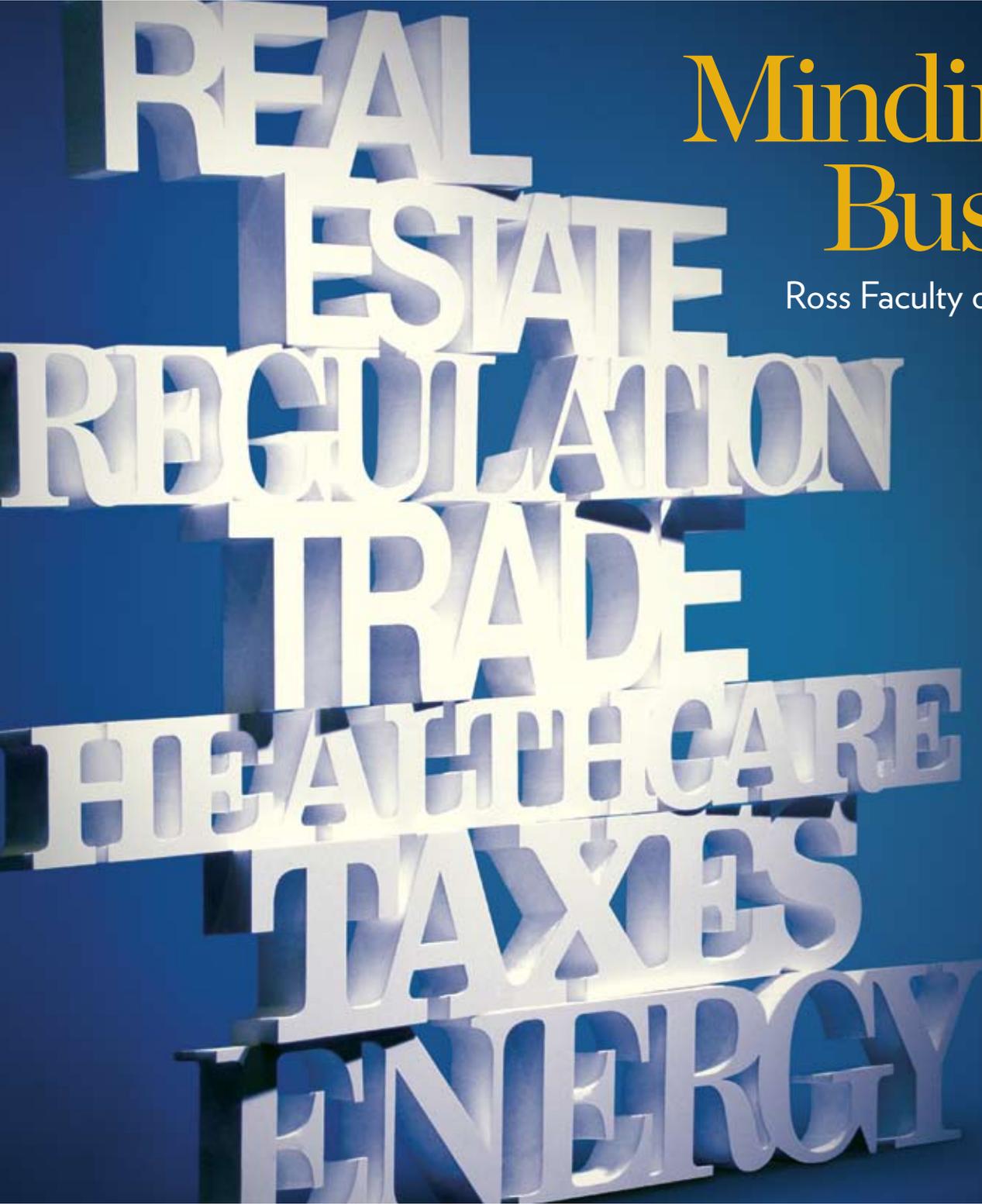


dividend

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

Minding Our Business

Ross Faculty on Policy Challenges



PLUS
Social Investing the
Capitalist's Way

Google's Game-
Changing Vision

FALL
08



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TAXES

A man with glasses, wearing a dark sweater and light-colored trousers, is holding up large white letters that spell out the word 'TAXES'. He is standing against a blue background. The letters are held up by his hands, and he is looking directly at the camera.

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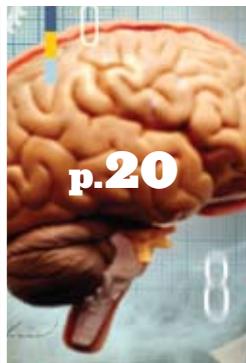
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LEFT PHOTO BY STEVE KUZMA. RIGHT ILLUSTRATION BY WALTER VASCONSELOS

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Vol. 39, No. 2. ©2008. Stephen M. Ross School of Business at the University of Michigan. This publication is produced twice a year by the Office of Marketing Communications and made possible through the generosity of private donations.

ISSN 0046-0400

For more information, contact Dividend, Stephen M. Ross School of Business University of Michigan 701 Tappan, Ann Arbor, MI 48109-1234. (734) 647-4626.

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Twenty Questions with...



AMIR DAN RUBIN, MBA AND MHSA, '96, is chief operating officer of the UCLA Medical Center and Hospital System in Los Angeles, the primary teaching hospital for the David Geffen School of Medicine at UCLA. Rubin previously served as chief operating officer for Stony Brook University Hospital in New York, and was instrumental in developing and implementing plans for significant growth, new hospital facilities, and operational and financial improvements. In addition, he led multidisciplinary quality initiatives aimed at improving patient services and clinical outcomes. Prior to joining Stony Brook University Hospital, Rubin served in a leadership capacity at Memorial Hermann Hospital in Houston, Texas. He earned his bachelor's degree in economics from the University of California, Berkeley. In addition to receiving his MBA from the Ross School, Rubin earned his Master of Health Services Administration degree from the University's School of Public Health. "Ross is developing leaders who are changing the world by driving positive changes in organizations and society," Rubin says. The dual degree from U-M melded perfectly with his aspirations to manage large organizations. He tells *Dividend* that goal crystallized for him when he was just a kid, noting, "Before that, I imagine it was something to do with ice cream."

- 1 What keeps you up at night?** The neighbor's dog.
- 2 What's the last book you read?** *The Great Upheaval: America and the Birth of the Modern World, 1788-1800* by Jay Winik.
- 3 Who is your personal hero (and why)?** My father. He has always been caring, upbeat, supportive, hard-working, and perseverant.
- 4 First job?** My first earnings were related to watching some of the neighbors' children. Later, I worked at an arthouse movie theater in the summer.
- 5 Best business decision?** The personnel decisions I've made in developing teams.

- 6 What advice would you give to yourself 10 years ago?** Be the best "you" you can be.
- 7 What is the one thing you learned in business school that you'll never forget?** Moving a team forward requires an array of skills.
- 8 What is the most important room in your home?** The kitchen, where we gather as a family.
- 9 First website you access in the morning?** Our UCLA Health System Dashboard intranet site.
- 10 Favorite comfort food?** Low-fat ice cream.
- 11 If you could read anyone's mind, whose would it be?** Is this a trick question? My wife's!

- 12 Favorite line from a movie or television show?** "Anyone can take a reservation. I can take a reservation. That's no big deal. It's *holding* the reservation that makes the difference!" —*Seinfeld*
- 13 What's the most thrilling/adventurous thing you've ever done?** Having six hours to move all patients in the UCLA Medical Center into our new, I.M. Pei-designed facility.
- 14 Three people, living or dead, you'd have over to dinner?** My grandparents and Abraham Lincoln. I'd have Abe over on a separate night or else he wouldn't be able to get in a word.
- 15 Best trophy/award you ever won?** An award from the physicians, nurses, staff, and management of my prior health system for making significant impacts to improve the organization.
- 16 If you had a theme song, what would it be?** "Three Little Birds" by Bob Marley. I love the chorus: "Don't worry about a thing 'cause every little thing's gonna be alright."
- 17 Pet peeve?** Receiving an email that just precedes a long trail of previously forwarded emails, instead of summarizing the situation.
- 18 Unfulfilled wish?** To cover the uninsured and better align incentives in the U.S. healthcare system.
- 19 Favorite sport to watch?** For portfolio optimization, I root for blue and maize/gold teams: Michigan (football) and UCLA (basketball).
- 20 What did you want to be when you were a kid?** I wanted to be involved in managing large organizations. Before that, I imagine it was something to do with ice cream.

AMY DITTMAR, ASSISTANT PROFESSOR OF FINANCE,

focuses much of her research on corporate investment banking. She has studied payout and cash policy, capital structure decisions, the relation between financing and investment decisions, and the impact of governance on corporate policy and performance. In the recent study, “Why Do Firms Use Private Equity to Opt Out of the Public Markets?,” Dittmar and co-author Sreedhar Bharath compared public U.S. firms that went private to IPO firms that remained public, and produced a model that is able to predict, with about 83 percent accuracy, which firms will become private. Dittmar’s work is published in the major finance journals, including the *Journal of Finance*, *Journal of Financial Economics*, and *Review of Financial Studies*.



- 1 What keeps you up at night?** Not much. I usually fall asleep right after hitting the pillow.
- 2 What’s the last book you read?** *The Kindness of Strangers* by Katrina Kittle.
- 3 What’s the first album/CD you bought?** I can’t recall which was first: David Bowie – *Heroes*; ABBA – *Arrival*; or Styx – *Pieces of Eight*.
- 4 What’s on your iPod?** Alternative country, alternative rock, ‘80s music, old-school rap, and bluegrass.
- 5 Who is your personal hero (and why)?** My grandmothers: one for her strength; one for her faith and love of life.

- 6 Guilty pleasure?** Cheese and wine
- 7 What’s the most thrilling/adventurous thing you’ve ever done?** The Reach the Beach Relay, a 200-mile, 12-person, 36-hour relay race across New Hampshire.
- 8 First job?** After college, financial analyst. First job ever? Busing tables.
- 9 What advice would you give to yourself 10 years ago?** Don’t stress so much. Life has a way of working things out.
- 10 What is the most important room in your home?** The living room. It is bright and airy and right in the middle of everything.

ANNIE KNEEDLER, MBA ’09, brings a global perspective to her studies at Ross. The Washington, D.C., native has studied and worked throughout Africa, volunteering with the Peace Corps in Guinea and managing USAID-funded projects in Botswana, Mali, and Rwanda. She also led the startup of a \$12 million trade project in Malawi in just five weeks, and lived in Ghana for two years working on an agricultural export project. While pursuing a focus in strategy and international business at Ross, Kneedler has blended involvement abroad—through an internship at Cargill and an independent study with GE to analyze market opportunity in rural India — with leadership on campus. She was awarded a Dean’s Fellowship, is a Ross admissions ambassador, and serves as a vice president for Net Impact and the Emerging Markets Club.



- 1 What keeps you up at night?** Partying undergrads.
- 2 What’s the last book you read?** *What is the What* by Dave Eggers.
- 3 What’s the first album/CD you bought?** DJ Jazzy Jeff and the Fresh Prince.
- 4 What’s on your iPod?** Nothing anymore. It died.
- 5 First job?** The Peace Corps.

- 6 Guilty pleasure?** Chocolate.
- 7 Who is your personal hero (and why)?** My parents. They both love their jobs, but put a lot of time into their personal lives.
- 8 What’s the most thrilling/adventurous thing you’ve ever done?** Tracked lemurs in the forest in Madagascar for three months.
- 9 Best business decision?** Getting my MBA.

