead.

Krishna and Feinberg, along with Z. John Zhang of Columbia University, used statistical modeling to confirm the traditional "loyalty" and "switching" effects. They found consumers are more likely to buy goods from their preferred firm if it offers them a lower price and less likely to buy if a competitor offers a better price.

The study also shows "betrayal" and "jealousy" effects. Consumer preference for a favored firm will decrease if it offers a special price to "switchers" and not to "loyals." Customer preference for the company also will diminish if a competitor offers special prices to its own loyal customers.

Hypothetically, the researchers show that in cases of betrayal or jealousy, formerly loyal customers are 12 percent more likely to buy from another company, even if the loyalists themselves gain nothing from switching. Companies that ignore the impact of betrayal and jealousy on loyal customers risk alienating those valuable buyers, who may switch their allegiance to a competitor. According to Feinberg and Krishna, firms that mistakenly target

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Aradhna Krishna

"switchers" instead of "loyals" could see a significant decrease in profits (about 9 percent), while their competitors may see profits rise by roughly the same amount.

The best course of action, particularly when buyers are aware and care about competitive promotions, is to offer a special deal to everyone with the hope that only switchers will avail themselves of it. In other words, the researchers say, price discrimination should occur through self-selection on the part of consumers.

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Make Your Mark

Class of 2002's record-breaking gift inspires co-pledge by Class of 1977

Last spring the 2002 graduating class at the University of Michigan Business School set an all-time record by raising more than $200,000 for their class gift and achieving historically high student participation in their pledge campaign.

The '02 graduates voted to allocate funds for upgrading the student lounge in order to provide future generations of business students with a welcome place for studying and networking. Their achievement not only raised the bar for future class giving, but also attracted support and a pledge of additional funding for the renovation project from members of the Class of 1977, who held their 25th reunion in October. This cross-generation partnership marked the first time a 25th anniversary class co-pledged monies with a graduating class, and set a precedent for future joint-support programs to improve the Business School community.

"Annual gifts to the Business School have a tremendous impact on our ability to provide innovative programs, launch new student initiatives and fund ground-breaking faculty research," says Dean Robert J. Dolan. "Through class giving and individual support, our graduates can play a key role in helping Michigan maintain its strong leadership position among the top-ranked business schools in the world."

The Business School's Class Gift Program was started 22 years ago, affording graduates an opportunity to show their support for the school and to pledge needed resources. Class gifts help to replenish the Annual Fund, which provides the Dean with

The '02 graduates voted to allocate funds for upgrading the student lounge in order to provide future generations of business students with a welcome place for studying and networking.

unrestricted funds for scholarships, internships, action-based learning programs such as the Domestic Corps, and additional non-budgeted needs.

Martin Vloet

Presenting the Class of 2002's gift check to Dean Dolan are (left to right) Charles Fan, BBA '02; Sara Mroz, MACC '02; Michael Mandeck, BBA '02; Gabrielle Wesley, MBA '02; Al Leandre, MBA '02; and Rob Oliver, MBA '02.

"Whether it is $100 or $10,000, alumni gifts do have a sizable impact on the Business School," explains John Copeland, director of annual giving. "These monies are particularly important to a publicly funded school such as Michigan, which must compete against privately endowed colleges and universities."

Leaders from the Class of '02 set out to increase participation in their pledge campaign and to raise what they hoped would be a record amount of money for their class gift when they first gathered in the fall of 2001. The challenge was formidable, given the events of September 11, the weak economy and the spotty job market.

However, the committee for the fundraising drive put their well-honed Michigan business management skills into play to tackle the problem. They created a marketing slogan, "Make Your Mark," and leveraged valuable personal relationships for making contacts. Committee members also instilled a competitive spirit in their campaign and widened the fundraising effort to include the entire student body.

The student fundraising effort received a boost from two Business School alumni who offered to create a $50,000 Alumni Challenge matching gift for the first $50,000 pledged by the graduating class. **Keith Alessi, MBA '79,** and **Barnett Helzberg Jr., BBA '56,** each pledged $25,000 for the challenge gift. Alessi shared his personal thoughts about the importance of giving back to the Business School during the campaign kickoff dinner in March.

"I stressed that giving is a lifelong process and it is more important to establish a pattern of giving than to give a certain amount," Alessi recalls. "I challenged them to set a new standard. And they did the rest. It's a real tribute to the student leaders who were able to get such impressive participation during a tough economy."

The Class of '02 took a brand-management approach to fundraising and made the campaign a school-wide event, according to **Gabrielle Wesley, MBA '02.** "To instill a sense of ownership in the campaign, we developed the Make Your Mark slogan," she explains. "Then we recruited and trained nearly 100 class-gift ambassadors from the BBA and MBA classes."

These ambassadors used a personalized approach in contacting their classmates and friends, explaining the importance of the campaign and the need for the funds, and then asked for pledge cards. As added incentives, the class-gift committee staged gala events, handed out cookies and candies, held raffles for branded Michigan gift items and encouraged competition among the six MBA and six BBA sections. Students who made pledges were given a choice of designating how their donations would be used, further increasing their sense of engagement in the effort.

Michigan graduates are much better prepared to take on responsibilities in the business world because they receive a well-rounded business education and great experience that goes beyond mere textbook learning.

The '02 graduating class blew past the $50,000 mark within the first week of its two-week fundraising effort. At the Dean's graduation reception on April 26, the student pledge campaign co-chairs—who included Wesley, **Alland Leandre, MBA '02, Sara Mroz, MAcc '02,** and **Michael Mandecki, BBA '02**—presented Dean Dolan with a class-gift check for $237,248. This gift included anticipated matching funds from employers as well as the Alumni Challenge monies. Equally important, the MBA class reported a record-breaking 92 percent participation in the drive.

The BBA Class of 2002 also made great strides, drawing 52 percent participation in the class-gift campaign. In addition, more than 50 percent of the Master of Accounting (MAcc) Class of 2002 pledged support, and the class started a special fund to provide financial resources for future MAcc students.

"We set a precedent for our giving at the Business School and made the class-gift campaign an important issue," says **Rob Oliver, MBA '02,** who directed the recruitment and training of MBA class-gift ambassadors. "We set the bar higher and made giving back to the Business School a significant part of graduating."

Although class members hoped to fund the full cost of the student-lounge renovation, the money they raised was not quite adequate. **George A. Isaac III, MBA '77,** learned of the class goal and the funding shortfall during a visit to the Business School in May. Inspired by the enthusiasm of the "younger group" and the need to keep Michigan competitive with other top-tier business schools, he proposed that the MBA Class of 1977 raise "significant gifts" to help pay for the needed improvements. The class reunion committee selected the student-lounge renovation as the focal point for its 25th anniversary gift to the Business School and established a fundraising target of more than $300,000.

"A number of programs that make Michigan's Business School so outstanding cannot be funded by the state, so alumni support is critical for keeping the school on top," says Isaac, who is the founder, president and CEO of two Ohio companies, GAI Capital Ltd. and Pyramid Scrap Management LLC. "Michigan graduates are much better prepared to take on responsibilities in the business world because they receive a well-rounded business education and great experience that goes beyond mere textbook learning."

Alumni also reap personal benefits by giving back to their alma mater. "Providing a world-class education for future generations makes all graduates proud and adds to the value of our own degrees," Isaac says.

For more information on the Annual Fund, contact the Development and Alumni Relations Office at 734.763.5775.

MBA Annual Giving Participation

The MBA Annual Fund provides resources for funding existing programs and new initiatives at many private and public business schools. Here is how participation at the University of Michigan Business School stacks up against the competition during the 2001–2002 campaign:

Michigan	24.3%
Harvard	25.0%
Duke	25.0%
Stanford	33.5%
Kellogg	34.0%
Tuck	62.0%

Source: University of Michigan Business School Peer Benchmarking

BBA participation for peer schools is not available.

ALUMNI AT LARGE

Zim Photography © 2002

In the Shadow of Ground Zero

Mike Hennessey, BA '86, MBA '01

As a student in the University of Michigan Business School's evening MBA program, **Mike Hennessey,** BA '86, **MBA '01,** learned how to quantify information, make decisions and communicate effectively. He enjoyed tackling problems where there were not a lot of guideposts, and then designing and implementing solutions to solve those problems.

Little did he know that within months of graduating, he would be applying his talents to forensic science's most daunting challenge of the 21st century—the identification of victims taken from Ground Zero after the September 11 terrorist attacks on the World Trade Center.

