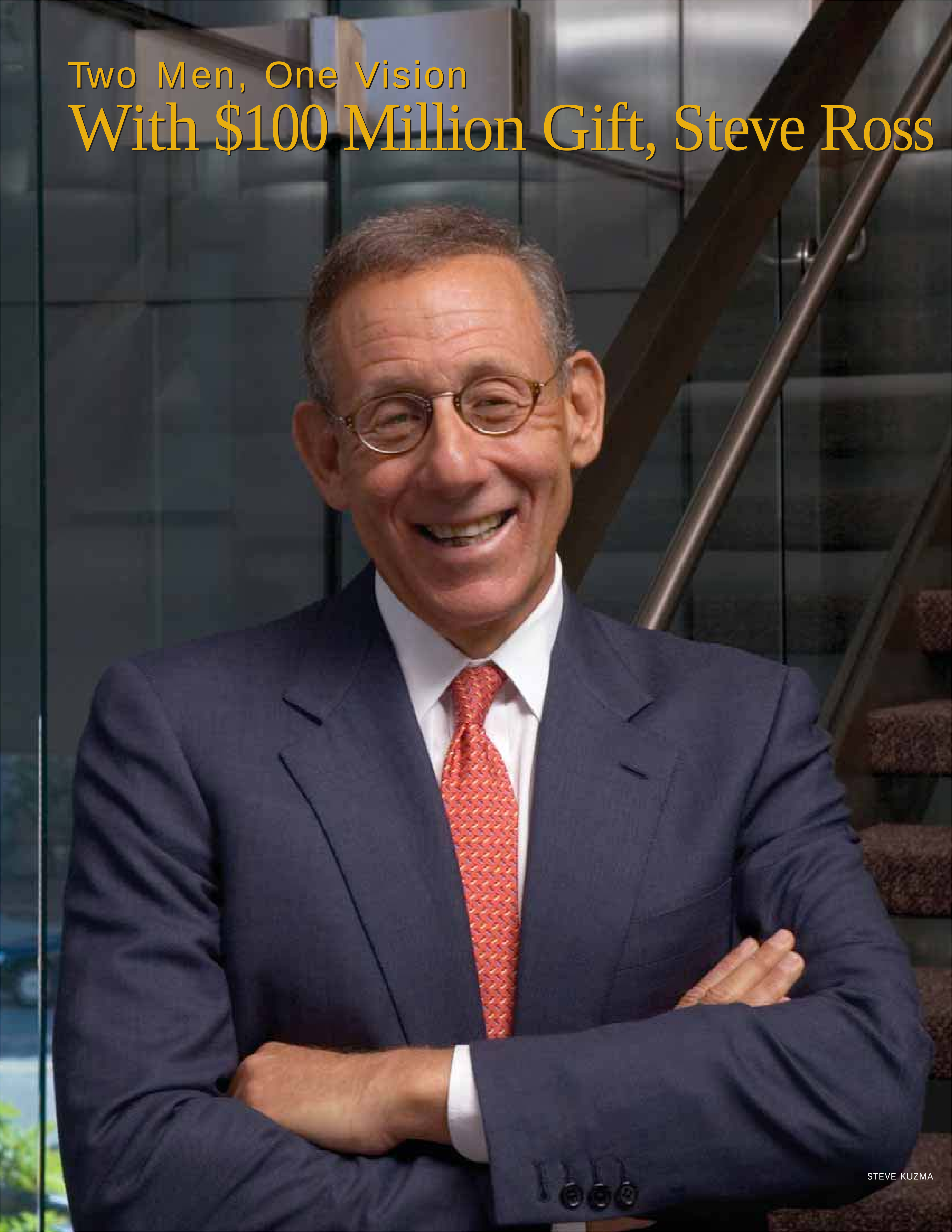
Two Men, One Vision

With $100 Million Gift, Steve Ross



STEVE KUZMA

Honors the Past, Looks to the Future

The delicate transaction that would utterly transform the University of Michigan Business School began with a conversation between two men sitting comfortably in an elegant but unpretentious corner office on the ninth floor of 625 Madison Avenue in New York City in September 2003. The tone was casual, the topics commonplace—sports, business, kids. Then Dean Robert J. Dolan raised the key item on his agenda.

"Well," Dolan said, "we have this fundraising campaign coming up."

"Yeah," said his host, "I know." They laughed.

"Well, Steve, have you thought about what we might be able to ask you to do?"