- 11 Best business decision?** Going back to graduate school.
- 12 How do you motivate your students?** Open-ended questions. A professor I had once told me that after you leave college you may not remember all the facts, but you will remember how to think and reason to get to an answer. I try to carry that with me in the classroom.
- 13 First website you access in the morning?** Web access to email; then nytimes.com.
- 14 Favorite comfort food?** Peanut butter... with chocolate, even better.
- 15 If you had a theme song, what would it be?** “I Still Believe” by the Call.
- 16 Three people, living or dead, you’d have over to dinner?** Will Durant, Mother Teresa, and Henry David Thoreau.
- 17 Best trophy/award you ever won?** Finisher’s medal from my first half marathon.
- 18 Unfulfilled wish?** To go hang gliding.
- 19 What’s your favorite sport to watch?** My kids’ soccer games.
- 20 What did you want to be when you were a kid?** When I was very young, a country doctor who rode to work on a horse. As an older kid, an English professor.

- 10 What advice would you give to yourself if you were applying to business school again?** Have more confidence.
- 11 What is the one thing you learned in business school that you’ll never forget?** NPV: Net Present Value.
- 12 What is the most important room in your home?** My bedroom.
- 13 First website you access in the morning?** nytimes.com.
- 14 Favorite comfort food?** Onion rings.
- 15 Three people, living or dead, you’d have over to dinner?** Pol Pot, Martin Luther King Jr., and Ellen Johnson-Sirleaf (current president of Liberia).
- 16 What’s the best trophy/award you ever won?** The “Director’s Award” in high school.
- 17 What is your favorite “haunt” in Ann Arbor?** Kerrytown Farmers’ Market.
- 18 Unfulfilled wish?** To be a good singer.
- 19 Favorite sport to watch?** Soccer in a country where people live for the sport.
- 20 What did you want to be when you were a kid?** Jane Goodall.



Ross Leadership Initiative (RLI) taps humor, creativity in MBAs.

Ross Leadership Initiative Acts Out with Second City

COMEDY TROUPE ENCOURAGES MBAS TO THINK ON THEIR FEET – AND OUTSIDE THE BOX

It's all gloom and doom at the Ross School of Business. Incoming MBAs have been taken hostage by zombies straight out of Michael Jackson's "Thriller" video. And just in time, the King of Pop himself moonwalks in to save the day, leaving the Class of 2010 to dance off into the sunset.

If this scene sounds too bizarre to be true, that's because it's actually an improvised skit performed by first-year **Robyn Katzman**, MBA '10, and her classmates, with the help of representatives from Second City Communications (SCC). The acting workshop, designed to teach future management professionals to think on their feet, kicked off the first week of school as part of the Ross Leadership Initiative (RLI).

RLI is a comprehensive series of programs that supplements MBA classroom learning and analytic coursework throughout a student's 20-month experience at Ross. It begins with the week-long Foundation Session in which MBAs identify, develop, and test their

leadership capabilities in real time. Intensive team-building exercises tap students' innovation, creativity, cooperation, and communication skills.

"A favorite question people like to debate is whether leadership can be taught," says **Sue Ashford**, associate dean for leadership programming and the Executive MBA Program. "Here at Ross, we believe most certainly it can be. By putting students in experiences that demand leadership of them, they will develop as leaders. We also believe that leadership is an art, and if you want to learn the art, you better expand the ways you learn."

Enter SCC, a branch of the Chicago-based comedy troupe Second City, which facilitates workshops to help business leaders exercise collaboration and innovation. The troupe operates on the notion that improvisation and business are alike: Both create something out of nothing.

Acting on the SCC premise that bottom lines and punch lines are more related than you think, the students used the

acting workshop to reveal and build on one another's strengths. Shared humor helps create a transparent, open culture where people are truly engaged in their work, according to SCC facilitators.

In addition to the improv workshop and other team-building activities, first-year MBAs took part in "Grill for Glory," a timed cooking competition inspired by the television show *Iron Chef*. They also volunteered in underprivileged communities for the RLI Global Citizenship Day.

Later in the MBA program, RLI presents the annual Crisis Challenge, a timed competition in which students formulate a response to a simulated corporate crisis. Ross MBAs also participate in an RLI retreat on self-reflection and a leadership transition workshop that focuses on short- and long-term professional development. ■

—Leah Sipher-Mann

 www.bus.umich.edu/rli



Professor Paul Clyde helps MREACH students shape their business plans.

MREACH Brings Teen Entrepreneurs to Campus

For many teenagers, summer is the time to sleep in and slack off. Not so for the enterprising 10th graders enrolled in the Summer Business Academy at Ross, presented by MREACH (Michigan Ross School of Business Enriching Academics in Collaboration with High Schools). The program, launched in Spring 2006, brings Detroit and other Southeast Michigan high school students to campus for an action-based introduction to business education and careers. One particularly unique element of MREACH is that it targets students in the ninth grade, and strives to retain them in the program through graduation. “The ultimate goal is to support their admission to a four-year

public or private university business program,” says **Rob Koonce**, executive director of the program. More than 350 students are enrolled to date; some 45 percent are first-generation college students. Full-time Ross faculty members, including **Paul Clyde**, adjunct professor of business economics and public policy (pictured here), provided guidance and instruction during the summer academy, along with undergraduate and graduate student counselors from Ross, the College of Engineering, and the College of Literature, Science, and the Arts. MREACH participants wrote high-level business plans and ended the summer academy by competing for seed money to launch an actual venture. ✦

No. 1 BBA Program Ranked Best in Management

The Ross School’s BBA program is the best in America in teaching general management, according to *U.S. News & World Report*.

The magazine’s newly released 2009 rankings of the best U.S. undergraduate business programs puts Ross at No. 1 in the management category. The school once again tied for third-best overall BBA program, the same as last year.

Besides general management, the school also ranked in the Top 10 in the following

business specialties: marketing (No. 2), finance (No. 3), production/operations management (No. 4), international business (No. 4), accounting (No. 6), quantitative analysis (tied for No. 7), and management information systems (No. 10).

U.S. News surveyed deans and senior faculty at each undergraduate business program accredited by the Association to Advance Collegiate Schools of Business. Business school deans and faculty (two at

each business program) were surveyed in spring 2008. Participants were asked to rate the quality of all programs they are familiar with on a scale ranging from marginal to distinguished.

The undergraduate business school rankings are based solely on this peer survey. *U.S. News* also asked for nominations of the best programs in specialty areas. Those receiving the most mentions are ranked in the Top 10 in each area. ✦

Growth Capital Symposium: Optimistic



Faced with overheated competition in Silicon Valley and other research corridors and triangles, venture capital investors increasingly are turning their attention to Michigan and the Midwest, according to venture investors at the 2008 Michigan Growth Capital Symposium (MGCS), held in May. The event was presented by the Center for Venture Capital and Private Equity Finance of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies at the Ross School.

Keynote speaker Kenneth R. Pelowski, founder and managing partner of Pinnacle Ventures, predicted the trend toward venture investing in the healthcare and energy areas will play out well in the state, in part because the University of Michigan has doubled its research spending in those two areas and the state is known for its core competencies in alternative energy, transportation, and healthcare. Pinnacle Ventures is a private venture capital fund based in Palo Alto, California.

“What we see – and thus what we think is the opportunity and why we come here – is a huge intersection, for the first time in

my lifetime, of what Michigan is good at and what is important or interesting to the venture community,” Pelowski said. “I think that’s a huge opportunity for the state.”

Jeanne Sullivan, a general partner of StarVest Partners in New York City, said her firm is looking for companies in underserved areas where people are looking for investors, and that bodes well for Michigan. “We don’t want to compete on the basis of term sheets with wonderful firms along Boston’s 128 Corridor because deals are too high priced,” she said.

“We’re seeking strong entrepreneurial and operating experience that comes out of the technology area.”

Although venture investors are now more willing to travel to the Midwest from the East and West coasts in search of the best companies, many prefer to partner with locally based venture capital firms. “We like to have a strong local partner on the ground here, especially when we’re investing in an early-stage venture,” said Alison de Bord of San Francisco-based Alta Partners. David Parsigian, a partner at the law firm of Honigman Miller Schwartz and Cohn, noted that “things are a lot different in Michigan than they were five years ago.” The more widespread availability of capital is helping to spur the growth of firms that can help entrepreneurial companies. “We have great critical mass growing in our region,” he said.

The annual MGCS, now in its 27th year, attracted nearly 400 participants. Seven panels of experts drawn from the entrepreneurial, venture investing, legal, and government sectors discussed a wide range of issues, and 30 promising early-stage companies made presentations. ✦

—Claudia Capos

Students Cite Teaching Excellence

Teaching Excellence Awards given by Ross students were presented at individual degree commencement ceremonies last spring.



JAMES DESIMPELARE, lecturer of accounting, received the MAcc Teaching Excellence Award.



ANDREW GERSHOFF, associate professor of marketing, received the Global MBA Teaching Excellence Award.



DANIEL GRUBER, doctoral candidate in the management and organizations area, was recognized with the BBA Teaching Excellence Award.



ANNE HARRINGTON, lecturer of business communication and director of instructional development, was honored with the PhD Teaching Excellence Award.



The MBA Teaching Excellence Award was presented to **TOM KINNEER**, the Eugene Applebaum Professor of Entrepreneurial Studies, executive director of the Samuel Zell and Robert H. Lurie Institute of Entrepreneurial Studies, and chair of marketing.



M.P. NARAYANAN, professor and chair of the finance department, received the Executive MBA Teaching Excellence Award.



To keep up to date on events, go to www.bus.umich.edu/newsroom

Ross Faculty Receive Awards

IN SPRING 2008, THE ROSS SCHOOL HONORED EIGHT FACULTY MEMBERS FOR THEIR RESEARCH, TEACHING, AND SERVICE

Anirban Mukhopadhyay, assistant professor of marketing, received the first Arnold M. & Linda T. Jacob Faculty Development Award. The Jacobs established the award to provide resources for a faculty member to reach beyond the comfort zone of incremental findings to take risks and explore new ideas. Mukhopadhyay is a leader in the emerging area of consumer self-control and goal-directed behavior.

Wayne Baker was named the Sparks Whirlpool Corporate Research Professor. He is a professor of management and organizations at Ross, as well as a professor of sociology and professor of organizational studies in the College of Literature, Science, and the Arts. He also is a faculty associate of the Institute for Social Research.

The Senior Faculty Research Award went to **M.S. Krishnan**, a Michael R. and Mary Kay Hallman Fellow and professor of business information technology at Ross. Krishnan also is chair of the business information technology department. He has published more than 35 papers of which more than 20 have appeared in top journals within three disciplines. He recently co-authored *The New Age of Innovation: Driving Co-Created Value Through Global Networks*, with **C.K. Prahalad**, the Paul and Ruth McCracken Distinguished University Professor of Strategy at Ross (see story page 13).

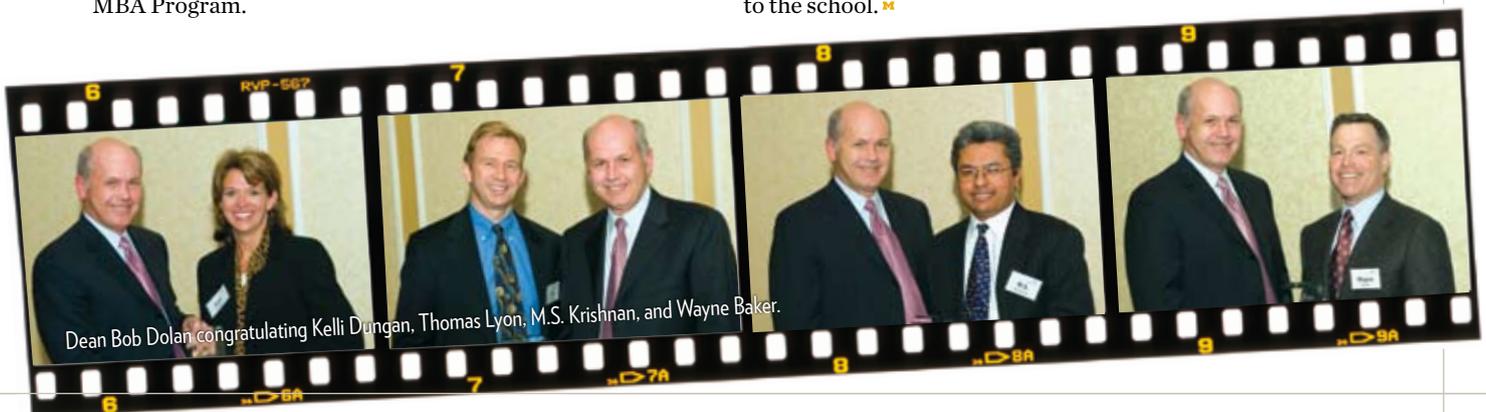
Paula Caproni, lecturer of management and organizations, was honored with the Victor L. Bernard Teaching Leadership Award for her outstanding teaching and research on leadership, interpersonal skills, and team development. She published the book *Management Skills for Everyday Life: The Practical Coach* and is writing another titled *What Predicts Success*. Caproni is director of the school's Executive Skills Program and serves as the professional development coach for the Executive MBA Program.