Since September 2001, Hennessey has been working as the World Trade Center identification system project leader for Gene Codes Forensics, a newly formed subsidiary of Gene Codes Corp. The Ann Arbor-based software company makes tools for DNA research, and in the aftermath of the tragedy the Office of Chief Medical Examiner (OCME) in New York approached the firm to ask for help in using DNA to identify the victims. Company officials agreed. Hennessey, who had worked for the parent firm for five years and had moved to Queens, New York, in summer 2001, was assigned to the OCME full-time. Long hours and grueling weeks of intensive work followed.

"They didn't cover this in Business School, but a lot of lessons we learned do apply," Hennessey says. "Rather than dealing with consumer goods, however, the end user in this case is a family waiting for you to identify a loved one. It's a different kind of engagement, with very emotional overtones."

Working remotely with Gene Code engineers in Ann Arbor, Hennessey has helped develop a special database called MFISys (Mass Fatality Identification System) that enables forensic scientists to make identifications by comparing the genetic profiles of victims to DNA samples provided by their families. In addition, he has provided operations consulting to the lab, drawing upon his Business School coursework in database and project management, integrated operations and statistics.

Hennessey's most significant contribution has been the design and implementation of the administrative review, a rigorous process for ensuring the right name is assigned to the identification of a victim. He supervises the OCME group that conducts these reviews, and all victim identifications since January have gone out under his signature. By September 11 of this year, 1,400 victims had been identified, including 600 through the use of DNA alone and another 600 using a combination of DNA and other methods. The statistical work is particularly demanding because the DNA matching must meet the courtroom standards for evidence in paternity cases.

> *Since September 2001, Hennessey has been working as the World Trade Center identification system project leader for Gene Codes Forensics…*

Although much of Hennessey's time has been spent crunching numbers at his computer in the OCME, on occasion he has found it necessary to view actual remains. "That's particularly tough," he says. Hennessey also has acted as a public spokesperson for the lab, communicating its mission and operations to family and community groups, government agencies and media representatives.

At this point, the identification process for 2,800 victims is only half completed, leaving Hennessey precious little time to spend with his wife, Zim, a professional photographer he met at a friend's wedding, or to contemplate his future. Still, he's come a long way from his childhood home in Bloomfield Hills, Michigan, and his early days at Michigan where he was a history major as an undergraduate and, for a short time, a graduate student in Russian Studies.

"This has been an incredible experience," Hennessey says. "I leave the lab at the end of the day after having made an identification, and I feel good. But then I feel guilty, because I know there are so many more yet to do."

ALUMNI AT LARGE

D.C. Goings

A Positive Spin

Jim Keskeny, MBA '72

Jim Keskeny, MBA '72, a private investment counselor, has leveraged the business skills and experience he acquired as a dual marketing and finance major at the University of Michigan-Dearborn (BBA '68) and as a Michigan MBA student in ways he never would have imagined.

Keskeny is a long-time volunteer for the Multiple Sclerosis Society and served as the U.S. representative on the Persons with MS International Committee from 1993 to 2000. To date, he has raised nearly $100,000 for multiple sclerosis by participating (via wheelchair) in up to five racing events annually. He has traveled to more than a dozen countries to raise visibility and awareness of the disease.

> *"My business education has given me the comfort level to ask British Airways, Toyota, DaimlerChrysler and Siemens Automotive Corp. to support and contribute to a worthy social cause."*

This year, Keskeny accepted an invitation to address the Japan MS Society in three cities, and in July he embarked on his first round-the-world trip. During his stay in Japan he visited Dr. Tetsuya Higuchi, a Japanese physician he met while volunteering at the University; and in Korea he met with Dr. Yung Ho Cho, a Korean business professor and acquaintance from Michigan's campus. Keskeny then visited friends and associates at the Multiple Sclerosis International Federation in London and the Netherlands MS Society in Amsterdam before returning home to Michigan.

"All this never would have come together without an understanding of business complexities," Keskeny says. "My finance background, marketing and public relations skills, network contacts and fundraising experience have served me well. My business education has given me the comfort level to ask British Airways, Toyota, DaimlerChrysler and Siemens Automotive Corp. to support and contribute to a worthy social cause."

Closer to home, Keskeny is an active volunteer on campus and in the Ann Arbor community. For the past eight years, he has been a conversation partner for foreign students on North Campus who are trying to learn English as a second language.

"It has been a real joy to meet these students and their families and to extend American hospitality," Keskeny says. "I help them learn about our culture and answer questions on topics such as the Red Wings, and I learn about foreign languages and other cultures."

He has become acquainted with the staff at WUOM radio while working for the last five years as a phone-bank volunteer during the station's annual fundraising drive. Keskeny took WUOM bumper stickers to Asia on his world trip and gave them away as gifts to new acquaintances.

His most valuable volunteer contribution, however, has been serving for more than a decade as a demonstration patient in Dr. Sid Gilman's neurology class at the University of Michigan Medical School. Each year, Gilman, the William J. Herdman Professor of Neurology, takes his second-year medical students through the entire diagnostic procedure in a neurological work-up, using Keskeny as his subject, and shows them how to identify the symptoms of MS.

> *For the past eight years, Keskeny has been a conversation partner for foreign students on North Campus who are trying to learn English as a second language.*

"I've lived with MS for 36 years," explains Keskeny, who resides in Pinckney with his wife, Nancy, and their two bull mastiffs, Ziggy and Jackie. "This always takes me back to the early days when I was first diagnosed." The diagnosis of his "mysterious illness" was made at age 22 during his junior year at Michigan's Dearborn campus. Over the next decade the debilitating neurological disease progressed. At 33, Keskeny was forced to take disability retirement from Ford Motor Co. Four years later, in 1981, he started using a wheelchair, but the switch from two feet to two wheels never slowed him down for a minute.

"I consider myself extremely lucky," Keskeny says. "I believe you have to put a positive spin on the curve balls life throws you."

By Claudia Capos

Michael J. Schimpf

By Eugene A. Imhoff Jr., the Ernst & Young Professor of Accounting and the director of the William A. Paton Accounting Center at the University of Michigan Business School

Legislation **falls short** of correcting underlying problems in accounting, auditing and corporate governance

STOP PLAYING Games

Only by making serious and substantive changes at all organizational levels across the board can the American business community move forward into an orderly marketplace.

Congress has passed and President George W. Bush has signed into law new legislation designed to address the problems with accounting, auditing and corporate governance. And although Congress is struggling to find enough Board members who are acceptably "independent," the substantive provisions of this legislation fall far short of what is needed to correct the real underlying problems afflicting our marketplace.

Accounting-related misdeeds and auditing failures have taken down a number of prominent companies, including one of the largest CPA firms in the world. And the carnage may not be over yet. In part, the problem stems from the fact that big CPA firms have focused too heavily on reducing audit costs in order to be price-competitive in obtaining new clients. Cost containment has been achieved by lowering the standards for entry-level hiring, reducing the costly "tests of details" aspect of audits and cutting the number of hours required to conduct audits. In hindsight, the impact of these changes on the quality and integrity of the financial-reporting system seems obvious. Now, in the aftermath of the 1990s economic boom, concerns about accounting and auditing quality are surfacing with great regularity.

The fundamental contribution of auditors is their *independent* assessment of the fairness of management's financial statements, which entails verifying that those statements conform to acceptable accounting rules, or Generally Accepted Accounting Principles (GAAP). Auditors use these accounting rules to determine whether managers are reporting fairly to shareholders. Unfortunately, all too often, auditors assume that if there is no specific "bright-line" rule to prohibit management from doing what it wants, then the resulting financial statements "fairly present."

Over the years, the role of professional judgment in auditing has been pushed aside. Today auditors are mostly rule checkers. This situation has evolved in part because auditors have demanded more rules to hide behind. What's more, auditors have shied away from exercising professional judgment or confronting management about questionable or aggressive accounting practices. In most cases, if the practices used by the Enrons of the world are not obvious violations of GAAP, clean audit opinions will be issued.

The financial-reporting environment also is flawed. Managers are rewarded for superior performance through cash-bonus, stock-option and stock-award plans, which are based on accounting results. This practice has made corporate financial statements the focal point of management's wealth-maximization strategy.