Stephen M. Ross, BBA '62—founder and chairman of The Related Companies, arguably the largest real estate firm in the U.S., developer of Time Warner Center, the $1.7 billion complex overlooking the southwest corner of Manhattan's Central Park—said that yes, in fact, he *had* been thinking about that.

"I really want to help you so I figure fifty minimum," Ross said. He meant $50 million. "But what would it take to name the school?"

The dean had thought about how he would answer such a question.

"Well, that would be a pretty big number," he said. "But if that's what you'd like to do, Steve, I'd really like to work with you to make that happen."

Ross said, "You know, my uncle named Ohio State."

Dolan knew that very well. He knew the little-known story of two separate fortunes made by members of the same family, first Max M. Fisher, the Detroit industrialist and philanthropist, who endowed the business school of his alma mater in Columbus; and now Max's sister's son, Steve Ross, who left Detroit for New York in the 1960s to make his own way.

"Two people from the same family naming a business school," Ross mused. "That would be really cool."

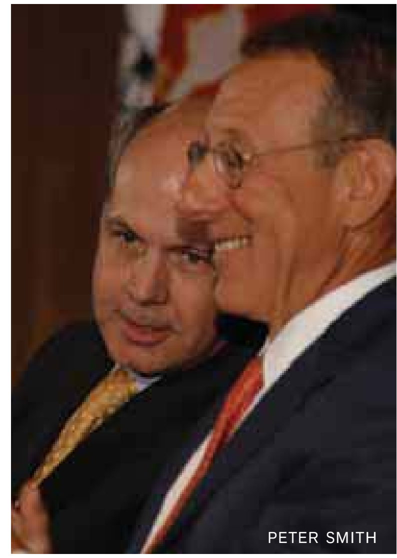
The dean said: "Steve, the school has had some great partnerships between deans and donors. I'd like you to take a leadership role for this decade and beyond."

It seemed to Dolan that Ross liked that way of putting it. Then, with nothing decided, but with the sense that something big had begun, they parted.

Purely by coincidence, Bob Dolan is one of the world's leading experts in the field of pricing. His published case studies, written during 21 years at the Harvard Business School, have sold more than a million copies. Now, quite suddenly and unexpectedly, he found himself wrestling with the most important pricing problem of his career. It was the problem of how to price a commodity that essentially has no price—the name and reputation of the school he leads, the alma mater of some 36,000 alumni and many thousands to come.

He knew from his fundraising team that naming a business school hadn't come cheap lately—$62 million for an institute at the Darden School of Business Administration at the University of Virginia; $60 million for the Garvin School of International Management in Arizona. Any gift in this range would far exceed the largest single gift ever given to Michigan—$33.2 million from the Lincoln Knorr estate.

But Dolan also knew that even Ross' extraordinary offer of $50 million would not approach the cost of the physical improvements the school needed to be the best business school in the nation—a goal that he and Ross shared. Coming to Ann Arbor from Boston in 2001, Dolan had found a physical plant that simply did not meet the needs of business education in the 21st century. Professors were teaching case studies—a form of instruction that demands horseshoe seating—in classrooms shaped like bowling alleys. Students were required to work in groups in a complex that has only a handful of group study rooms. On the city block that comprises the school, newcomers were greeted by no fewer than five discordant architectural styles. From architects at Kohn Pedersen Fox (KPF), the New York firm hired to assess the school's physical needs, Dolan learned that of the top 13 U.S. business schools, Michigan ranked twelfth in square feet per student. (Only Columbia, packed into upper Manhattan, had less.) Of the top 10, every one but Michigan had spent at least $30 million on its physical plant in the last five years.



PETER SMITH

"It is extremely gratifying to me to be able to provide the gift that will have an enduring impact on the University's ability to incorporate Dean Dolan's vision of becoming the world's foremost business school," Steve Ross, right, said.

Then came cost estimates for KPF's earliest studies—more than $100 million. And this was not for a plan to build a new facility but simply to fix up the old one. Dolan was stunned. Yet from faculty, alumni and students, he was hearing a drumbeat for a transformative change. "People were saying, 'Let's do this right,'" he said. "'You have to do it for the long-term viability of the school.'"

Then there was the signal that a transforming gift would send, both inside and outside the campus. "I was thinking, 'What's the number that will get the school excited?'" Dolan recalled. "What's the number that really says, 'Wow! Michigan is a player against Harvard, Northwestern, Wharton, all those'?