Assistant Professor of Finance **Amiyatosh Purnanandam** was named the Bank One Corporation Assistant Professor of Finance. This one-year appointment recognizes promising junior faculty conducting high-potential scholarly research. Purnanandam focuses on how firms make financial decisions and the implications of those decisions on value and stock returns.

The Sanford R. Robertson Assistant Professor in Business Administration, a one-year named professorship, was presented to **Bob Dittmar**, assistant professor of finance. Dittmar's research addresses the central issue in asset pricing: the appropriate discount factor to value assets — focusing on the impact of modifying the functional form of the discount factor and the dynamics of its risk factors for the pricing of assets.

The CORE Award went to **Thomas Lyon**, the Dow Professor of Sustainable Science, Technology, and Commerce; professor of business economics; and professor of natural resources. He also is director of the Frederick A. and Barbara M. Erb Institute for Global Sustainable Enterprise. The CORE Award is based upon exceptional merit and recognizes the creative, substantive, and high-impact contributions of individual faculty members in improving the research environment at the Ross School. As a result of Lyon's efforts, the topic of sustainable enterprise at Ross and the University continues to gain international prominence (see related story, page 9).

Kelli Dungan, lecturer of accounting and program director of the Ross Master of Accounting Program, received the Andy Andrews Distinguished Faculty Service Award, which was created in memory of the late Richard (Andy) Andrews, associate professor of statistics, who died in 2002 and was much respected for the service he gave to the school. ✦



Dean Bob Dolan congratulating Kelli Dungan, Thomas Lyon, M.S. Krishnan, and Wayne Baker.



Ran Duchin



Hal White



Denis Sosyura



Greg Miller

New Scholars Join Ross Faculty

AS THE 2008-2009 ACADEMIC YEAR GETS UNDER WAY, ROSS WELCOMES SIX NEW TENURE-TRACK FACULTY IN THE AREAS OF ACCOUNTING, FINANCE, MARKETING, AND ENTREPRENEURIAL STUDIES

Ran Duchin, assistant professor of finance, earned his PhD from the University of Southern California. His research interests lie in corporate finance and corporate governance.

Richard (Erik) Gordon, clinical assistant professor at the Zell Lurie Institute for Entrepreneurial Studies, holds degrees in economics and law. His areas of interest are entrepreneurship and technology commercialization, including marketing, intellectual property strategy and licensing, alliances, joint ventures, venture finance, private equity, and mergers and acquisitions, particularly in the biomedical and technology areas.

Greg Miller, PhD '98, associate professor of accounting, has taught at the Harvard Business School for the past 10 years. His research focus is on financial communication, that is, the process through which managers communicate their view of the firm and its activities to external shareholders.

Srinvasaraghavan Sriram, assistant professor of marketing, spent the past three years at the business school at the University of Connecticut. His research focuses on using state-of-the-art econometric models to understand how consumers make decisions and to use this understanding to investigate issues pertaining to strategic decision making.

Denis Sosyura, assistant professor of finance, completed his PhD in financial economics at Yale University. His research interests include empirical asset-pricing, mutual funds, and financial media. His recent work examines the impact of marketing incentives on the portfolio choice of mutual funds.

Hal White, assistant professor of accounting, recently taught financial accounting at Michigan State University. He earned his PhD from Penn State University in 2007 and focuses his research on earnings management, financial accounting, and disclosure.

In addition, Ross welcomes the following adjunct, lecturer, and visiting faculty members: **Marta Dapena-Baron**, lecturer of marketing; **Simon Evenett**, visiting professor of strategy; **Mark Jones**, adjunct associate professor of management and organizations; **Michael Lechner**, lecturer of management and organizations; **Douglas McClure**, visiting assistant professor of law, history, and communication; **Peter Shedd**, visiting professor of law, history, and communication; **Visaria Sujata**, visiting assistant professor of business economics; **Tony Tsai**, adjunct lecturer of strategy; and **Michael Tschirhart**, lecturer of management and organizations. ✦

+ 30%

ERB ENROLLMENT SOARS

Enrollment at the Frederick A. and Barbara M. Erb Institute for Global Sustainable Enterprise increased 30 percent from the 2006-2007 academic year to 2007-2008. The growth trend shows all signs of continuing for the 2008-2009 academic year, and it is projected that the graduating class of 2010 will be more than double what it was in 2005.

"Fifteen years ago, the concept of corporate environmental responsibility was still in its infancy. Now, corporations are beginning to weave sustainability into the very fabric of their operations and growth strategies," says Erb Institute Director **Thomas P. Lyon**.

The Erb Institute is a joint program of the School of Natural Resources and Environment and the Ross School, and offers a dual MBA/MS program, as well as a variety of other programs. The institute's first dual-degree student graduated in 1995 and alumni now total 141. They are helping to shape corporate environmental strategy at companies such as BP, Citi-Group, DuPont, General Electric, Interface, MGM, PG&E, Stonyfield Farm, Target, and Toyota to name just a few. ✦

Faculty Kudos, Awards & Appointments



BAGOZZI NETS HONORARY DEGREE Professor of Marketing **Richard Bagozzi** recently received the title of Doctor Honoris Causa from the University of Antwerp in Belgium. The honorary doctorate in applied economics recognizes Bagozzi's expertise in the field of marketing and behavioral sciences. "Richard Bagozzi's work is both multifaceted and multidisciplinary," wrote Francis Van Loon, rector of the University of Antwerp, in his recommendation letter for the degree. "[He] is undoubtedly one of the most influential scholars of behavioral sciences and marketing in particular, and he is recognized to be one of the preeminent and most authoritative academics of his generation." Bagozzi has authored more than 240 articles in some of the world's most authoritative academic journals. He also is a professor of social and administrative sciences in the College of Pharmacy.



HESS WINS NATIONAL HONOR **David Hess**, assistant professor of business law, received the Junior Faculty Award for Excellence at the August 2008 meeting of the Academy of Legal Studies in Business. The national award focuses primarily on excellence in research, and is given to one junior faculty member per year. Hess conducts research in the general areas of organizational governance and corporate social responsibility. In the area of governance, his research focuses on public pension funds. In the area of social responsibility, his research focuses primarily on "new governance" modes of regulation, including corporate social reporting. This research also includes work on corporate compliance programs and controlling corruption in international business.



NEGOTIATING CLIMATE CHANGE Professor **Andy Hoffman** served on the expert committee to help develop and review a report for former British Prime Minister Tony Blair that was presented at the G8 Hokkaido Toyako Summit on June 27, 2008. "Breaking the Climate Deadlock: A Global Deal for Our Low Carbon Future" identifies the actions and questions that need to be resolved by political and business leaders in the period leading up to the United Nations climate change negotiations set for Copenhagen in December 2009. Hoffman is the Holcim (U.S.) Professor of Sustainable Enterprise, a position that holds joint appointments at Ross and the School of Natural Resources and Environment. In addition, he is the associate director of the Erb Institute for Global Sustainable Enterprise, and is an associate professor of management and organizations and natural resources.



KINNEAR TOPS AMA BOARD **Tom Kinnear** was named chairperson of the American Marketing Association (AMA) earlier this year. Kinnear is the Eugene Applebaum Professor of Entrepreneurial Studies at Ross and executive director of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies. He also is chair of marketing at the school. Kinnear holds the AMA chair until June 30, 2010. As the largest marketing association in North America, the AMA caters to professionals and organizations involved in the practice, teaching, and study of marketing worldwide.



OSWALD NAMED HALLMAN FELLOW Professor of Business Law **Lynda J. Oswald** recently was named a Michael R. and Mary Kay Hallman Fellow. The fellowship recognizes a senior faculty member's contributions to research in the area of electronic business, technological innovation, or new economies. Oswald focuses on intellectual and real property law issues, including environmental liability issues and land use law. She has served as the Louis and Myrtle Moskowitz Research Professor of Law and Business and as a contributing editor to the *Real Estate Law Journal*. She is currently the editor of the *Michigan Real Property Review*. Oswald's work has been cited by numerous courts, including the U.S. Supreme Court in *United States vs. Bestfoods*. She is the author of *The Law of Marketing* (West, 2002). ✪

Fahey Honored for Alumni Achievement

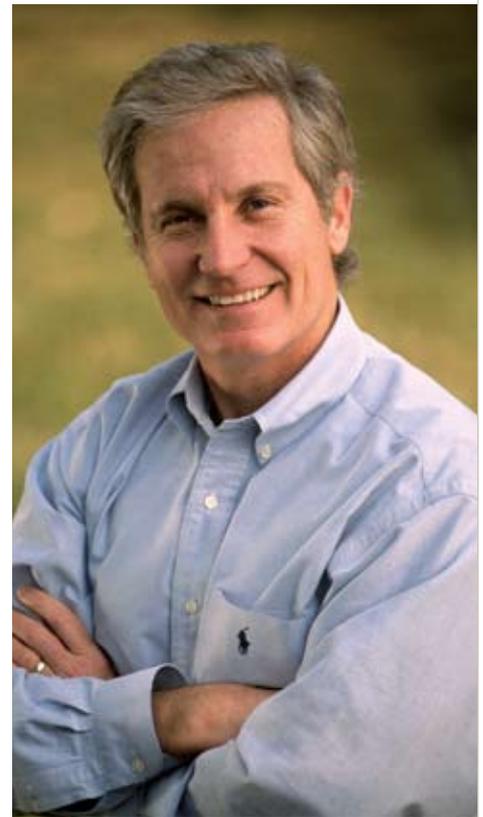
John M. Fahey Jr., MBA '75, president and CEO of the National Geographic Society and chairman of the executive committee of its board of trustees, received the Ross School's David D. Alger Alumni Achievement Award, which recognizes professional achievements that have brought distinction to the honoree, credit to the school, and benefit to fellow citizens.

Fahey joined National Geographic in April 1, 1996, as the first president and chief executive officer of National Geographic Ventures, the nonprofit society's separate, wholly owned, taxable subsidiary company that includes National Geographic Television & Film, nationalgeographic.com, and National Geographic Maps. He became National Geographic president and CEO on March 1, 1998.

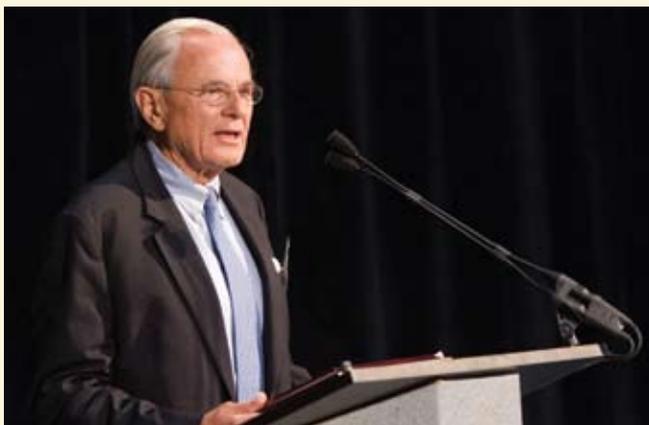
During his tenure, Fahey has led an evolution of the National Geographic Society, including its entry into cable television with the National Geographic

Channel, which airs in 27 languages and reaches more than 285 million homes in 163 countries; the international expansion of *National Geographic* magazine, now published in 28 languages; the launch of *National Geographic Adventure* magazine and *National Geographic Explorer* classroom magazine; and the relaunch of the National Geographic Expeditions travel program. From 1989 until joining National Geographic, Fahey was chairman, president, and CEO of Time Life Inc., a wholly owned subsidiary of Time Warner Inc.