Often managers try to mask their wealth-enhancing activities and/or their managerial failures (despite the great transparent maze of accounting rules) by manipulating the accrual-based financial reporting process. If they find themselves in trouble while perpetuating these window-dressing activities, they can call upon the creative talents of high-priced financial consultants. The role of many of these financial wizards is to develop new, untested financial schemes designed to make managers look like they are achieving results beyond the expectations of shareholders.

Mandate rotation of auditors

The proper way to fix the audit industry is not by creating a new oversight board or by forcing the corporate partner in charge of the audit to rotate every five years to another auditor within the same CPA firm. These are weak proposals that do not address the fundamental problems.

In order for auditors to maintain their independence from managers, there must be a mandatory rotation of CPA firms for all major publicly traded companies every three years. This rotation would encourage auditors to exercise their professional judgment whenever management is observed doing

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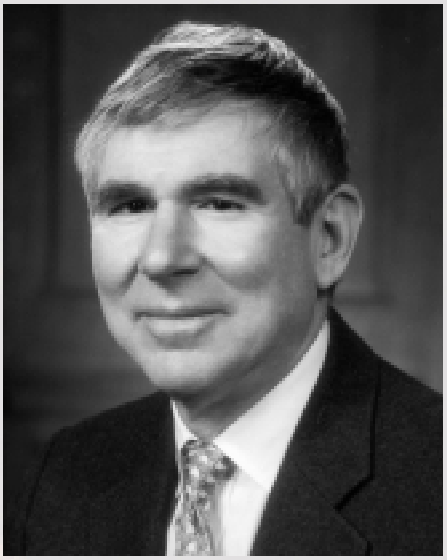

By Peter Clapman

Senior vice president and chief counsel for TIAA-CREF, the world's largest pension system, and chairman of the International Corporate Governance Network, an organization of investment managers, regulators, shareholder advocates and corporate-governance experts

"We can create a better investment climate."

During an interview with *Dividend,* Peter Clapman outlined TIAA-CREF's approach to improving corporate governance and restoring investor confidence.

TIAA-CREF has been a strong proponent of improved corporate governance for some time. We believe in board independence, and that the three key board committees—audit, compensation and nominating—should be composed entirely of independent directors, under a tough definition of "independent." These are critical safeguards for investors.

The corporate scandals we've seen are attributable to deficiencies in the boardroom, including a lack of independence of the directors and their failure to do a responsible job. Executive-compensation motivations also have been quite wrong for a number of years. The overuse and abuse of stock options have led to a short-term focus on the part of corporate management at the expense of long-term shareholder interest.

We advocate shareholder approval of all stock-option plans. We also would require the compensation committee to be independent, and to hire its own consultants and take its responsibility of representing shareholders very seriously. In addition, we advocate more effective regulation of the accounting industry by an oversight board that is independent and has real power. This could be accomplished by the Securities and Exchange Commission (SEC) or by congressional legislation. We strongly support the Sarbanes-Oxley Bill and the SEC's Public Accounting Oversight Board.

At TIAA-CREF, we have our own analytical staff and rely on our own investment research, but we also depend upon the integrity of the market. We have an extensive corporate governance program and have sent our policy statement to the 1,500 domestic companies in our portfolio. We meet with companies where we see corporate-governance deficiencies, but we will be most effective if we can improve the whole system. If corporate governance is aligned properly and meets the objectives outlined in our policy statement, then we should not see the type of abuse and oversight problems that lead to the collapse of corporations.

I tend to be optimistic. If we implement some of the proposed congressional and SEC reforms, we can create a better investment climate. If we don't, the crisis in confidence will continue well into the future.

something that could be detrimental to the shareholders, *even if it is not an obvious violation of an accounting rule.* Moreover, rotating auditors would create a comprehensive oversight of the procedures and judgments employed by the predecessor audit firm. CPA firms would be continuously checking up on one another, so there would be little need for an external oversight board.

Mandatory rotation also would address the revolving-door problem of having auditors perform audits of managers who were formerly fellow auditors themselves. In addition, rotation should do away with low-balling practices by requiring each audit to be priced to make a profit on its own. Even if an audit were to cost more,

1700–1799
The Industrial Revolution stimulates the formation of capital markets and the separation of owners and managers. Owners voluntarily hire independent auditors, but publicly owned corporations have no requirements for auditing and are guided only by the financial reporting rules of the stock exchanges until well into the 20th century.

1933–1934
After the 1929 Crash, Congress attempts to renew public confidence in the financial markets by passing the Securities Act of 1933 and the Securities Exchange Act of 1934, establishing the Securities and Exchange Commission (SEC).

there is every indication shareholders would gladly pay for the enhanced quality and integrity of the financial-reporting process.

Many CPAs oppose mandatory rotation because they believe there are greater risks associated with the first year of an audit. However, those risks actually may be associated with low-ball bidding practices and the decline in the quality of auditors used to staff the job. Professional auditors should and can be effective at auditing. CPA firms must overcome any issues associated with rotation and work to regain public trust and professional respect for the audit industry *without the pressure of losing the audit if they stand up to management.*

Make board members independent

No matter what is done to correct the ills of the audit industry, bigger problems with the corporate-governance system will persist and continue to cause more failures unless those problems also are remedied. In too many instances, corporate boards are aligned with the interests of corporate management and do not adequately represent the shareholders. Frequently, the current or former CEO chairs the corporate board, handles the nomination of new board members and effectively controls the agenda and *persona* of the board. To make matters worse, many of the directors who sit on corporate boards are not capable of evaluating financial information in depth, and they may be compensated with stock options whose value is heavily dependent upon future financial performance.

Four things could be done to address current corporate-governance weaknesses. First, the CEO or any other past or current top manager should be prohibited from acting as the chairman of the board of directors at any publicly traded firm. Second, outside directors should not be allowed to hold stock options in the company. Third, a subcommittee of outside directors should be established to nominate new board members who act independently of

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A Timeline for Accountability

1937
The SEC begins issuing financial-reporting standards and requires all publicly traded corporations to have an annual independent audit, attesting to the fairness of management's financial reports to shareholders and noting any deviation from the acceptable rules of accounting and reporting. Elected shareholder advocates form corporate boards of directors to oversee managers and protect shareholder interests.

1939
The American Institute of Certified Public Accountants (AICPA) forms the Committee on Accounting Procedures (CAP) to help establish accounting principles.

1959
CAP is replaced by the AICPA's Accounting Principles Board.

1973
The Financial Accounting Standards Board (FASB), an independently funded, full-time standard-setting organization, is created, placing America at the forefront of the worldwide development of accounting standards.

1974–1976
Congressional investigations target the public accounting profession's lack of independence, particularly the practice of serving as both independent auditors and management consultants. CPA firms weather the storm and recognize the strategic advantage of developing their high-margin consulting practices. Corporate mergers stimulate growth within the CPA firms.

1980–1990
Major CPA firms develop strategies to attract a bigger client base and to provide full-service consulting to clients in every industry. AICPA rule changes permit CPA firms to advertise, thereby stimulating open competition, cost cutting and low-ball bidding. Through massive consolidation, the Big 8 CPA firms become the Big 5. Auditing is turned into a commodity.

1999
The SEC supports the findings of the 1998 "Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees," a joint effort of the New York Stock Exchange and the National Association of Securities Dealers.

2001
Enron's collapse and subsequent corporate meltdowns unleash a public outcry and congressional action against accounting abuses and corporate malfeasance.

2002
Congress passes the corporate-governance and accounting-oversight bill, which is signed into law by President George W. Bush.

"Promote a culture of openness, competency and candor."

By Carl Levin, U.S. Senator (D-Michigan)

As the chairman of the Permanent Subcommittee on Investigations, Carl Levin has headed an in-depth investigation of the Enron scandal. Many of his accounting-reform proposals were included in the corporate-governance and accounting-oversight bill, which was passed by Congress and signed by President George W. Bush in late July. Levin unveiled his Shareholders' Bill of Rights in an address last April before the Economic Club of Detroit. His excerpted remarks follow.

The collapse of the Enron Corporation has raised troubling questions about our sense of economic security and about the engine of our economic stability and prosperity—American corporations. People want to know how so many Enron executives could walk away from the disaster they created with tens of millions of dollars in their pockets. They want to know how—with all the systems in place to protect employees and consumers, i.e., the auditors, the board of directors, the Securities and Exchange Commission—the sudden bankruptcy of a company this large could happen. And with more than 50 percent of American households now owning stock, directly or indirectly, these questions are being asked on Main Street, not just on Wall Street.