"In my own mind, I got fixed on the figure of $100 million."

But how would that figure strike Steve Ross?

"He wanted to help the school as much as he could," Dolan said. "And it was something I was pretty sure he could do."

But would he? And why would he? Why would anyone?

Steve Ross grew up in the 1940s and '50s around Livernois and Six Mile Road in Detroit, a diverse neighborhood of middle-class businessmen and profes-

JENNIFER ALTMAN

Kara and Steve Ross in his office at The Related Companies

sionals where the kids went to Mumford High. His father was a bright man but less than successful, at least by the high standard set by Ross' uncle Max, who was building a business empire in oil and gas, and becoming one of the nation's leading philanthropists. David Ross invented an early coffee vending machine and was one of the first to put additives into oil. But he couldn't turn his ideas into money. Ask Ross about his family history and his answers about his father come in shorthand phrases—"Very creative; not a good business man. Never made a lot of money. Struggled, if you will." Ask about his grandfather and his uncle Max, and he opens up, telling stories about their business prowess and their generosity. Clearly, these two men set the standards by which Ross would measure his own life and career.

"To me, your great success is with people," Max Fisher, left, told his nephew Steve Ross.

PHOTO BY PETER SMITH

As a boy, Ross followed Michigan sports avidly. "Being a kid from Detroit, the association with Michigan was very, very strong," said Jorge Perez, a Michigan master's graduate in urban planning who became Ross' business partner and close friend, now majority owner of The Related Companies of Florida. "He felt, growing up, that Michigan was the greatest school in the world."

Then Ross' family moved to Miami Beach, where his father had taken a job with his grandfather in the hotel industry. Ross was miserable. "I didn't like Florida, let's put it that way. I really didn't care about school. I didn't get into any trouble; I just wasn't a good student." He desperately wanted to go to Michigan, but his grades weren't good enough. There were a couple of unhappy years at the University of Florida, then, after a second application, a transfer to Michigan's BBA program. It was a turning point. "I studied hard so I could get into Michigan, and then, when I got there, it gave me the self-esteem I needed. It was an environment that challenged me more, really kind of set me straight in terms of where I wanted to go. And put more fire in my belly."

After earning a law degree at Wayne State and a master's in tax law at New York University, Ross worked as a tax lawyer for two years at the accounting firm of Coopers & Lybrand in Detroit. Almost immediately, he tired of tax law. And he had fallen in love with New York. On the day after Robert Kennedy was assassinated in 1968, Ross was sitting in his office, pondering the unpredictability of life and death, when a partner in the firm came in and asked if he'd like to attend a seminar in New York. Without a moment's thought, Ross replied: "That sounds great. But I think I want to go to New York for good. In fact, I'm quitting."

He remembered: "I wanted to do something else with my life. I had worked with clients in real estate, and I saw the success they had. And I realized that I really loved real estate and the deal business."

And there was another reason to leave. "People in Detroit were always saying, 'You're Max Fisher's nephew; why do you need anything?' In New York, I was my own man."

Ross picked up experience at two investment firms, then in 1972 he wrote a business plan. His long-term goal was to develop real estate. What he knew best, in the short term, were the intricate tax laws governing federally subsidized housing. His start-up idea was to organize deals by which wealthy investors incurred risk-free tax losses in affordable housing to shelter other income. Ross made $150,000 in his first year and was on his way. His mother had lent him $10,000 to cover living expenses. His uncle had lent him nothing.

"He never asked me," Max Fisher, now 96, remembers. "I felt that he was a man of unusual qualities, and he was going to go a long way. He didn't need my help."

Syndicated tax shelters led to development deals for affordable housing complexes, financial services for the affordable housing industry, property management, and more and more real estate ventures—apartments, condominiums, retail, office parks and mixed-use developments, initially concentrated largely in the northeast and Florida.

"I was a pretty determined person in those days," he says now. Then he smiles, as if to himself. "Certain things haven't changed."

His associates attribute Ross' success to a range of talents. Jeff Blau, BBA '90, the 36-year-old who, as president of The Related Companies, is the firm's number-two figure and heir apparent, cited Ross' insistence on high-quality architecture and engineering, a tenacious grasp of details, an eye for talent, an ability to inspire strong loyalty among subordinates and great ingenuity in the financing of highly complex deals. Jorge Perez emphasizes Ross' strategic vision: "He's always had a great ability to see where the trends are going and the nimbleness to change accordingly."