He is on the board of directors of Johnson Outdoors Inc., Exclusive Resorts, and LIME, and is a member of the Newseum Advisory Committee. He represents National Geographic on the U.S. National Commission for UNESCO. Fahey is also a partner in Capital Investors, which perpetuates the vitality of the Washington metropolitan area's technology-related businesses. ✦



Morley Recognized for Alumni Service



John C. Morley, MBA '58, president of Evergreen Ventures Ltd. in Cleveland, Ohio, received the Bert F. Wertman Alumni Service Award earlier this year. Established in 1989, the honor recognizes an alumnus for outstanding service to the school and/or the University.

Morley currently serves on the Ross School's Visiting Committee and is a former chair of the Visiting Committee. He also is an active University volunteer.

He is the retired president and CEO of Reliance Electric Company, a manufacturer of electrical and telecommunications equipment and systems. Prior to joining Reliance, Morley held numerous executive positions with Exxon Corporation, including president of Exxon Chemical USA and senior vice president of Exxon USA, responsible for refining, marketing, and logistics.

Morley serves as a director of Cleveland-Cliffs Inc. where he was the non-executive chairman from November 1997 to December 1999, Ferro Corporation, and Lamson & Sessions. He is a trustee of Case Western Reserve University, University Hospitals of Cleveland, the Western Reserve Historical Society, and the Cleveland Orchestra, and is chairman of the Corporate Council of the Cleveland Museum of Art. He also serves as a director of several privately held companies. ✦

“We must think strategically to develop the new leaders of the next generation. It requires training and employee retreats. The companies most willing to make the necessary changes are those in crisis or problem mode.”



LYNN PERRY WOOTEN, clinical associate professor of strategy and management and organizations, on keeping young people engaged in the workplace. —*Workforce Management*, May 2008

“I think that once the airline industry emerges from these troubles, the very nature of the business will dramatically change. They will be forced to operate more efficiently. In the long run, the industry will survive, but will look very different.”

E. HAN KIM, Fred M. Taylor Professor of Business Administration and director of the Mitsui Life Financial Research Center and East Asia Management Development Center, regarding the future of the airline industry. —*Dow Jones*, July 3, 2008

“From the beginning, the American public loved GM’s products. They excited consumers.”

GERALD MEYERS, adjunct professor of management and organizations, crediting General Motors’ founder William Durant with creating GM buzz from the start. —*Crain’s Detroit Business*, May 13, 2008

“Today’s inflation is symptomatic of substantial long-term world market forces at work, rather than a short-term business cycle or bad government policy.”

LINDA LIM, professor of strategy, on global inflation. —*AsiaOne News*, June 30, 2008

“The question is: How far can you back off on your primary positions once you’re in office?”

MARTIN ZIMMERMAN, Ford Motor Company Clinical Professor of Business Administration, regarding Barack Obama’s perceived “waffling” on the issue of free trade. —*Detroit Free Press*, June 17, 2008

“Social investing is much more than divestment. It is about engaging with corporations to push them to consider issues related to human rights and sustainable development.”

DAVID HESS, assistant professor of business law, about responsible investing. —*Pensions and Investments*, June 9, 2008

“In the innovation game, it’s ill-advised to try to boil the ocean. The challenge is we try to do everything at the same time.”

JEFF DEGRAFF, clinical associate professor of management education, on focusing the attention of innovators. —*Grand Rapids Press*, April 16, 2008

“The drum that keeps beating steadily is the middle market.”

DAVID BROPHY, director of the Office for the Study of Private Equity Finance and associate professor of finance, on buyout firms’ targeting of small acquisitions. —*CNNMoney.com*, May 8, 2008

“Taglines give the communications spending some staying power. The message isn’t simply received and forgotten. It stays in the mind.”

RAJEEV BATRA, Sebastian S. Kresge Professor of Marketing and director of the Yaffe Center for Persuasive Communication, on the effectiveness of taglines in marketing. —*Investor’s Business Daily*, May 23, 2008

“It actually almost makes economic sense to buy an SUV now.”



PUNEET MANCHANDA, associate professor of marketing, addressing the large discounts on sales of trucks. —*Detroit Free Press*, July 4, 2008

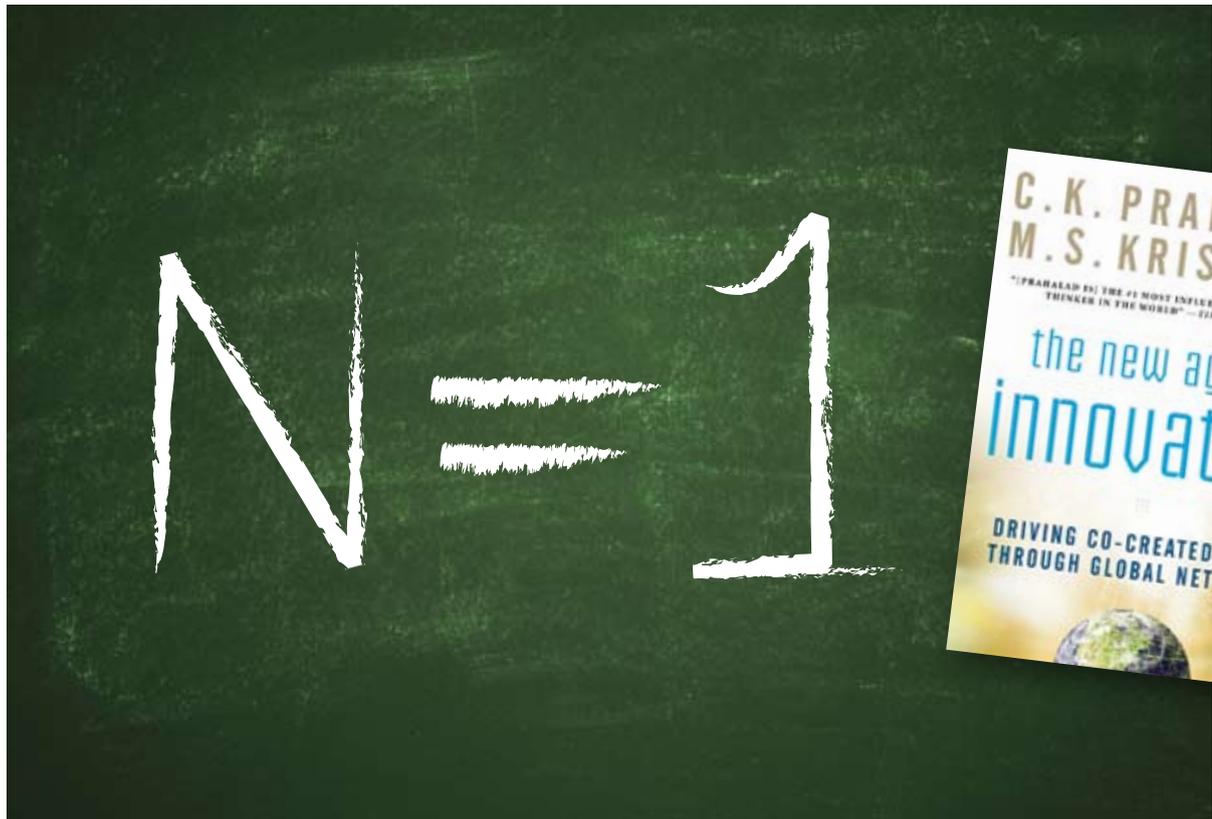
“The challenge for vice presidents is: Can they check their egos at the door?”

D. SCOTT DERUE, assistant professor of management and organizations, on the selection of presidential running mates. —*Detroit Free Press*, July 9, 2008



“You should not think of climate change as an environmental issue at all. Instead, you should think of it as a market transition. And as in any such transition, there will be winners and losers.”

ANDREW HOFFMAN, Holcim (U.S.) Professor of Sustainable Enterprise and associate director of the Erb Institute for Global Sustainable Enterprise, as quoted from his book, *Climate Change: What’s Your Business Strategy?* —*Forbes*, April 30, 2008



Claiming the Competitive Edge – One Customer at a Time

A world where three billion people connect via cell phone or computer, and where tech-savvy consumers come to market expecting a customized experience, calls for a radical shift in strategy. *The New Age of Innovation* (McGraw-Hill, 2008), by Ross Professors **C.K. Prahalad** and **M.S. Krishnan**, delivers that strategy. In their new book, subtitled *Driving Co-Created Value through Global Networks*, the authors argue successful companies no longer will invent products and services on their own. Instead, they will “co-create” them in partnership with customers and suppliers. They label the concept of a co-created, personalized experience as $N = I$. To achieve $N = I$ requires a global network of partners and suppliers, an idea dubbed $R = G$. Reconciling these two concepts demands new ways of thinking about strategy, management talent, information technology (IT), data analysis, and corporate culture. Some companies already are taking steps in this direction, from new technology firms to long-established manufacturers. If your company isn’t making this move, it should, the experts argue.

Prahalad, the Paul and Ruth McCracken Distinguished University Professor of Strategy, and Krishnan, Michael R. and Mary Kay Hallman Fellow and professor and chair of business information technology, discuss the genesis of the $N = I$ concept, offer some examples, explain why it’s critical, and reveal what it will take for companies to get there from here.

DIVIDEND: Can you give a quick, real-world example of the $N = I$ and $R = G$ ideas?

KRISHNAN: The classic example is iGoogle. It’s easy for all of us to connect with; you can have your page and I can have my page and they may be quite different from each other. Google co-creates an experience ▶

with you on their platform. You may be interested in football and world news, and you can design your page the way you want. And I may be interested in soccer, basketball, and business news, and I can create my own experience. So that's $N=1$. At the same time, Google does not own the resources that they bring in to present

industry boundaries. (For example, your cell phone is a computer, a camera, a map, a watch, and a calendar — and you could watch television and maybe listen to the radio with it.) The fourth trend is the rapid evolution of social networks like Facebook. You put the four together with globalization. And you come to the conclusion

so they can customize the product. Meanwhile, we are seeing more and more toothpaste that helps your gums, not just the teeth, which speaks to this whole idea of personalized medicine.

PRAHALAD: P&G is focused on what they call “connect and develop,” which is basically accessing product

“It’s like saying, ‘Let me totally ignore the Internet. Let me totally ignore the cost of digital technology. Let me ignore the fact that four billion people will be connected in the next five years and it will have no impact on my business.’” —C.K. PRAHALAD

their experience to us. There are multiple content providers and that’s the $R=G$ part.

PRAHALAD: Netflix is another good example. Like Google, they don’t have their own content or own the product, but each customer is allowed to create their own experience. They show that one person’s experience is going to be critical as a source of value.

DIVIDEND: How did you develop this model?

PRAHALAD: This follows on work from *The Future of Competition* (which Prahalad co-authored with Ross Professor Venkat Ramaswamy in 2004). There, we created the idea of “co-creation.” It assumes an individual and the company jointly work to solve a problem. Since that time, four factors have accelerated this move toward the process of co-creation of value. First, connectivity across the world has increased. You have three billion people already connected by cell phones or personal computers. Second is the digitization of business and the decreasing cost of digital technology. The third is the convergence of technology and

that this process of co-creation ($N=1$) and global network of suppliers of product, services, and talent ($R=G$) is going to accelerate.

KRISHNAN: The way companies compete and the structure of the business model has been morphing for quite some time. Companies are struggling to find out, “How do we innovate? How do we beat the competition and transform industries?” Observing these trends, we realized we may be at a tipping point in terms of crystallizing the structure of the business model that is evolving.

DIVIDEND: This strategy sounds easier for some industries than others. Google’s entire business is based on this idea, but what about a more established business, say Procter & Gamble, which sells things like soap and toothpaste?