Enron was the largest energy trader in the world, worth $80 billion, with 20,000 employees. It reached that point by the tangled and deceptive use of a reported 3,000 affiliates, approximately 800 of which were in offshore tax havens.

When you pare down the hundreds of incredibly complex financial transactions, which were the hallmark of Enron, you realize many were nothing more than bookkeeping tricks designed to artificially inflate earnings rather than achieve economic objectives, to hide losses rather than disclose business failures to the market, and to deceive more than inform. The decisions to engage in these complex transactions were fueled by interlocking conflicts of interest, a shocking disregard of investors, and arrogance.

Over the last 25 years, with both Democratic and Republican administrations in the White House, we have moved steadily toward a less-regulated economy, and few would argue that we should suddenly reverse direction. But the challenge for us today, made clear by the Enron fiasco, is to find the legitimate role for government to play in this new largely deregulated economy.

Increasingly, Americans are both workers and shareholders, and they are vulnerable to the kind of manipulations and deceptions that left hundreds of thousands of Enron employees and shareholders with nothing but broken dreams for all their years of hard work. We need to think boldly about what economic security means in this new economy.

What happened at Enron wasn't just a failure of regulations and law—it was a failure of corporate culture, a failure of values, a failure of heart. And even the best government policy can't change that. That change will come from the actions of leaders in the business community who, by their example, promote a culture of openness, competency and candor.

Corporate boards and officers have a fiduciary duty to their stockholders. When business leaders ignore that duty, the results are corrosive to our society as a whole. They undermine the basic sense of fairness and honesty that binds us together as a people. The pursuit of personal profit at any cost cheapens the core values that make America great.

We know what a difference the right kind of business leadership can mean for a community because for decades our region has been blessed with business leaders who have exemplified corporate citizenship at its best. To realize our great potential as a nation, we must always strive to find the right balance between the bottom line and the common good.

For additional comments by Senator Levin, visit levin.senate.gov.

management. Fourth, a continuing-education requirement, encompassing 30 hours per year of corporate-funded coursework from an accredited program of study, should be made mandatory for all board members.

These changes may make it more challenging to find qualified people willing to sit on corporate boards. However, the remedies could go a long way toward enhancing the independence and competence of the board of directors and compelling them to properly represent shareholder interests.

No serious improvements to the audit industry and corporate governance will occur if the total responsibility for instituting reforms is left in the hands of Washington politicians who struggle to staff the new oversight board months after its approval. The American Institute of Certified Public Accountants and the Securities and Exchange Commission or the stock exchanges themselves should take the lead in initiating changes to improve the quality and integrity of our system of financial reporting and governance. And the rating agencies and security analysts also should become more organized and proactive at stimulating substantive changes to bring about important long-term improvements.

In short, America's capital markets are afflicted by problems in accounting, auditing and corporate governance that have undermined the quality and integrity of financial reporting. Only by making serious and substantive changes at all organizational levels across the board can the American business community move forward into an orderly marketplace.

Contact Eugene A. Imhoff Jr. at imhoff@umich.edu.

By Richard Grasso

Chairman and CEO of the New York Stock Exchange

"There are some who have abused the system."

At a late summer press conference, Dick Grasso announced the New York Stock Exchange's board of directors had approved changes in the NYSE's listing standards aimed at restoring investor confidence. The measures are expected to ensure the independence of directors and strengthen corporate-governance practices. During his remarks, Grasso commented on the challenge of rebuilding faith in the stock market.

It is a very magnetic proposition to be listed on the New York Stock Exchange. Part of the cachet, and the quality, of listing is the extent and quality of the NYSE's self-regulatory mechanisms. Three elements constitute the quality of this institution: the quality of the great companies that are privileged to trade, the quality of the markets we maintain for those companies and the quality of oversight of both those markets and market participants. I see no inherent conflict in that. In fact, if you go back to the very roots of our creation, we are a private institution with a public purpose. The real public purpose is serving 85 million investors in this country.

It is a very important statement that this special (Corporate Accountability and Listing Standards) committee and our board have made about accountability to investors and about public trust and confidence in the markets, in issuers and in the integrity of financial intermediaries. There is no greater wealth-creation engine the world has ever experienced than capitalism as practiced in this great country of ours.

There are some who have abused the system, and they deserve to be exited from the system. There are some who have broken the law, and they deserve to go to jail. I think that's an important message the American consumer and American investor need to hear. As many of you have heard me say, if you rob a bank in this great country, you go to jail. If you rob the shareholders, you should go to jail. No ambiguity there. I have my own caveat: You should not be able to shelter ill-gotten gains through Homestead provisions of bankruptcy codes. All those magnificent $20-plus million mansions should be up for return to the investors who have been defrauded.

"Ultimately, it is the personal values, mutual expectations and independence of those to whom we entrust our public companies that matter most."

By B. Joseph White, The Wilbur K. Pierpont Collegiate Professor and Former Dean of the Business School

In the Business School's 36th annual William K. McInally Memorial Lecture, B. Joseph White examined the current crisis of confidence in American business and outlined what business leaders must do to earn the public's trust.

We meet at a time of crisis in American business. Crisis is not a term I use lightly. We know that trust and confidence are the essential underpinnings of healthy markets and a well-functioning business system. Unfortunately, trust, confidence and the credibility of American business leadership have been badly shaken by events of the last year.

We are in a crisis because the American public's sense of fairness, which I think has a remarkably high tolerance level, is inflamed. It's inflamed by highly visible, over-the-top executive pay packages, by absurdly rich retirement deals for people who are already very rich and by the truly enormous and fast-growing multiple by which, in some companies, the CEO's compensation exceeds that of the average employee.

The sad truth is that in a succession of highly visible cases including Enron, WorldCom, Adelphia and Global Crossing, as well as others less visible, the multiple guardians of public company wealth and the investing public failed miserably. None of us dreamed, just a few years ago, that the layers of protection against mismanagement, fraud and conflicts of interest in public companies, the financial industry and capital markets could fail so completely.

What will it take to restore trust and confidence in American business leadership? The answer is, a lot. Here's my list.

- First, it will take time, stronger economic growth, better corporate earnings and an improved stock market. None of this will occur overnight, and we won't be fully back on track until it does.
- Second, wrongdoers, especially the most rapacious "big fish," must be punished. I like the statement by Deputy Attorney General Larry Thompson: "We aim to put the bad guys in prison and take away their money." (By the way, Thompson is a University of Michigan Law School graduate.)
- Third, we need financial reporting that is accurate, consistent and trustworthy.
- Fourth, conflicts of interest in the banking and financial services industry must be eliminated. The same is true in the auditing profession, which must rediscover the joy of being an authority above reproach, even if the consulting cousins are richer.
- Fifth, we need a Securities and Exchange Commission that is an aggressive shareholder advocate and an effective watchdog, with an SEC Chairman, a Congress and a White House that support these roles.
- Sixth, we need high-quality corporate governance that works for shareholders and with management, not for management. Directors and trustees must, among other things, ensure financial reporting that reflects the true state of the business and bring a higher degree of sanity and proportionality to executive compensation practices.
- Finally, we need a fundamental change in the values and focus of the leadership of some American companies, from short term to long term, from stock price to enduring value, from "Is it legal?" to "Is it right?" and most important, from selfishness to stewardship.

There is simply no substitute for individual integrity, starting with the chairman and CEO, for high expectations and for personal courage when it comes to creating and sustaining a culture of honesty and integrity in the boardroom. Legislation, regulation and externally imposed rules, guidelines and penalties have a role to play. They can set the stage, encourage good behavior and discourage bad behavior. But, ultimately, it is the personal values, mutual expectations and independence of those to whom we entrust our public companies that matter most.

To read Professor White's complete remarks, delivered October 23 in Hale Auditorium, visit http://www.bus.umich.edu/current/speech.html

CHINA

Michigan alumni, faculty and prospective students enjoyed a night on the town in Shanghai in mid-June.

DENVER

The Club of Denver had an active fall. Among club activities was a tour of the Coors Brewery in Golden, CO, on October 24, and an international dinner at Nyala Cafe, an Ethiopian restaurant, on November 13. Club members also participated in events sponsored by the Denver Business Series (DBS), a consortium of alumni from top-ranked business schools. DBS events included a session entitled "Doing Business in China" on September 19, and their annual Investment Panel on November 20.