In the mid-1980s, Ross moved the company to its current quarters. Looking west along Central Park South, he could see the massive old Coliseum, a shabby relic just across Columbus Circle. Year after year, Ross looked out his window at that site. It occurred to him that if this was the best available site for a new development in Manhattan, which it probably was, and if New York was the greatest city in the world—a belief to which Ross holds devoutly—then it stood to reason that he was looking at the single greatest real estate site in the world. When other deals to replace the Coliseum fell apart, Ross jumped in.

Dismal parades of resistance had blocked other efforts, but Ross pushed through his plan to create Time Warner Center—two 80-story towers atop a soaring glass atrium covering top-drawer retailers, a jazz concert hall (which Ross and his partners funded with their own donations) and a luxury hotel, the Mandarin Oriental. The development put Ross and Related among the all-stars of major-league developers, which led in turn to more major projects, now underway, in New York, Los Angeles and elsewhere. Time Warner Center, home to the media giant with its studios and headquarters, opened in early 2004. It has been called the most significant development in midtown Manhattan since Rockefeller Center. The Related Companies will move in soon, as will Ross and his family—his wife, Kara, her two daughters and Ross' two daughters from a previous marriage.

As that seven-year mega-project neared completion, Ross, then entering his 60s, was looking for new things to do. He became one of the driving forces in NYC 2012, the organization that is seeking to bring the Summer Olympics to New York. And he started to take a larger interest in his alma mater. He already had given significant gifts to the University—to endow a professorship in the Business School and to help launch the new athletic academic center. Now his interest intensified as he came to know the new business dean.

Ross' office was one of Dolan's first stops as he made his rounds to meet leading alumni. Dolan sought the developer's advice on the changes he was undertaking to expand the school's emphasis on action-based learning programs in real-world settings. When Ross gave a dinner at the Metropolitan Club to introduce Dolan to other New York alumni, he and Kathleen Dolan met and hit it off, and she watched as a friendship began to germinate between the New Yorker and her husband.

"He's a maverick," Ross told her. "And I love mavericks."

Dolan, admittedly, was not the seasoned negotiator that Steve Ross was. In all those years at Harvard, even as a senior faculty member, he had never raised a dime. Once, when he was asked to run a fund drive at one of his kids' schools, he asked how much they needed, thinking he might ante up for the total to avoid the chore. Now he faced the prospect of asking a master dealmaker for the gift of a lifetime. "If someone had asked me what's the likelihood of me, a kid from Boston, connecting with a big New York City real estate

Architectural Excellence: The Related Companies

The Related Companies, with its team of more than 1,500 professionals who oversee a real estate portfolio valued in excess of $8 billion, is a fully integrated real estate firm with divisions specializing in development, acquisitions, financial services, property management, sales and marketing.

Founded in 1972 and headquartered in New York City, Related has become synonymous with architectural excellence throughout the country and has major developments, partners and offices in Miami, Chicago and Los Angeles, as well as New York.

Key members of The Related Companies' management team, President Jeff Blau, BBA '90, and CFO Michael J. Brenner, MBA '68, graduated from what is now the Stephen M. Ross School of Business.

The company has approximately $4 billion in projects under construction, making it one of the most prominent developers in the United States. The Related Companies is also the largest shareholder in CharterMac, the largest financier of affordable housing in the United States, with approximately 250,000 units in 44 states.

For more about The Related Companies, visit www.related.com.

PETER SMITH

Top: Time Warner Center, which opened in early 2004, has been called the most significant development in midtown Manhattan since Rockefeller Center.

Middle: The Related Companies President Jeff Blau, left, met Steve Ross in a Michigan real estate class when Blau was a student.

Bottom: *Metronome,* the 98-foot by 200-foot art wall commissioned by The Related Companies for the façade of One Union Square in New York City, was created by artists Kristin Jones and Andrew Ginzel. *Metronome* is an investigation into the nature of time—geological, historical, celestial and real time.

developer, I'd say, 'Gee, I don't know.'"

Traditionally, Michigan has not named its schools and colleges. The A. Alfred Taubman College of Architecture and Urban Planning and the Gerald R. Ford School of Public Policy are the exceptions. The honor can be granted only once for each school, so it must not be granted easily. Dolan knew such a change would require the approval of President Mary Sue Coleman and the Regents. He also knew that a benefactor preparing to make the sort of monumental gift that Dolan wanted had every right to expect recognition.