KRISHNAN: In some industries it’s very, very explicit and in some others it’s not as explicit. I was on a panel recently with the former vice president of technology and innovation for Procter & Gamble. He said this speaks to so much about where P&G is going, right to the point of watching customers do their laundry

ideas and technology from a wide variety of sources. They are already at $R=G$. You mentioned toothpaste: There’s no reason why you can’t have a diagnostic of your oral care and create products just for you. If I am 80 years old, why do I have to buy toothpaste to fight cavities? I need a very different product. When these products are focused on wellness, they have to have a diagnostic front end. The products will transform themselves. Some salons do face cream or hand cream customized to your skin type and age. Now, all of that is already happening at the high end. The question is to how to do it at all ends, not just the high end.

KRISHNAN: This becomes faster as digitization in products and processes becomes more common. Auto and health insurance are good examples. In the insurance industry, firms tend to work with static rules that determine their policy structures. They offer five or six policy choices, pool the risk estimate, and come up with a premium. But if you look at ICICI Prudential in India or Norwich Union in the U.K., they’re making health and auto insurance policies more flexible. The premiums

you pay in these policies are based on your real-time behavior. Auto insurance premiums are determined by where you drive and how you drive. Emerging technologies such as GPS tracking make it possible for firms to develop dynamic risk profiles.

DIVIDEND: Doesn't that raise privacy concerns?

KRISHNAN: Firms may have to rethink security and privacy issues on two fronts as they make this transition. First, firms cannot simply adopt the traditional thinking of the fort and the moat (in which customer data is protected from outside access using firewalls). It's necessary but not sufficient. Firms need to think in



› Professors C.K. Prahalad (left) and M.S. Krishnan (right) set forth a game-changing strategy in their latest book, *The New Age of Innovation*.

terms of proactively watching for the patterns of unique behavior changes. On privacy issues, customers will share data as long as they trust the firm. We see this trend in the generation growing up with Facebook and social networking sites. The willingness to share information is there as

long as they get a benefit in return — and their privacy is ensured. For example, it has been reported that U.K.-based Norwich Union has not seen any serious privacy concerns from their customers.

DIVIDEND: You talked about why this is important and have provided some examples, but how do companies make this transition?

PRAHALAD: You have to fundamentally rethink your IT architecture. You have to make it resilient,

focused on business processes and analytics. You need a migration plan for the IT capabilities. Equally important is to have a migration plan for managerial capabilities, moving from the existing skills and behaviors to what is required. Then you need a plan to move both of them from “A” to “B” in a systematic way with small experiments. Then you operationalize the big change into small do-able projects, learn fast, and scale it.

KRISHNAN: The center of all of the capabilities is a resilient and flexible business process architecture supported by the right social architecture within the firm. That means creating a level of transparency in the company and shaping the behavior of managers to accept and leverage this transparency and flexibility in business processes. $N = 1$, by definition, demands flexibility in business processes because how a firm connects with you as customer may not be the same as how they connect with other customers. Firms also need to build analytics to understand the trends at each customer level. A lot of companies collect data, but by the time they analyze the data, in a quarter or two months, it's too late. They don't have the systems in place or the management mindset to constantly look for trends and act. Hence, both IT and social architecture may need to be reworked.

PRAHALAD: Individual companies will have to develop unique applications. If I look at Wal-Mart, FedEx, UPS, Dell, they're not relying on the IT industry for product tools, but are developing their own unique tools and are very focused analytics. In most cases, the IT organization is not oriented toward this way of thinking. They need to be re-oriented. If the IT organizations in large, established companies change, the IT vendors will change rapidly.

DIVIDEND: You point out that this is a journey every company should be taking. But if a leading company in an industry is making good money, why invest all this time, effort, and risk?

KRISHNAN: Our answer is that several years back, Sony was very well known for Walkmans and personal music. This whole idea of listening to music while you're walking isn't new: Sony was on it long ago. What did Apple do? They changed the game. First, they digitized the content. They created a platform so you have your own playlist, your own podcast of content and news you want to listen to, and a wide selection of songs. It's a great innovation. Now look at the back of an iPod or any of their products. It was proudly designed in California. For the music content, they tap global resources from amateurs to professional music companies. For evaluating specific restaurants or coffee shops near you, they tap all their customers who have been to these restaurants. On the hardware side, Toshiba, Samsung, and many other firms provide components. That is the $R = G$ part. So our point is a new entrant to the music market that innovated on this platform has gained a significant market share in the last five years. So the bigger risk that firms face is by *not* taking the lead.

PRAHALAD: It's like saying, “Let me totally ignore the Internet. Let me totally ignore the cost of digital technology. Let me ignore the fact that four billion people will be connected in the next five years and it will have no impact on my business.” The interesting thing is that everybody understands they need to move in this direction. There is increasingly a better understanding of the need. The questions are about how — and how fast. ✘

Factory Physics for Physicians

Can Manufacturing Operations Cure Healthcare?

At first glance, a manufacturing assembly line and a hospital emergency room don't appear to have much in common. One is objective, with speed and efficiency at the heart of its design. The other is subjective, with life-and-death judgment calls driving the action.

Despite their differences, the factory and the medical center do confront some of the same issues when it comes to operations and management. Peak performance across multiple disciplines is paramount. Bottlenecks slow progress. Turning a profit so funds can be reinvested is a big part of the plan.

William Lovejoy and **Wallace Hopp**, two of the Ross School's leading thinkers, recognized those similarities and decided to apply their expertise in supply chain science to the medical realm. Lovejoy is the Raymond T. Perring Family Professor of Business Administration at Ross. He also is a professor of operations and management science and former chair of that department. Hopp is the Herrick Professor of Manufacturing at the school, as well as a professor of operations and management science. In addition, he is the author of such books as *Supply Chain Science* and *Factory Physics*.

Together, Lovejoy and Hopp are introducing universal principles used in manufacturing to help medical centers streamline processes, enhance patient satisfaction, and achieve better financial performance. There's no better time than the present for healthcare to adopt the "lean revolution" that has allowed manufacturers to make more with less. Today, the United States spends a higher percentage of its GDP on healthcare than any other

industrialized country, including nations with socialized medicine.

"What we're trying to do is boil down the insights, the important essence of what manufacturing has done to continually improve efficiency, and import those principles into practices that can be used in hospitals," says Hopp. "And there are few places with a business school and medical school of the stature of University of Michigan, so this is a great place to do this."

Hopp and Lovejoy began interviewing administrators and doctors at the University of Michigan Hospital and Health System in early 2008, but this is not their first project involving medical professionals. Hopp worked in the Chicago-based Northwestern University medical system prior to joining Ross. Lovejoy has overseen several BBA, MBA, and PhD field studies set in the U-M health system. Ross students in the Multidisciplinary Action Project (MAP) course and teams from the Tauber Institute for Global Operations are a familiar presence in the University's health system. And Hopp says he sees more industrial engineers and operations specialists than ever before working in healthcare.

The researchers are not tackling such systemic healthcare issues as insurance coverage or Medicare and Medicaid compensation. Instead, they are focused on day-to-day operations at medical centers to

reduce waiting times, enhance patient care, and improve the bottom line.

"Regardless of what the compensation scheme is at the national level, if you can have the same outcome but do it more efficiently at the local level, you can have more free cash flows," says Lovejoy. "You have to have free cash flows to reinvest in your organization."

COOKIE CUTTER WON'T CUT IT

Hospitals and healthcare systems are complex and political. Medicine requires nuanced judgment calls, a characteristic that makes standardization – a hallmark of manufacturing efficiency – undesirable in many cases. As a result, the simple application of standard formulas, such as those used in the famed Toyota Production System, would never work in an emergency room.

So Hopp and Lovejoy are committed to customizing general supply chain principles for use in hospitals. For example, to reduce average waiting times and decrease the possibility of misdiagnoses in the average ER, they appeal to the principle of treating patients who require the shortest processing time first. (It's akin to allowing the person with two items at the grocery store checkout line to go ahead of you when your cart is full. The two-item person gets out much faster, and the full-cart person waits only a little longer.)

But how to achieve that outcome when doctors need to treat critical patients first? The emergency room can set critical medical cases apart from the non-critical, and then sequence the non-critical cases by



order of which ones require the shortest treatment time, says Hopp. That would cut down on waiting times and move patients through the emergency department faster. Just as important, the emergency room staff would more quickly identify a serious condition a patient might have that the sorting staff couldn't see.

"There's a possibility that somebody in that waiting room has been mis-triaged; they have a serious condition but you don't know it," says Hopp. "So you can improve not only operational performance, but also patient safety with a fundamental principle that's been known for decades in the manufacturing world."

The professors also are working on ways the hospital can reduce work being performed in batches – whether it's sending X-rays to the lab or moving patients from the emergency room to the bed floors. Manufacturing

experts know that batches create inefficiencies and add cost, and Hopp says they are working on several ways to ease that "self-inflicted wound" at medical centers.

The biggest hurdle is managing the interplay between the four major areas of the hospital: the emergency room, the operating suite, the bed floors, and the diagnostic units such as radiology and pathology. A decision made in one area ripples through the entire chain. But often the departments act as independent units, unaware of the implications their localized decisions may have on the system as a whole.

That point was driven home to Lovejoy when he looked at six months' worth of data collected from the operating room. The numbers showed six percent of the procedures experienced a "bed hold," in which the operating room couldn't transfer

a patient to the intensive care unit or the post-anesthesia care unit because there wasn't any space. That left patients under the expensive domain of surgeons and anesthesiologists and delayed subsequent procedures.

There wasn't room in the post-operative areas because patients there couldn't be moved out due to a lack of open beds on the bed floor. Beds could have been open, but patients who were cleared for discharge were stuck in a holding pattern.

"It was all perfectly rational," says Lovejoy. "Everyone's acting rationally on a local level. But once you point out that the confluence of all those locally rational decisions can be quite dysfunctional, people get on board and work toward a change."

MAKING A DIFFERENCE Research contributions by the Ross professors and their students have already ▶



► Professors William Lovejoy (left) and Wallace Hopp (right) are experts in lean manufacturing. Their new research brings supply chain principles to healthcare.

had a measurable effect at the U-M Hospital and Health System, says Dr. Jeffrey Desmond, service chief of the emergency department. The hospital traditionally has employed more of an operations focus than many of its peer institutions, but Lovejoy, Hopp, and their students bring an added level of sophistication to the process, he says.

“We learn so much about the importance of how we do things every time we participate in one of these projects,” Desmond says. “It helps us develop our own ‘operations management eyes.’”

In one example, the emergency department adjusted staffing based on the results from an early Ross student project. In addition, results of a more recent analysis are helping Desmond frame a better argument for creating an observation unit for the emergency room. The observation unit will be for patients who can’t be discharged after quick treatment, but might not need to be admitted. The idea is to treat patients in the observation unit for 24 hours or so. This solution ripples throughout the hospital in a positive way by keeping more beds open on the upper

floors and avoiding bottlenecks in the emergency room.

These incremental victories are exactly what Hopp and Lovejoy are seeking with their research. After all, it’s not as if one day the healthcare industry can flip a switch and change management and operations in an instant. Instead, they have found the “continual change” principle used in manufacturing transfers well to healthcare: Make constant improvements, get rid of what no longer works, and keep raising the bar.

“On the local level, yes, we’ve certainly changed the terms of the debate and the way people frame issues,” Lovejoy says. “I know that for a fact. I know I’ve influenced some policies in the hospital. My recommendations are mapped through the politics of the organization and then emerge in some varied form. And that’s okay. It’s a large, complex organization.”

Getting buy-in to pursue reform is a major achievement in itself, and the professors say they are encouraged that staff members in the U-M Hospital and Health System are open to their suggestions. It also helps that a number of health system executives have taken courses offered by the Ross School’s Executive Education Department, including “Operations Management and Lean Concepts,” “Leadership and Change,” and “Strategy,” among others.