HONG KONG

Michigan alumni gathered on July 11 at Grappas Restaurant in Hong Kong and heard a special presentation by Professor Izak Duenyas (pictured at right) on supply-chain management. For details about upcoming events, please contact richchow@hotmail.com.

ATLANTA

Atlanta-area alumni attended a happy hour at the Park Bench in Buckhead on May 9. The gathering provided opportunities for networking and making new friends. Alumni club members have formed a new Atlanta "In Transition" group to share job leads, circulate resumes and assist in job searches. Visit their Web site at http://groups.msn.com/UMBSAtlantainTransition.

BOSTON

Newly admitted MBA Class of 2004 students were welcomed at a cocktail reception on May 23 held at Cleary's restaurant in downtown Boston. On June 30, the alumni club hosted a golf scramble at Juniper Hill Golf Course in Northboro, Massachusetts.

SWITZERLAND

Assistant Professor Hans-Martin Schneeberger, CEO of the Schneeberger Group, provided the Switzerland Alumni Club with insights on global opportunities for technology companies during a wine-tasting dinner at the Restaurant Carlton in Zurich on March 21.

INDIA

University of Michigan alumni attended an evening dinner party, organized by the U-M India Alumni Association, at the Liquid Lounge in Mumbai, India, on September 5.

JAPAN

Professor Gunter Dufey, who spoke on corporate governance in Asia, and Associate Professor Priscilla Rogers were special guests at a March 8 meeting of Michigan alumni at the Kioicho Club in Tokyo.

LOS ANGELES

Michigan alumni in Los Angeles hosted a happy hour at the Tahiti Lounge on May 15.

RALEIGH

Alumni living in North Carolina met in mid-September at Out of the Park near Raleigh for some fall socializing. The regional contact is Karen Mishra at karen.mishra@mba.wfe.edu.

SINGAPORE

Prominent figures from business and academia discussed the economic future of Singapore and Southeast Asia on July 11 at the Asian Business Forum 2002 sponsored by Michigan alumni in Singapore. Professor Linda Lim, a native Singaporean,delivered the keynote address, which was followed by a panel discussion.

TWIN CITIES

Alumni in Minneapolis/St. Paul area toured the Walker Museum on May 10, cruised aboard the Queen of Excelsior on July 18 and celebrated summer at a Welcome New Grads happy hour on August 22 at Brit's Pub. The alumni also sponsored a fall golf tournament for members on September 7.

NEW YORK

On April 1, 160 alumni from New York and surrounding areas welcomed then-Interim President B. Joseph White at a reception at the New York Athletic Club. New York club members took a New York Onion Walk/Eating tour through historic ethnic areas of the Big Apple on April 14. Todd Dagres, general partner, Battery Ventures, spoke on the fundamentals of due diligence at a September 12 reception in Boston sponsored by the Young Venture Capital Society, an organization for young professionals interested in the venture-capital industry.

For a calendar of upcoming alumni events, visit www.bus.umich.edu/alumni/a-events.html

SAN FRANCISCO:

The San Francisco Bay Area Club continued their annual late summer tradition of gathering for a Giants baseball game and tailgate party at PacBell Park. This year the club met on August 11 and cheered the Giants as they beat the Pittsburgh Pirates 5-4. For more information on the club, contact Shelley.B.Scipione@WellsFargo.com.

DETROIT

In recent months, Michigan alumni held a wine tasting at Morels restaurant and hosted a presentation on measuring corporate performance by Raymond Reilly, associate dean of executive education, and Greg Reilly of measure.net. They also co-sponsored with the Association for Corporate Growth a breakfast briefing featuring John Manley, director of equity strategy for Salomon Smith Barney.

WASHINGTON, D.C.:

Jan Svenvar, executive director of the William Davidson Institute, was the featured speaker at the Business School's Society of Washington, D.C.'s "Welcome Back" event held in September. Svejnar is the Everett E. Berg Professor of Business Administration. He spoke on the Davidson Institute's work in transition and emerging markets. For more information on the club, contact globusinc@msn.com.

UMBS Alumni Clubs & Contacts

For more information about alumni activities in your area, call or e-mail your regional contact or club leader.

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Affinity Clubs

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*UMBS Alumni Clubs

AlumniRelations

Creating Lifetime UMBS Community www.bus.umich.edu/alumni

Alumni Services

The University of Michigan Business School boasts a powerful, international alumni network of more than 34,000. To help unite and strengthen this diverse and influential community, the Business School and Alumni Relations are pleased to offer the following services, programs, tools and products—all designed to help UMBS alumni communicate easily and network effectively with both the Business School and one another.

NETWORKING SERVICES & PROGRAMS

- **UMBS Intranet** *(mtrack.bus.umich.edu)*
  Get connected to the Business School's password-protected online community for students, faculty, staff and alumni. Via the Intranet, members can access the UMBS Alumni Directory, class and club Web sites, career listings and more.

  To get a UMBS Intranet login name and password, contact Alumni Relations with your name, your name while in school (if different) and your degree and year of graduation. Requests will be answered within 24 hours.

- **Alumni Directory** *(mtrack.bus.umich.edu/Networking/AlumniDirectory.asp)*
  Connect with UMBS alumni in your city, country, company or class with this easy-to-use, searchable database located in the UMBS Intranet.

- **Class Web Sites**
  (mtrack.bus.umich.edu/Classsites)
  Find out what your classmates have been up to lately, and publish personal and professional updates of your own. To help develop your class Web site, contact Melanie McIntyre, Assistant Director of Online Services, at melrm@umich.edu.

- **Reunion Weekend & Annual Business Conference**
  (www.bus.umich.edu/alumni)
  Join your classmates and other Business School alumni in Ann Arbor for Reunion Weekend on October 17-19, 2003. Network with UMBS alumni, faculty and other business leaders at the Annual Business Conference on October 17.

- **Alumni Clubs Network**
  Get involved in the UMBS alumni community in your city or country. To join or establish a club in your area, contact Kathie East, Assistant Director of Clubs, at eastk@umich.edu.

COMMUNICATION TOOLS

- **Lifetime E-mail**
  (www.bus.umich.edu/alumni/email4life.html)
  Sign up for a free "@umich.edu" e-mail forwarding address! Stay in touch with classmates and other members of the Business School community, even during career transitions and changes in Internet providers.

- **MichiganMail**
  (www.bus.umich.edu/alumni/mmail.html)
  Update your e-mail address at alumni@umich.edu and receive Alumni Relations' twice-monthly e-newsletter, packed full of information about the Business School, the University and UMBS alumni.

ALUMNI MERCHANDISE

- **UMBS Marketplace**
  (www.UMBSmarketplace.com)
  Visit our online store for distinctive gifts, clothing and business items, all bearing the logo of the University of Michigan Business School.

For more information about these and other services for UMBS alumni, visit the Alumni Relations Web site at www.bus.umich.edu/alumni.

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University of Michigan Business School

Dick A. Leabo, PhD
Fred M. Taylor Professor Emeritus of Statistics
Although not a Business School alumnus, friends, colleagues and former students will be pleased to know that Dick is forming a Tampa Bay area chapter of the Distinguished Flying Cross Society, which is headquartered in San Diego. Dick is on a national scholarship committee for awards to be made to descendants of DFC members. "I enjoy reading *Dividend* in my retirement years in Florida. Good luck to all at the Business School. It is a great team effort." You can learn more about Dick's activities at dleabo@aol.com.

James C. T. Mao
UMBS Professor of Finance, 1954–1967
went on to teach at UCLA, Switzerland, Vancouver and China, and is the author of a recent booklet, *The Economic Modernization of China: A Historical Perspective*. Coming out of retirement, Dr. Mao has accepted a visiting professorship at Zhejiang University in Hangzhou, China. He will teach a course on Corporate Finance: Theory and Practice. Dr. Mao would be happy to show you the campus of Zhejiang University if you visit Hangzhou this fall.

1961

Robert Costello, BBA '61, MBA '62
has acquired a new e-mail address since his Class Note appeared in the last issue of *Dividend*. You may reach him at rvcostello@cox.net.

1965

Jacques Paul Espinasse, BBA '65, MBA '66
has been promoted to CFO and a member of the executive committee of media and entertainment company Vivendi Universal in Paris.