MARTIN VLOET

Robert J. Dolan, left, and Steve Ross

He met again with Ross in December, in New York. Michael Andreasen, assistant dean for development, came along.

Ross went straight to the point. He said he wanted to make a naming gift to the Business School of $50 million.

"I sat on his couch," Dolan remembers, "and I'm thinking to myself, 'I can't believe what I'm about to do.'"

The dean said: "No. Can't do it."

Ross laughed. "Well, I think that's enough," he said. "I even talked to my uncle about it."

Dolan smiled. "That's not fair. I had intended to enlist him as *my* adviser."

Ross asked: "Well, how much is it?"

"Steve, we're looking at north of a hundred million bucks to name the Business School."

Still smiling, Ross said, "That's nuts." He went to his door and called across the hall: "Hey, Blau, come here! You won't believe these guys! It's way more than we thought!"

Afterward, Andreasen turned to Dolan and said: "It's amazing. People go through their whole development careers hoping they'll get a $10 million gift. And we just turned down fifty."

Early in 2004, Dolan was back on Ross' couch. Since the dean's "no" in December, the two had continued to correspond and talk. Ross was intensely interested in the Business School studies being done at KPF, the architecture firm, which, by coincidence, was around the corner from The Related Companies, though Ross had never done business with the firm. Each talk was good-natured, with much discussion of the college plans of Ross' oldest daughter. ("He wants everybody's kids to go to Michigan," Jorge Perez confides.)

"There has not been a meeting in which there isn't some humor and laughter," Dolan said. "There was never any doubt in my mind that Steve was going to do something very significant. It was never going to happen that I was going to say, 'It's a hundred million,' and he was going to say, 'Get out of here and don't come back.' His love for the school was such that we were always going to work something out."

Ross, too, was pleased with the relationship that was developing between himself and the dean.

"He's not a real blow-hard," Ross said. "But when you listen to the guy, you realize that he's someone with a vision, and he's willing to make changes to accomplish it."

But they were still $50 million apart.

Sitting over lunch that day, Ross showed that he had done his homework. He cited naming gifts at other business schools that were much less than $100 million.

"What you're asking me—it's just not a good deal," he said. "Everybody I talk to says fifty million is the right number."

"Well, this is Michigan," Dolan said. "This is different."

Ross asked the dean to put down on paper "an economic rationale" for giving $100 million to name the school. "Tell me: How is this a good deal?"

Dolan returned to Ann Arbor. He was back to his pricing problem. Dolan knew that Ross, despite his enormous love for Michigan, was still thinking as a developer and a dealmaker. It would go against Ross' instincts to consider the matter in any other way. The challenge, Dolan realized, was to get Ross to do just that—to change the terms of his thinking.

Dolan composed a letter. He cited several recent gifts of $100 million and much more that had brought about the naming of various schools at other universities—though none for business schools. Then he came to his main point.

"I can't give you an 'economic rationale' for a gift like this," the dean wrote. "I can, however, assure you that a gift of this magnitude will propel the school into a new era of greatness.

"Truthfully, it comes down to a simple fact: This would be an incredible, inspirational act of generosity on your part."

Through all their discussions, Ross was the most determined advocate of an argument that Dolan was hearing in many quarters. Buildings are built from the inside out, Ross said, and he trusted Dolan to find out what the school needed on the inside—the right classrooms, study rooms, offices and technology. But on the outside, there must be a "unified look and feel." He said a new Business School must make the same sort of visual impression on visitors and the campus community that is made by the Law School—a single, harmonious statement conveying the school's purpose and standing.

But to do that, Dolan was learning, the cost would be high. One option was to build additions that would integrate well with the existing facilities, and "reclad" the Davidson Tower to match both the new and the old. But KPF reported that the cost of such a plan would be enormous—for changes that in part would be merely cosmetic.

Dolan reported all this to Ross.

"I'd say, 'I need to get a hundred because I have to be able to do this building right, and because we need to grow our endowment,'" Dolan recalled. "'You're encouraging me to do this building right, and that's really expensive.' He'd say, 'It can't be that expensive.' I said, 'It is.'"

A turning point came when Ross sent one of his experts, Michael Loughran, to make his own inquiries with the architects at KPF. Loughran came back a believer. He assured his boss that the cost estimates were legitimate, and reminded him that state-of-the-art educational facilities are highly sophisticated structures that carry larger costs than office and residential buildings. Discussions now edged higher than $50 million, toward $75 million and beyond, though nothing was certain, and the structure of the gift was up in the air.