Hopp and Lovejoy aim to finish and release their book by June 2009. They have no illusions about overhauling the entire healthcare system, but have high hopes to treat some of the industry’s most chronic symptoms. The breadth and scope of the issues they seek to address are admittedly daunting.

“But we feel we can do it about as well as anybody else,” Lovejoy says. ✕

—Terry Kosdrosky

PRESCRIPTION FOR SUCCESS

Ross professors and operations experts William Lovejoy and Wallace Hopp are prescribing a serious dose of supply chain science to the symptoms plaguing modern healthcare systems. Importing some universal principles proven in manufacturing can help hospitals streamline processes, enhance patient satisfaction, and achieve better financial performance.

1 ELIMINATE BATCHING. Costs rise and inefficiency increases when work comes and goes in big chunks. In hospitals, patients tend to be admitted and tests are taken and sent in bursts to radiology and pathology labs for analysis. That causes problems that ripple through the entire system. Hopp and Lovejoy are working to find ways to better regulate the work flow between units.

2 POOLING CAPACITY WILL REDUCE DELAYS. Hopp was working with Northwestern University’s radiology lab when staff began cross-training technicians to perform X-rays, MRIs, and ultrasounds. Just like eliminating job classifications at an auto factory, this helped keep work flowing when the lab saw variability in demand.

3 TAKING WORK (OR PATIENTS) WITH THE SHORTEST PROCESSING TIME FIRST WILL MINIMIZE WAITING TIMES. This is not easy to do in an emergency room. But it is possible to separate the critical-needs patients from the non-critical. Then, doctors can prioritize the non-urgent cases by order of which ones are likely to need the least time and treatment. That cuts down on waiting times and reduces the possibility of errors.

4 BE AWARE OF THE TRADE-OFF BETWEEN DELAYS, VARIABILITY, AND CAPACITY. If you cannot add capacity in a variable environment, you will experience delays, Lovejoy says. If variability can’t be reduced, capacity has to expand. If it’s impossible to add capacity, then you have to find ways to reduce variability.

5 FOLLOW LITTLE’S LAW, WHICH GOVERNS THE RELATIONSHIP BETWEEN THE NUMBER OF UNITS IN A SYSTEM, THROUGHPUT, AND DELAY TIME. In a hospital, this means that since the number of beds is usually fixed, discharging patients faster increases throughput, which translates into more reimbursed care. “At a place like U-M Hospital, it’s a big deal financially and a big deal in terms of meeting the medical mission of the hospital,” Hopp says.



“I never could have accomplished half of these achievements or pursued my ultimate goal without their kindness.”

Grace Lee, MBA/JD '08

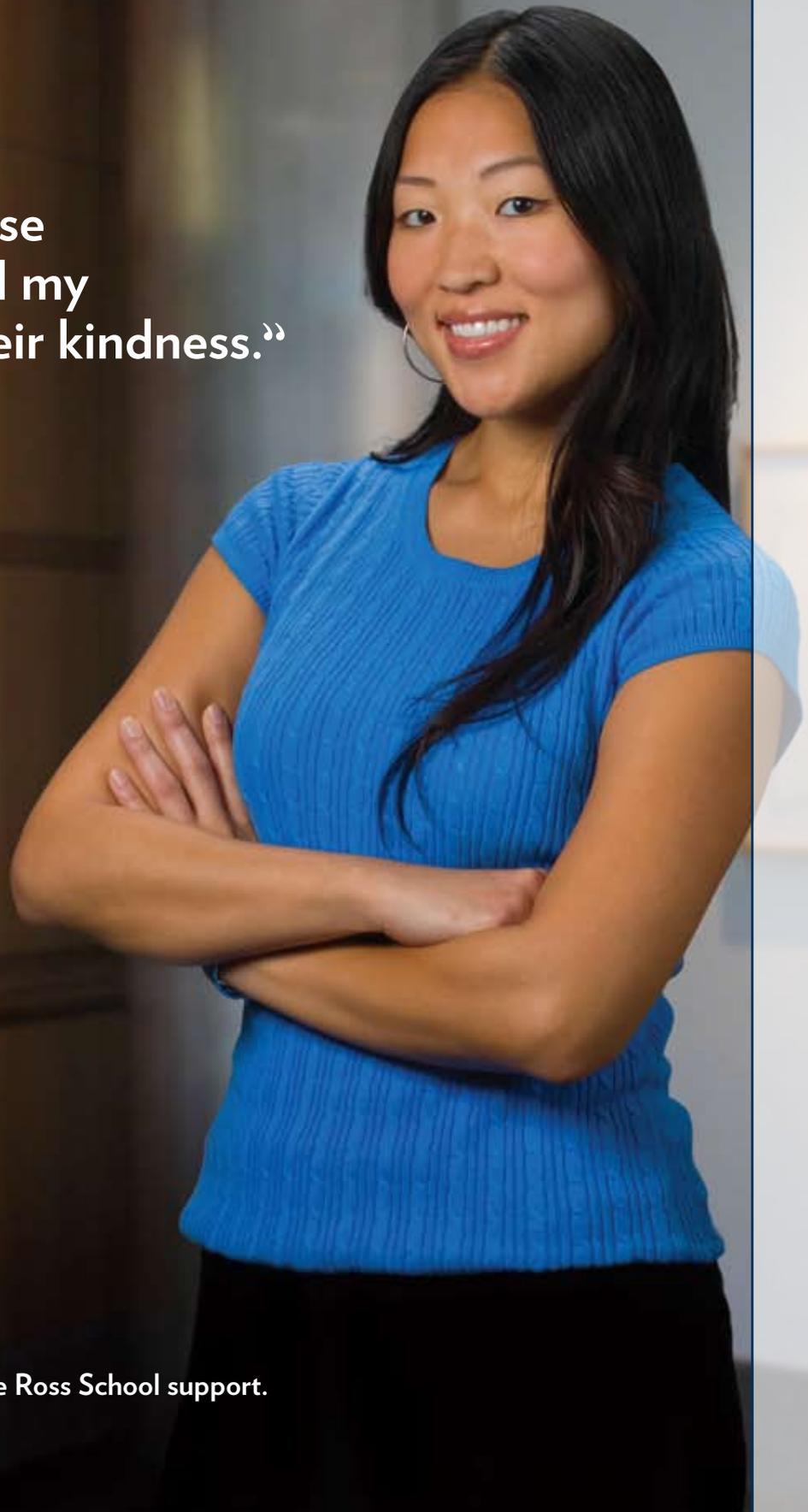
David W. Belin Phi Beta Kappa Merit Scholarship recipient
Gladys D. and Walter R. Stark Graduate Scholarship recipient

Gifts IN Action

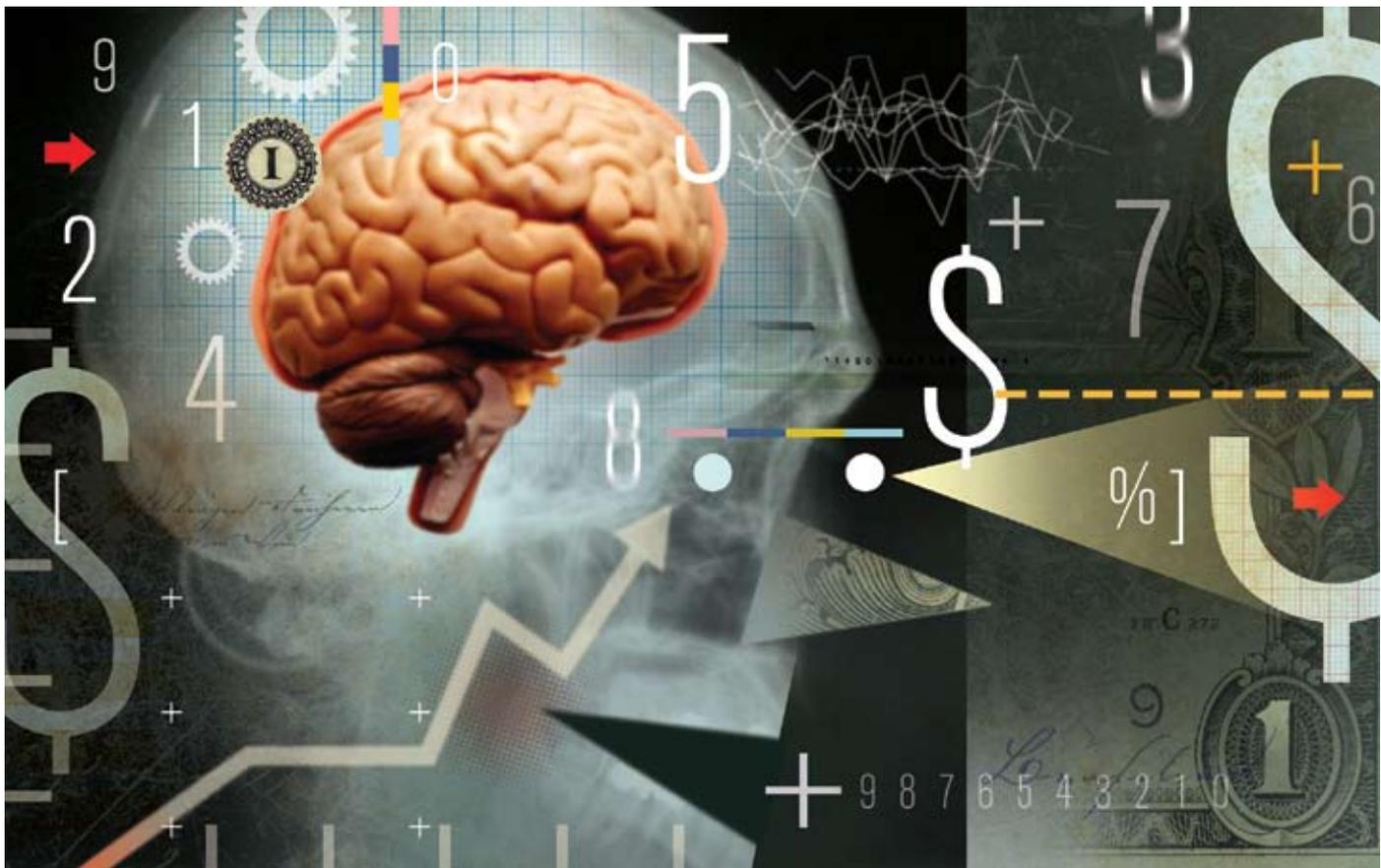
Grace is committed to diversity and justice. As a Ross Consortium Fellow she served on Dean Robert Dolan's Diversity Steering Committee and the Student Admissions Committee. While at the Law School she served as president of the Student Senate and helped establish the Law School Mental Health Initiative.

Grace plans to use her dual degree in business and law to create a nonprofit organization offering social and legal services to immigrant victims of domestic violence.

Grace is the kind of student whom gifts to the Ross School support.



www.bus.umich.edu/AlumniCommunity/Give/



It's All in Their Heads

MRIs Identify Salespeople Most Likely to Succeed

You've had the experience. You walk into a store, didn't plan to buy a single thing and, before you know it, a salesperson is chatting you up, suggesting purchases you never imagined. And there you are, loading up your trunk with stuff you never intended to buy. Driving home, you wonder: "How'd he do that?"

Or maybe this happened: You've been saving for weeks to buy some highly coveted item. You walk into the store and the salesperson ignores you — or worse, says the wrong thing and irritates you. Suddenly, you don't want that product after all. That jerk behind the counter ruined everything. You walk out, empty-handed.

How is it that some people can get you to buy anything while others

can't? Are certain folks born to be salespeople while others just don't have the gift? What, exactly, goes on inside the mind of a sales professional?

Ross marketing professors **Richard P. Bagozzi** and **Carolyn Yoon** were part of a team that found some answers to that question. The study's other co-authors, from Erasmus University in the Netherlands,

were researcher Roeland C. Dietvorst, Professor of Sales and Account Management Willem J.M.I. Verbeke, Marion Smits, M.D., and Aad van der Lugt, M.D., a professor of radiology.