1966

Jerome M. Hesch, BBA '66, MBA '67
"After 20 years as a full-time law professor, I am now practicing with Greenberg Traurig, PA, a national law firm based in Miami. I still teach part-time as an adjunct professor at the University of Miami Law School," says Jerome. He also had a co-authored casebook recently published by the West Group titled, *The Individual Tax Base: Cases, Problems and Policies in Federal Taxation*. You can reach him at heschj@gtlaw.com.

Cece Smith, BBA '66
managing general partner of Phillips-Smith-Machens Venture Partners in Dallas, has been elected to the Board of Directors of Brinker International Inc. (NYSE: EAT), which has more than 1,200 restaurants, including Chili's

Grill & Bar, Maggiano's Little Italy, Romano's Macaroni Grill and On The Border Mexican Grill. For congratulations, and reservations, you may contact her at cece@phillips-smith.com.

1969

Douglas J. Greenwold, MBA '69
recently retired as vice president, sales and marketing worldwide, for CN Biosciences, a Merck subsidiary, after 32 years of marketing management, to enter the world of nonprofits. He currently is the executive director of Preserving Bible Times in Gaithersburg, Md. "How wonderful it is to be able to pursue a longtime hobby full time, and to be able to share it with the rest of the world as well," says Doug. You can reach him at doug@preservingbibletimes.org.

1970

Stephen Sanger, MBA '70
chairman and CEO of General Mills, was featured in the March 2002 issue of Northwest Airlines' *World Traveler* magazine, discussing General Mills' $13 billion merger with Pillsbury.

1972

Bill Bjork, MBA '72
is now a financial consultant with A.G. Edwards & Sons in Grand Rapids, Mich. Previously he spent five years in banking at Comerica, 17 years with KPMG and five years with Crowe Chizek and Co. In January he added the CFP designation to his CPA designation of many years. You can reach him at bill.bjork@agedwards.com.

Thomas Kinnear, PhD '72
the Eugene Applebaum Professor of Entrepreneurial Studies, Executive Director of the Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies and Professor of Marketing at the University of Michigan Business School, was among seven distinguished recipients granted honorary degrees from Queens University, Canada, at the Spring 2002 Convocation ceremonies on May 23.

1973

Gregory R. McDuffee, BBA '73
was appointed chairman of Fannie Mae's HouseMichigan Advisory Council in January. The council brings together leaders from every segment of the housing, mortgage, finance, nonprofit and government sectors to address key challenges and opportunities facing Michigan's affordable housing market.

1975

J. Martin Brennan, BBA '75
was nominated by the Michigan Democratic Party to the Michigan Supreme Court. He graduated from the Detroit College of Law in 1979 and has been engaged in general practice since then. In 1984 he was appointed as a Special Assistant Attorney General, and also served as the attorney for the City of Fraser from 1983 to 1999. He is an arbitrator for the Michigan Employment Relations Commission and serves as a case evaluator for Wayne, Oakland and Macomb County Circuit Courts. Marty, his wife Leta, and their children Caitlyn, 11, and J. Martin III, 9, reside in Rochester Hills.

Vivian Carpenter, MBA '75, PhD '85
president of Atwater Entertainment Associates, has been elected chairwoman of the Detroit Black Chamber of Commerce. Vivian is a board member of the Motor City Casino and chairs their management and audit committee. She also serves on the boards of Comerce Bank, Michigan Front Page and the Alumni Association of the Business School. She is a CPA, with a bachelor's degree in engineering, also from the University of Michigan.

1979

Michael Bow, MBA '79
"After retiring from the corporate world in 1992, following stints with Andersen Consulting and the Minute Maid Company, I now devote full time to investment management and retirement planning for almost 200 clients," says Michael. "A debt-free lifestyle and fully invested portfolio at market turns lay the groundwork for building great sums of wealth. Some of my favorite things are

white Cadillacs and Black Labs. Others may keep up with my vintage baseball card collection under the eBay ID of toppsgun," he adds. To find out about the Black Labs (and that other old stuff too), contact him at michael.bow@gte.net.

1980

Joe Richie, MBA '80
was recently promoted to director of marketing strategy for Freightliner LLC. His team is responsible for the company's strategic plan, market research, product definition, product databooks, pricing, invoicing, industry reporting and sales objectives creation. If he's not out in one of the "big rigs," you can reach Joe at joerichie@freightliner.com.

1981

C. Ronald Cooper, BBA '81
recently was named human resources director for the Great Lakes region of Deloitte & Touche. He will be responsible for the strategic design and delivery of HR services to employees in Detroit, Ann Arbor, Grand Rapids, Lansing and Midland, as well as Cleveland and Akron, Ohio. Previously he had been with Hewitt Associates for over 17 years. He resides in nearby Novi.

Lucille White, MBA '81
has been promoted to partner at Ernst & Young in Chicago. She provides tax services to academic medical centers, hospitals and other healthcare providers and health-related life sciences companies, as well as to colleges and universities, professional associations and cultural organizations. She is a member of the AICPA, the American Bar Association and the American Health Lawyers Association.

1983

Scott Fruchter, MBA '83
was admitted to practice law in California. He also is licensed in Louisiana. Scott specializes in employment, employer benefits and insurance law. He recently moved to San Bernadino, Calif., and can be reached at fruchterscott@aol.com.

S. L. Srinivasulu, PhD '83
recently completed a five-year consultancy/training assignment with the U.S. Federal Reserve System to provide executive development programs to senior regulators, policymakers and examiners. He also presented similar programs to the Office of the Superintendent of Financial Institutions, Canada. His two assignments were the catalyst for founding the e-learning company, KESDEE, which now contains nearly 1,000 hours of e-learning on various financial topics available through www.kesdee.com.

Ellen Ritt, MBA '83
"I am still living in Colorado, 13 years now, and loving the mountains. Hiking in the summer and skiing in the winter keeps me busy," says Ellen. "I hope to be more active with U of M alumni this year. Been through some trying times with the IT industry over the last few years." Ellen is currently in charge of operations for the Denver, Phoenix and Las Vegas offices of Analysts International. You can reach Ellen in the Rockies at mtnhiker13@yahoo.com.

1985

Vince Barker, BBA '85
has moved to the University of Kansas as a tenured Associate Professor teaching general management and business strategy classes after having spent the previous decade at the University of Wisconsin-Milwaukee. Prior to that he received his PhD in Business from the University of Illinois. "I'd like my friends to know my new house in Lawrence has a tornado-reinforced basement, so I hopefully won't end up in Oz," adds Vince.

1987

Joseph DiCarlo, MBA '87
has been appointed managing director of H. E. Microwave, LLC.

1988

Oleg I. Berger, BBA '88
is the co-managing partner of the Moscow office of LeBoeuf, Lamb, Greene & MacRae, an international law firm with 750 attorneys worldwide. Oleg has resided in Moscow for the past seven years and specializes in cross-border corporate transactions. Anyone traveling through should feel free to e-mail him at oberger@llgm.com.

G. Scott Haislet, BBA '88
recently became a certified specialist in taxation law, as certified by the State Bar of California Board of Legal Specialization. Scott owns Lafayette Exchange Corporation, which handles real estate matters, mortgage financing, estate planning and other transactions. He lives in Orinda, Calif., with wife Pam and children Rachel, 14, and Garrett, 11. He provides some sage advice: "Students should try to broaden themselves while in school with many different courses and experiences, because the real world will force you to narrow your focus too quickly. Also, writing, public speaking and other communications are extremely valuable skills rarely found in the real world."

Roger Marchetti, MBA '88
has been promoted to vice president, human resources, for Guidant Corporation, a world leader in the treatment of cardiac and vascular disease. He now is a member of the Guidant Management Committee. He and his family have relocated from Brussels to Guidant's headquarters in Indianapolis.

1989

Timothy A. Wild, MBA '89
joined Associated Business Investment Corp. in June 2002 as manager of their ProCorp Division. ABIC is a regional investment banking firm specializing in mergers & acquisitions and capital formation. The ProCorp Division focuses on local companies and entrepreneurs, providing business brokerage, corporate financing, valuation and consulting services.

1992

Greg Bolin, MBA '92
was named VP of worldwide sales for Telution Inc., a provider of truly integrated operations support systems for the ordering, delivery, support and billing of communication and entertainment services. Greg will be responsible for expanding their domestic and international customer base, as well as fostering key strategic sales alliances within the communications marketplace. He also just became the new president of the Club of Chicago.