On April 15, Dolan arrived in New York for what turned into a full day of work—intermittent meetings with Ross, waiting time while Ross dashed to his conference room for other business, lunch, talks with the KPF architects. Finally, at the end of the day, Ross said:

MARTIN VLOET

Robert Dolan, left, and Steve Ross under the portico

"You really want to announce this at a hundred, don't you?"

Dolan said: "It would be great for the school. It would be great for me. And I think it would be good for you, too."

"Yeah," Ross said. "I think you're right."

Then he asked: "What would the name of the school be?"

Dolan said: "Well, I've been thinking a lot about that." He stood up, put out his hand, and said: "Anything you want."

The figure of $100 million had been agreed upon. As to the structure and timing of the gift, there were many details to be worked out, and many more meetings. The final arrangements specified $75 million for the renovation and expansion of facilities and $25 million for the endowment of the Stephen M. Ross School of Business.

Dean Robert J. Dolan, right, said to Steve Ross, "Your gift is a powerful expression of your belief in us. We're really proud of the confidence that you have in us, and we are most thankful for this transforming gift."

PHOTO BY MARTIN VLOET

"I'm excited to help create facilities that will enhance Dean Dolan's impressive vision for team-based learning and leadership."

* * *

After a quick trip to Athens for the Olympics, Ross spent the last few days of the summer at his bay-side retreat near the eastern end of Long Island. One late afternoon, he stepped off his boat, walked up the long lawn and sat down to reflect on his native and adopted states.

"I've always liked Michigan," he said. "I came to New York because being young and smart it was a place where, if you could make it there, you could make it anywhere—and at the same time have a lot of fun. Yet there's still a sense of eastern entitlement that exists, and I don't think you feel that when you go to Michigan. I think the work ethic there is a little stronger. Students there are just as bright as any students in any college. I think Michigan students sometimes undervalue themselves. They're a little awed by the East. But I think when you get somebody who can see through that, and have confidence in themselves, you have somebody who can go a lot further."

He talked proudly of the Michigan graduates in his company—Jeff Blau; Jorge Perez; his CFO, Mike Brenner, MBA '68; and others.

"You get by giving," he said. "What did I end up with as a result of my previous giving to Michigan? I ended up with a future president of my company. And I tell Jeff, 'Hey, I started this; you're the next guy.' It's very important that people believe in giving back. Life is not a one-way street. I've had so many good things happen to me that I want to help the next generation. That's how companies survive, that's how schools survive—and we all do better."

The gift was announced on September 9. It was a long, good day in Ann Arbor. It began at 7:30 a.m., when the Regents, in a special session, gave the Business School its new name. At 11 a.m., in Hale Auditorium, a crowd gathered and overflowed into the nearby hallways, and when Steve Ross came to the front and Bob Dolan stepped to the lectern, before anyone said a word into the microphones, there was a spontaneous standing ovation. And Ross leaned down for a word with his uncle Max, who said to him: "Steve, I'm very proud of you for what you've accomplished and what you've done today."

At the end of the day, when Ross and Dolan walked out the front door to leave, they saw first-year MBA students performing their section chants in the Alessi Courtyard. When the two men strolled over to watch, the students—again, spontaneously—broke into a new, impromptu chant: "THANK YOU, ROSS! THANK YOU, ROSS!" And after a few minutes, when Ross and Dolan waved and began to move off, the students began to sing "The Victors."

"Oh, man," Ross said later. "I'll never forget that. It was incredible. That whole day was so exhilarating—recognizing that something you did was so much more important than you even thought it would be. It was fantastic.

"At that moment, if they'd have said, 'Hey, gimme another hundred!' I'd have said, 'Okay!'"

James Tobin

A Name Change

Dividend readers will find the school referred to as both the Michigan Business School and the Stephen M. Ross School of Business in this issue. Because of the historical significance of the Ross story, *Dividend's* fall publication schedule was delayed to include articles about Ross and the gift. Articles and advertisements done prior to September 9 refer to the school by its old name and include the old brandmark.

By January 1, all school publications and offices will refer to the school by its proper name—the Stephen M. Ross School of Business at the University of Michigan or Ross School of Business for short.

MICHIGAN
ROSS SCHOOL OF BUSINESS

STEPHEN M. ROSS SCHOOL OF BUSINESS AT THE UNIVERSITY OF MICHIGAN