The team developed a new scale for measuring the ability of salespeople to read, process, and act upon subtle cues of their customers, and validated it by using brain scans from functional magnetic resonance imaging, or fMRI. The study, one of the first to test the legitimacy of a new scale using insights from neuroscience, is detailed in the paper "A Salesforce Theory of Mind Scale," set for publication in the *Journal of Marketing Research* in 2009.

“We found the areas of the brain that control these abilities are more active in salespeople who score higher on tests that measure those interpersonal skills than in those with lower scores,” says Bagozzi, who also is a professor of social and administrative sciences in the College of Pharmacy.

It’s an important area for business research because, as the authors note in the study, “The imperative for salespeople is to immerse themselves into the nuances of the customer’s organization and pay special attention to subtle cues communicated by customers. In this way, salespeople can put themselves into the shoes of the members of the buying center

and mentally simulate what customers indicate or say they want and why they want to buy.”

Duke University Professor Joel Huber, editor of the *Journal of Marketing Research*, says the paper “raises the bar for thoughtful structural analysis of survey data and linking that to fMRI. It will have strong impact.”

OUT OF LEFT FIELD The study is the latest step in Bagozzi’s ongoing research into the psychology of sales professionals. It was inspired by, of all things, autism research. People diagnosed with autism have trouble inferring the beliefs and desires of others, a process that occurs automatically in the non-autistic brain. Neuroscience has shown that areas of the brain that control these processes are not as active in those with autism.

“The ability we have to infer what the beliefs, desires, and needs are in other people happens for us naturally,” says Bagozzi. “In autistic people, they’re missing that informa-

tion. I read that research and it was the inspiration for this whole study. Would this general principle work with non-autistic people?”

Bagozzi, Yoon, and their co-authors tailored tests for non-autistic people, and specifically for sales professionals. They wondered if the same principles used in autism research could be fine-tuned to distinguish sales professionals with better interpersonal skills from those with less ability. They also wanted to see if the fMRI exam, given to salespeople subjected to audio stimuli, would reveal differences in the three areas of the brain that control what they call “interpersonal mentalizing.”

There was no guarantee the study would detect such fine differences.

“For us, this was a really risky thing,” Bagozzi says, “because we know in studies that it’s much easier comparing autistic people to non-autistic people and getting a difference in the experiments. In our case, we were comparing normals to normals, so we had no idea if it was going to work.”

DO YOU MIND? First, the researchers used the Theory of Mind — the ability to read and act upon another’s desires and beliefs — as a base to develop a more specific Salesperson Theory of Mind, or SToM. They formulated a scale pulling together ideas from neuroscience, communication, and sales force studies.

Test results showed sales professionals exhibit different degrees of interpersonal mentalizing in four areas. Those dimensions were identified as building rapport, the ability to process non-verbal communication, taking a bird’s eye view, and the ability to shape interactions with customers in a positive way.

The next phase of the study showed that the four dimensions

of the Salesperson Theory of Mind correlate significantly with job performance. Third, the researchers developed validity scales using statistical measures.

Finally, salespeople who scored the highest and the lowest on the SToM scale were given fMRI scans while subjected to audio recordings of sales scenarios and questions. The authors had a hunch that salespeople who scored high on the scale would show greater activity in specific regions of the brain than those who scored lower on the scale.

The hypothesis was largely confirmed. “The fMRI machine for us is like a validation, proving that the scale is doing what we’re claiming it’s doing, as best as one can,” Bagozzi says.

NATURE OR NURTURE? An open question is whether interpersonal mentalizing, much of which is automatic or subconscious, can be learned. The authors believe it can be.

In a practical sense, the research can be useful to sales managers seeking to enhance performance in the field. The “paper and pencil” tests developed in the study can be used to evaluate new hires, customize sales training, and aid in placing salespeople on certain accounts.

“There are some real implications here,” Bagozzi says. “Take the ongoing management and coaching of the sales force: A sales manager, a trainee, and a seasoned salesperson might record an interactive scenario. That videotape could be analyzed with a good analyst looking for the interpersonal mentalizing.”

Bagozzi also thinks the results should spark further research on the topic. “We really wanted to know what’s going on in the minds of salespeople and decision makers,” he says. “This is the first study, we hope, in an ongoing effort.” ✨ —*Terry Kosdrosky*



› Professor Richard Bagozzi uses insights from neuroscience to support new research on sales professionals.

Q • What are you thinking about?

A: ANATOMY OF A LOYAL CUSTOMER *Heads, hearts, and hands: All play a unique role when it comes to brand loyalty and consumers. Savvy marketers know that strategy and execution can shift dramatically depending on whether a “head loyal” demands innovation in a product or a “hand loyal” seeks familiarity, says **Christie Nordhielm**, clinical associate professor of marketing at Ross. She is the author of Marketing Management: The Big Picture, and in the following Q&A, Nordhielm talks about her research into brand loyalty and its relation to “the Big Picture Framework.”*



What are you thinking about? One of the really exciting research projects I’m working on right now focuses on the varieties of brand loyalty and how that impacts marketing strategy. Basically there are three types of brand loyalty: head loyalty, which is just being interested in the features of the product; heart loyalty, which is that really strong emotional brand loyalty; and hand loyalty, which is more habitual loyalty – the consumer just grabs the same brand every time out of habit.

The same person can have different types of loyalty to different products. One of our respondents was, in general, a rational, head-loyal consumer. Then he bought an iPhone and became a Mac-fanatic heart loyal. He considered it a “betrayal” when iPhone cut the price of their phone six weeks after introduction; he actually called the attorney general of Ohio to file a lawsuit against Apple. These are definitive signs of a heart loyal.

Certain products tend to fall into specific categories, but that tendency can be shifted with strong and successful marketing efforts. The key here is that different marketing strategies and tactics are called for with different types of loyalty. For head loyals the firm likely would implement lots of product improvements and then introduce and promote them heavily. In the case of hand loyals, however, the trick is to maintain the habit, so product changes should be more subtle and gradual; the emphasis should be on maintaining distribution and product quality. Finally, heart loyals need to feel they are being heard and understood, and this calls for great customer service and research.

Why is this interesting to you? The single determiner of success in marketing is curiosity about the consumer. You have to be interested in what moves them and causes them to do what they do. My students who have been most successful have that curiosity. I do too. It has fueled

my research and ensured its applicability from a managerial perspective.

What are some of those applications from a managerial perspective? In the marketing core, we teach the Big Picture Framework. We talk a lot about identifying a company’s core competence, leveraging that into a benefit, and then focusing on that benefit in a single-minded way. The days of trying to be all things to all people are over – it is simply not a sustainable approach. We are no longer in the era of simply identifying customer needs and attempting to fill them. Today’s successful marketers recognize it is possible to shape consumer needs and therefore shape the market, driving demand in such a way that the firm is better able to meet these needs. Instead of being a static, one-sided equation, it is a two-sided equation with the firm’s competencies on one side and its ability to develop demand for benefits that can be generated from those competencies on the other. This is the key to sustainable competitive advantage.

The skills the firm needs to maintain a hand-loyal customer base are very different than those needed to keep heart loyals or head loyals happy. It has become difficult, if not impossible, for a firm to profitably meet the needs of all three groups. Apple is usually pretty terrific at maintaining heart loyalty, but as their customer base grows they may see more head loyals entering the mix. Toyota appears to engender head loyalty – their consumers regularly list off rational reasons why they buy the car. And Morton Salt maintains a healthy group of hand loyal consumers who buy the salt out of habit, despite the premium.

With the Big Picture Framework, we are able to make the link between firm competencies and consumer needs, and this is how we achieve the integration of execution and strategy. ✖

A: GREEN BUSINESS VALUE OF INFORMATION TECHNOLOGY

It is widely known that information technology (IT) can contribute to economic performance in a firm. But a new research agenda, developed by the Ross School's Nigel Melville, is exploring ways in which IT also can contribute to environmental performance across the globe. Melville, an assistant professor of business information technology at Ross, is an expert on information technology innovation and organizational performance. He is a special sworn status researcher of the U.S. Census Bureau at the Michigan Research Data Center. His work has been published in such leading journals as Information Systems Research and MIS Quarterly. In the following Q&A, Melville talks about his new research agenda and the link between information systems and environmental sustainability.

What are you thinking about? The green business value of IT, meaning, how information systems can contribute to environmentally sustainable business practices. I'm extending IT business value research to broaden the definition of "value" to include environmental sustainability.

Why is it interesting to you? The issues of global climate change and energy scarcity increasingly are influencing corporate strategy. These issues present an opportunity for firms to exercise a competitive advantage and challenge the status quo. Many companies have adopted a sustainability strategy to capitalize on public interest in the environment, to gain a competitive advantage in the marketplace, and to be viewed as leaders in this emerging area. External pressure in the form of regulation is also a factor, such as the European Union's target to reduce greenhouse gas emissions by 20 percent and increase renewable energy use by 20 percent by the year 2020.

Researchers have examined such questions as the economic and environmental performance impacts of environmental management programs. However, the role of information systems has not yet been a focus of research. IT has the potential to rationalize sustainable business practices such as energy monitoring (automation), centralize and distribute pertinent information within and beyond the organization as needed (informatization), and enable entirely new sustainable business models (transformation). For example, one of the things the information systems industry does best — collect and present information — is exactly what's needed in the expanding realm of energy management.

A recent econometric study by economist Joachim Schleich and social scientist Edelgard Gruber indicates that lack of information about energy consumption patterns is a leading barrier to the diffusion of energy-efficient organizational practices. One example is the ZigBee communication standard, which enables power consumption data to be transferred wirelessly using specialized routers powered by watch batteries. Another example is Web 2.0 technologies, such as wikis, that foster collaboration and innovation. Wikis present interesting opportunities to rapidly develop effective new energy management practices within organizations. I have a working paper in preparation for submission that develops a research agenda on information systems and environmental sustainability. I also started a blog at <http://greeningit.wordpress.com> on the topic, since this seemed like an ideal way to share materials and findings as the research progresses.

What implications do you see for industry?

Businesses are gearing up to address the immense challenges of energy scarcity and global warming. Information technology will play a crucial role. However, emerging standards and technological complexity will challenge firms to make prudent investments that fit their particular organizational circumstances. There is much to be done, and scholars can play an important role in developing new knowledge that helps managers innovate effectively in the area of IT and environmental sustainability. ✕



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Ford Motor Company Clinical Professor
of Business Administration

MINDING OUR BUSINESS

Ross faculty members survey the policymaking landscape under a new administration

From an economist's perspective, the challenges the next U.S. president and his administration face are numerous and daunting: the real estate crash, the banking debacle, the nation's energy crisis. What about healthcare, tax policy, and international trade? Faced with an inbox overflowing with critical matters, the next president will be expected to hit the ground running. And he's going to need to call on people with extraordinary intellect and judgment to keep pace with the onslaught of economic issues coming his way. *Dividend* tapped some of the Ross School's reserves of intellect and judgment to survey the policymaking landscape in 2009. In the following pages, Ross faculty offer analysis, prescriptions, predictions — and, yes, a few encouraging words — about some of the more complex quandaries facing the next president.

By Deborah Holdship & Terry Kosdrosky // Photos By Steve Kuzma

Focus on the Future

The new president will move into the White House residence at a time when an alarming number of Americans are struggling to hang on to their homes. The rate of foreclosures probably won't peak before 2010 and new home construction is down. At the same time, home values are dropping at rates not seen in decades, as the effects of overproduction, declining property values, and the subprime mortgage meltdown seep into the overall economy.

A new housing bill signed into law in July 2008 did provide some immediate relief to homeowners at risk of foreclosure and demonstrated Treasury's priority to keep the markets open. The government's subsequent takeover of mortgage giants Fannie Mae and Freddie Mac in September was designed to further shore up investor confidence and stabilize the government-sponsored enterprises (GSEs).