1993

Robert S. Casey, MBA '93
Bob reports that his wife Sandra gave birth this spring to their new daughter, River Jo Casey (UM 2024). Fun during pregnancy included marathon training for Bob, who successfully completed the U.S. Marine Corps Marathon in October 2001 in Washington, D.C. Congrats on both accomplishments can be sent to him at bobkc@us.ibm.com.

Keith Voigt, MBA '93
reports that he, Karla and the family have moved to Portland, Oreg., where they have purchased Great Western Ink, an ink manufacturing company. "I get to fulfill a dream of owning and running my own business," says Keith, who adds, "We are very excited by the move and the expected addition of our third child in December. If you need ink, or know anyone who needs ink, or just want to visit us in Portland, contact me at kh_voigt@yahoo.com," he adds. Your congratulations also would be greatly appreciated, we're sure.

1994

Jonathan Browy, MBA 94
and Marian Rico Browy, BA '95, announce the birth of their son, Christopher Joel, on May 10, 2002. The family lives in Tampa, Fla. Congratulations may be sent to ricobrowy @hotmail.com.

1995

Jeff Mott, MBA '95
was just named vice president of marketing for Sprint's Mass Markets Organization. He formerly was their vice president of sales and service delivery for Spring E-Solutions.

Armando Parker, MBA '95
is a general partner at Apex Venture Partners in Chicago. His company was one of several that recently joined together to provide $17 million in venture capital funding for Madison Information Technologies, a Chicago software company. Armando will serve on Madison's board.

1996

Chris Reynolds, MBA '96
has returned to the Business School as Managing Director of the Domestic Corps program. He can be reached at creynold@ umich.edu.

Mark J. Betker, MAcc '96
"On April 27, 2002, I was married to Sharon Booth in Canfield, Ohio. We now reside in Lakewood, Colo., where we enjoy the laid back mountain life and all the activities Colorado has to offer," says Mark. He was recently promoted to senior manager in the international tax practice of PricewaterhouseCoopers in Denver. Sharon is the international tax manager for CH2M Hill, a large engineering services firm in Colorado. You can congratulate Mark at mark.j.betker@ pwcglobal.com.

David Kassel, MBA '96
coordinated Hands On San Francisco Day on May 4, 2002. The day's accomplishments included some 1,000 volunteers working throughout the city, volunteers giving more than 5,000 hours of community service, 50 service projects completed at six public schools, 16 homeless shelters, 16 parks and 11 nonprofit youth agencies, at least one project completed in each of the city's 11 districts and nearly $70,000 raised to help support and expand their year-round service initiatives. For more about the organization, access http://www.hosf.org.

1997

Mike O'Connell, MBA '97
is CEO of Andretti Winery in Napa Valley. "Life has been pretty busy lately," reports Mike. "Walking through vineyards and tasting wine all day takes a lot of time and is very stressful." The winery has just released two new wines, their 1999 Napa Valley Merlot and 2000 Napa Valley Sauvignon Blanc. "The merlot was rated 91 by *Wine Enthusiast*, which really helps us gain credibility in a tough and sometimes snobby industry," says Mike, who adds that part of his fun is being able to share his products with his friends. If you want some very good wine, contact Mike at mike@andrettiwinery.com. He promises to give the 50 percent employee discount to all Business School friends. He'd also welcome hearing from you. "Very few ever contacted me while I was making engines at Cummins," laughs Mike, who invites you to visit anytime you're in the area.

Rohan Oza, MBA '97
was listed in the April 16, 2002 issue of *Brandweek* magazine as one of the 2002 marketers of the next generation. Rohan is senior brand manager for Powerade, whose share volume rose 27.7 percent in 2001 and 46 percent in the first two months of 2002.

Yoo-Mee Kim Tong, BBA '97
has been promoted to director of finance for NSF International. She will be responsible for all financial and accounting activities.

1998

Ziyi (Jeffery) Li, MBA '98
is the co-founder and vice president of strategic planning of ESP Pharmaceuticals Inc., a specialty pharmaceutical company backed by New Enterprise Associates, Domain Associates and APAX Partners. ESP acquired four cardiovascular drugs with $27 million sales in 2001 from Wyeth Pharmaceuticals in May 2002. He can be reached at jeffery.li@esppharma.com.

2002

Kristen L. Reimink, MBA '02
has been appointed senior vice president and CFO at NSF International. Kristen will be responsible for all financial matters and the implementation of NSF's acquisition strategy.

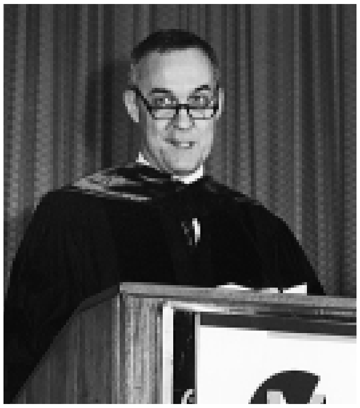
Share Your News…And Send a Photo!

Your classmates want to hear from you and see you in the next issue of *Dividend.*

There are many ways to submit a Class Note:

1) Fill out the Alumni Network Update on the last page of this issue and send it—along with a picture, if possible—in the postage-paid, self-addressed envelope inserted in the magazine.
2) E-mail your submission to **Dividend@bus.umich.edu.**
3) Fax your submission to 734-647-2401.
4) Mail your news to *Dividend*, University of Michigan Business School, 701 Tappan Street, Suite D0253, Ann Arbor, MI 48109-9990.

Thank You!



Richard W. (Andy) Andrews
Associate Professor of Statistics

The Regents of the University of Michigan acknowledge with profound sadness the death of Professor Andrews, who suffered a heart attack on May 29, 2002, in Brazil. He began teaching at the Business School in 1974 and was a beloved member of the University community. He brought his passion for excellence and his unique zest to everything he did. His academic work focused on statistical quality control studies, application of Bayesian statistical analysis and vehicle fuel economy and emissions. He was the academic director of the Brazil Global MBA Program, and at the time of his death he was in Brazil working with teams of students helping companies solve business problems.

A decorated war veteran, Professor Andrews was born on December 11, 1940, in Dayton, Ohio. He graduated from the U.S. Naval Academy in 1964 with a BS in mathematics and served in Vietnam as an officer in the U.S. Marine Corps from 1964–68. He earned a master's degree in mathematical statistics from Michigan State University in 1970 and a doctorate in statistics from Virginia Tech in 1973.

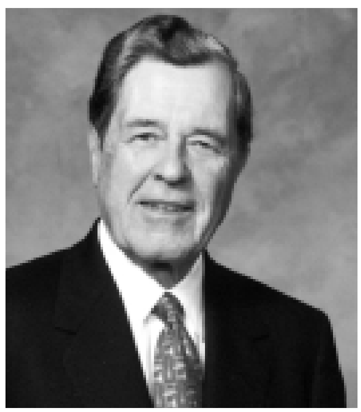
During his tenure at the Business School, Professor Andrews served as chair of statistics and management science from 1989 to 1997, and also consulted with several major companies. Although he took his work seriously, setting high goals for himself and his students, he was quick to credit others and quicker to tell a funny story or joke. He had an unusual ability to connect with people.

Andy Andrews inspired others with his intellectual curiosity and passionate devotion to teaching. He deeply touched the hearts of those who knew him. He was a great friend of the University of Michigan and the Business School, and all of us share a deep sense of loss. Our condolences go to his wife, Elizabeth; sons, David and Daniel; daughter, Martha; and six grandchildren.

With the support of Elizabeth Andrews, the Business School has established the Andy Andrews Distinguished Faculty Service Award, which will be presented annually in conjunction with the Victor Bernard Teaching Award.

Frederick S. Hopkins Jr.
BBA '47

passed away on December 21, 2000, of Wegener's Granulomatosis complications. He is survived by his spouse Patricia.



Harvey Kapnick
MBA '48

passed away on August 16, 2002. After completing his MBA, he joined Arthur Andersen, where he became chairman in 1970. He remained in that position throughout the decade, and Arthur Andersen became the largest international public accounting firm in the world. He became a well-recognized and outspoken leader of the profession, impacting several professional standards produced during that time, and was an early advocate of the separation of consulting and auditing. Upon retirement from Arthur Andersen, he became chairman of Chicago Pacific and then vice chairman of General Dynamics, where he was instrumental in the successful restructuring and divestiture of many of the company's components.

His respect and admiration for Professor William Paton led him and his wife, Mary, to donate $1 million to advance the study and practice of accounting. They established the Kapnick Scholarship Fund, which provides generous support each year to 15 BBA and/or MAcc students. They provided the lead gift in the campaign to raise $5 million for the Paton Accounting Center Fund, which supports the recruitment and retention of outstanding faculty and doctoral students and funds such items as specialized software and research databases.

They funded the Harvey Kapnick Accounting Workshops, which supports ongoing multidisciplinary workshops for accounting faculty. They are held about 25 times per year and allow us to bring the most creative and interesting scholars from around the world to the University for critical analysis of their work in process.

Harvey Kapnick was a forceful leader in the public accounting profession and an outstanding friend of the University of Michigan Business School. He will be dearly missed by everyone who knew him.

Leo F. Arasim
BBA '49

passed away on April 23, 2002, at The University of Michigan Hospital. He had a heart valve replacement in 1989, a second replacement in 1999, then a stroke and had a second stroke in early April of this year. He was a Navy veteran of the Korean War, where he served four years in the South Pacific, retired as an accountant with Gilbert Commonwealth Associates and was a charter member of Our Lady of Fatima Catholic Church. Leo is survived by two sisters, one brother, three nieces, one nephew, three grandnephews, one grandniece and one great grandniece—all living in New Mexico.

Robert C. Miene
MBA '62

passed away at his summer home in Manitowish Waters, Wisc., on July 7, 2001. He was an accountant for General Motors Electromotive until 1965, a financial analyst at Ford Motor Company until 1970 and a tax attorney in the Ford Motor Company World Headquarters until he retired in 1986. He was a member of the Illinois and Michigan Bar Associations and a member of Pi Kappa Alpha Social Fraternity.

AlumniRelations

Creating Lifetime UMBS Community www.bus.umich.edu/alumni

Alumni Network Update

GET CONNECTED!

Connect with your classmates and ensure you receive all Business School correspondence, including our e-newsletter MichiganMail. Keep your contact information up to date with Alumni Relations.

Alumni Relations
University of Michigan Business School
701 Tappan St., Ann Arbor, MI 48109-1234
Phone: (734) 763-5775 Fax: (734) 615-6103
E-mail: alumni@umich.edu

Please Print Legibly

Name:____

Name while at School:________________________________

Degree(s) & Year(s):__________________________________

BUSINESS INFORMATION

Title:____

Company:____

Address:____

____

City, State, Zip ______________________________________

Phone:____

Fax:____

HOME INFORMATION

Address:____

____

City, State, Zip ______________________________________

Phone:____

Fax: ____

Web Page:____

Instant Messenger:____________________________________

Preferred E-mail:_____________________________________

I consent to posting the following information in the Alumni Directory and on my class Web site, if one exists (both are located in M-Track, the password-protected portion of the Business School Web site).

________ E-mail and Web page

________ Business contact information

________ Home contact information

Now you can easily update your contact information online!
Go to http://mtrack.bus.umich.edu/alumni
and click on "Update Your Personal Information."
You will need your login name and password to access the site—
if you need a login name and password, please contact the Alumni Relations office at alumni@umich.edu.

NETWORKING CODES

To get connected with alumni and students, you must identify your networking codes. Select one function and one industry code.

FUNCTION

___ Accounting
___ Buying/Purchasing
___ Computer/Management Info. Systems
___ Consulting-General
___ Consulting-Info. Technology/System
___ Consulting-Internal
___ Consulting-Operations/Process
___ Consulting-Strategy
___ E-Commerce
___ Engineering Management
___ Entrepreneur
___ Finance-Commercial Banking
___ Finance-Corporate
___ Finance-General
___ Finance-Investment Banking
___ Finance-Investment Mgmt.
___ Finance-Sales/Trading
___ Finance-Venture Capital
___ General Management
___ Human Resource Mgmt.
___ International Business
___ Legal Counsel
___ Marketing-Advertising
___ Marketing-General
___ Marketing-Product Mgmt.
___ Marketing-Research
___ Marketing-Sales/Retail
___ Marketing-Services
___ Marketing-Technical
___ Operations Management
___ Other
___ Real Estate
___ Strategic Planning

INDUSTRY

Manufacturing

___ Aerospace
___ Agribusiness
___ Auto./Trans. Equipment
___ Chemicals
___ Computer/Electronics
___ Construction
___ Consumer Goods
___ Diversified Manufacturing
___ Engineering Design
___ Energy/Petroleum/Minerals
___ Healthcare Products
___ Machinery & Equipment
___ Metals/Metal Products
___ Paper/Wood/Glass
___ Pharmaceutical/Biotechnology
___ Rubber/Plastics
___ Textiles

Services

___ Advertising
___ Business Services
___ Computer/Internet & Software Services
___ Consulting/Research
___ Education
___ Entertainment/Leisure
___ Environmental
___ Finance-Commercial Banking
___ Finance-Insurance
___ Finance-Investments
___ Finance-Services
___ Finance-Venture Capital
___ Government-Federal
___ Government-International
___ Government-State/Local
___ Healthcare
___ Hotel & Restaurant Mgmt.
___ Import/Export
___ Law
___ Media/Entertainment
___ Nonprofit
___ Other
___ Printing/Publishing
___ Public Accounting
___ Real Estate
___ Retail
___ Search Firms
___ Self-Employed
___ Sports Marketing/Management
___ Telecommunications
___ Transportation
___ Travel/Leisure
___ Utilities
___ Wholesale/Distribution

Please take a moment to respond to the information on the following page.

Alumni Network Update

Name: ____

Get Involved!

___ I would like to help plan my next reunion.

___ My company may be willing to sponsor a reception/event for alumni or prospective students.

___ I am willing to counsel the following groups regarding the Business School experience and/or career opportunities (please check all that apply). I understand that my e-mail, home and business contact information may be released for this purpose.

- ___ Prospective students
- ___ Current students
- ___ Alumni

___ I have enclosed my Annual Fund gift.

Join a UMBS E-mail List:

I would like to be added to the following e-mail list(s):

___ UMBS Alumni City Club
Please specify city/metro region:__________________
(For a listing of all alumni city clubs, visit the Alumni Relations Web site and choose either Domestic or International clubs/contacts.)

___ UMBS Black Alumni Association

___ Entrepreneurship
(Administered by the Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies)

___ Finance/Venture Capital
(Administered by the Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies)

___ Tauber Manufacturing Institute

___ William Davidson Institute
(including WDI Summer Interns, Africa Corps (ABDC) Summer Interns, IMAP Students, Europe Project Course and Global Project Course Students)

Class Notes

Share your news. . . and send a photo!

Your classmates want to hear from you and see you in the next issue of *Dividend*.

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By providing my information, I consent to publication of my Class Notes, photos and e-mail address in *Dividend* magazine and on my password-protected class Web site, if one exists.

University
of Michigan
Business
School

Alumni! Get connected to the UMBS Lifetime Community!

It's easy to do and you can enjoy these great benefits:

- ***MichiganMail***
  Alumni Relations' information-packed, twice-monthly e-newsletter—now in HTML!
- **UMBS Alumni Directory**
  Reconnect with classmates…
  Network with alumni in your industry…
  The possibilities are endless!
- **Lifetime E-mail Forwarding**
  Stay in touch with classmates and the UMBS community through career changes and changes in Internet providers.
- **UMBS Alumni Club E-mail Lists**
  Join in! Find out what's happening with the alumni club in your area.

All this can be yours for the low price of sending Alumni Relations your e-mail address! It's that simple!

Send your e-mail address to: **alumni@umich.edu** and you'll…

Stay connected!

University of Michigan Business School

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48109-1234

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MARK YOUR CALENDARS

The Louis and Myrtle Moskowitz Symposium on Resilient Capitalism

8 a.m.–4:30 p.m. January 31, 2003
Hale Auditorium
University of Michigan Business School

The Moskowitz Symposium on Resilient Capitalism will examine the crisis of confidence in American business. Participants will discuss how improvements in public and private monitoring systems, corporate culture and corporate disclosure will strengthen businesses in the future. Join business leaders, attorneys and academics for this powerful program about the inherent resilience of the American economy.

Admission is free. Advance reservations required.

See the inside front cover for program details.

To register, call **(734) 763-1000** or send e-mail to **Symposium@bus.umich.edu**

Co-sponsored by the Business School and the University of Michigan Law School