The new president will have a chance to restructure the two companies, or he could take a wait-and-see attitude until the industry slump subsides, says **Robert Van Order**, adjunct professor of finance at Ross and former chief economist at Freddie Mac.

"One possibility is [the GSEs] will come out of it intact, with adjustments within the current regulatory framework," he says. "Otherwise, there are two directions to go. One is to restructure Fannie and Freddie along the lines of government-owned agencies like the Federal Housing Administration and Ginnie Mae. The other option is privatization. Both have their costs."

Either way, the government's recent action won't do much to stem the tide of foreclosures and declining house prices in the immediate term. So the new administration should set its sights on writing legislation that brings much-needed transparency to mortgage lending practices, suggests Van Order.

Addressing the structure of mortgage securities would be a good place to start. Investment vehicles backed by subprime mortgage securities were popular because they paid a high yield. Some institutions took leveraged positions in securities backed by subprime loans.

But as delinquencies in subprime mortgages spiked, their value declined. That left investors jittery and led

to tight credit. While the risky nature of subprime mortgages was part of the problem, so was the way the securities were bundled.

"The way they were structured was unnecessarily complicated," Van Order says. "And the people who made the loans didn't keep enough of the risk." Thus, the new administration may look at ways to make sure those who originate the loans

and the investment banks that put the deals together don't offload all the risk.

"They'll look into that as a legislative matter, but my guess is the market will be way ahead of them," Van Order says. "The investors who got clobbered with this will have very strong incentives to get it right."

The new administration likely will be tempted to set new rules for lending to subprime borrowers, Van Order believes. While that is warranted, lawmakers need to tread lightly so as not to stifle options for home ownership.

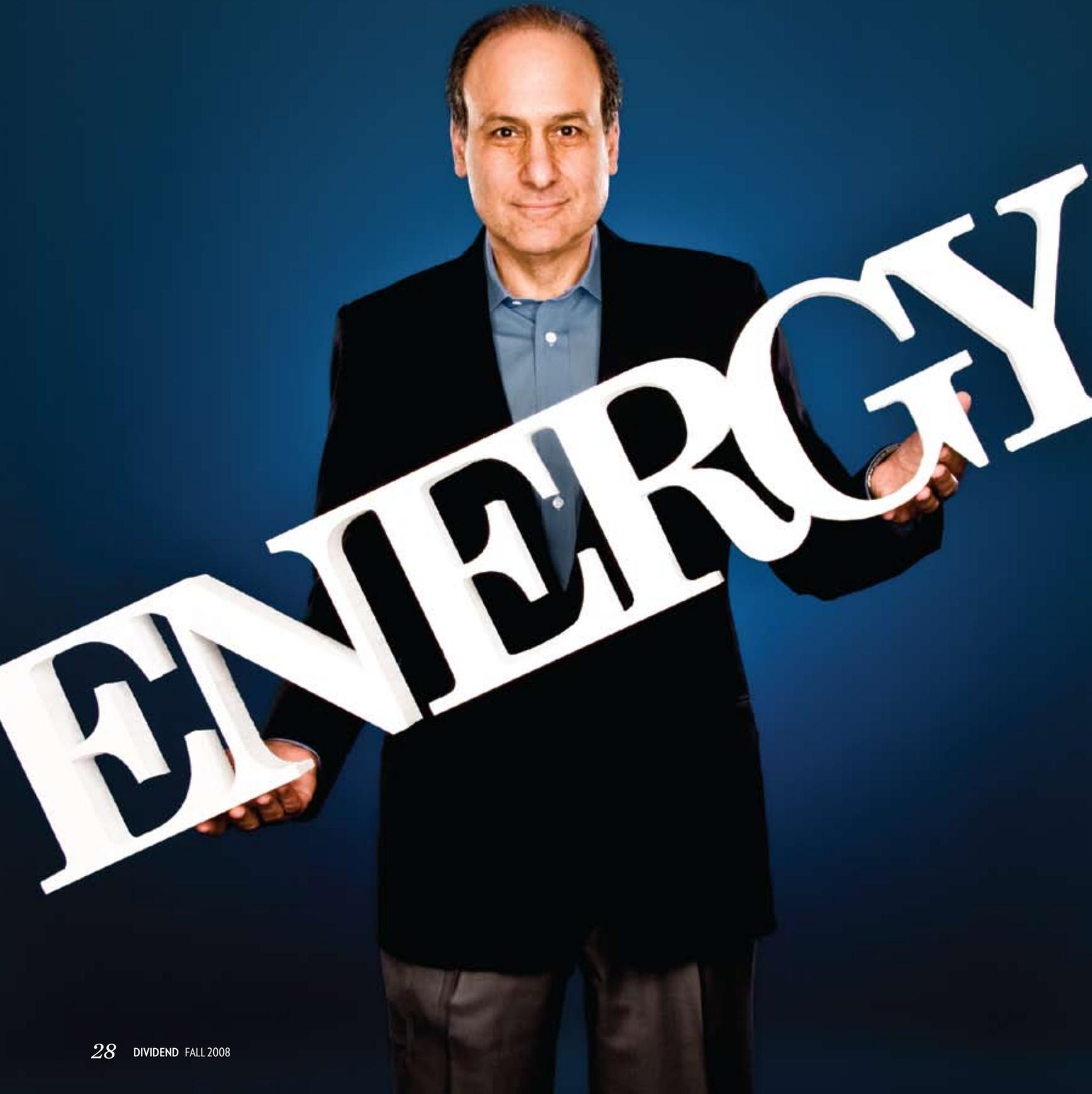
"A lot of people took subprime loans with the idea that their credit would improve within a couple of years and they could refinance into a lower-rate prime mortgage," he says. "It was not an inherently bad bet. You want to be careful about taking too many choices away. There's nothing inherently wrong with making loans with low documentation and high down payments or adjustable rate loans with teaser rates."

Instead, new laws should focus on beefing up disclosure rules, such as requiring a one- or two-page sheet on top of the agreement that clearly outlines the key terms, or giving borrowers a few days to digest the information and urging them to speak with an adviser.

For savvy investors, the housing market still offers certain advantages. "There is a silver lining in all this," Van Order says, "which is that lots of good housing has been built over the past few years, and now it can be bought at low prices."

And, in the financial system, the market for subprime mortgage securities will bounce back at some point. Now could be a good time for investors to take a non-leveraged position in subprime debt, says Van Order. "This is a time when patient money can be rewarded." —TK





Roadmap Required

Faced with skyrocketing fuel prices and concerns about global warming, the next administration will be spending a lot of energy on, well, energy. It's time to develop a comprehensive policy to replace the patchwork of legislation that now governs supply, demand, emissions, and alternative fuels, says former auto executive **Martin B. Zimmerman**, the Ford Motor Company Clinical Professor of Business Administration. The new administration must craft a blueprint to address greenhouse gas emissions, escalating prices, and the country's dependence on foreign sources of oil.

In addition, that policy needs to set the course to "get there from here," says Zimmerman, who also sits on the National Commission for Energy Policy, a bipartisan advisory group. Tapping new sources of domestic oil and developing alternative fuels such as bio-fuel will take time. Nuclear power likely will have to be part of the equation if the new president wants to curb carbon emissions.

"We've never really had a comprehensive energy approach," Zimmerman notes. "And often, when we've tried, we've bollixed it up. I don't think we should be fighting over whether this or that will take too long. What we should be asking is, 'Does it make sense for the long term to promote this policy?' And if it does, we should get on with it."

To that end, some type of cap-and-trade system is the most logical approach to reducing greenhouse gas emissions. In this scenario, a limit is set on emissions, such as CO₂, and a market-based system is created that would allow companies to buy and sell permits to emit the gas.

But the devil will be in the details. Electric utilities and their customers, as well as other industries, could be hit hard under such a policy. The key question will be how to lessen the blow to industries and their consumers without compromising incentives for emission reduction and over-complicating the system. And in setting energy policy, the new administration also must factor in the precarious state of manufacturing in America,

Zimmerman says. In the ailing automobile industry, for example, inefficient and costly regulation could have dire results.

As for high prices and national energy security, moves to curb consumption will get a lot of play, Zimmerman predicts. Both new oil supply and alternative fuels are worth pursuing, and while it will take time for either initiative to produce substantial results, starting down the path now could bring immediate benefit. "If you start today, the market will begin to anticipate that oil prices will be lower later on," Zimmerman says. "And if you anticipate prices later on will be lower, that will have an effect on prices today."

Both candidates signaled support for higher fuel efficiency requirements for cars and light trucks, though Zimmerman says the current Corporate Average Fuel Economy (CAFE) legislation, which requires cars and light trucks to average 35 miles per gallon by 2020, is inefficient. The recent spike in gasoline prices has rendered the higher standards less relevant as the market itself is pushing automakers to build smaller and more fuel-efficient cars.

But while progress on the alternative fuel front is gaining momentum, politics and unintended consequences can stand in the way of any proposal. Politicians from corn-producing states typically support a tariff on imported ethanol. Domestic production of corn-based ethanol plays a role in escalating food prices. And political battles rage over where to store nuclear waste.

The good news is that opportunities abound for energy-minded businesses and investors. In fact, Zimmerman says he was struck by the number of venture capitalists attending a recent energy conference.

"Just on the climate change problem alone, if you're going to get the reductions on CO₂ and global warming gases at a reasonable cost to the economy, you're going to need serious technological developments," Zimmerman says.

Nobody knows yet what will work and what won't. But the government, through early-stage research and grants, can plant the seeds for several innovations, he says. And the free market will select the winners. —TK

New Rules

The routes between Wall Street and Main Street are littered with the debris from this year's series of financial upheavals. The troubles that have descended upon the world of finance — most notably, as *Dividend* goes to press, upon Bear Stearns, Lehman, Fannie and Freddie, and AIG — will usher in a new regulatory environment. The challenge for the new administration will be to enforce better discipline among market participants while keeping a healthy level of flexibility in the system, says **Amiyatosh Purnanandam**, Bank One Corporation Assistant Professor of Finance at Ross.

“We have new financial products, the global economy is integrated, and the nature of the economy has changed from the industrial to the information age; all these things should be taken into account when formulating new regulation,” Purnanandam says. “If I had a minute with the president, I would say, ‘make sure you keep the tactical and strategic issues separated.’ There’s always this danger of going into overdrive to take care of a short-term problem and compromising the long-term benefit of the free markets. We don’t want to overburden the financial system with so many new regulations that we kill innovation.”

The irony is that innovation may be what got the banking system into its current conundrum. Free markets move rapidly, and regulators are always racing to catch up. The current meltdown in the mortgage industry is a perfect example. While regulators focused on commercial banks, those same banks created new products outside the parameters of existing regulation. They packaged and sold mortgage-backed securities to investment banks, hedge funds, and other institutions, transferring the risk of the mortgage market to sectors with no corresponding rules.

“All of a sudden [regulators] woke up. People are shorting, Bear Stearns is collapsing, money isn’t flowing in the economy. And it’s tempting to come in and say, ‘This is bad. Stop doing this,’” Purnanandam says. “But go back four years ago and see why these markets evolved. They were doing really good things, spreading

their risk across the economy. And as the risk gets diversified, the cost of bearing that risk comes down. Now the cost of credit comes down. The banks make more loans. Many of the securities went overseas, so now the risk is being shared internationally. All these benefits happened because of these markets.”

But those same markets, left too long to their own devices, created our current trouble. The Treasury, the Federal Reserve, the Securities and Exchange Commission, and the Federal Deposit Insurance Corporation are now on the ground setting policies to keep investor and consumer panic at bay — while attempting to build more transparency and discipline into the system. Whether they rein in practices that have been linked to the housing crisis or recommend tighter control over unregulated markets, implications of short-term tactical moves today can create new and unexpected crises 10 to 15 years from now, warns Purnanandam. And history shows that every 50 to 60 years, periodic crises will aggregate into one landmark event.

“I think this current crisis is of the landmark variety,” he says, noting that past crises have come to the U.S. from foreign economies (Russia, Brazil, southeast Asia) or were limited to geographic regions (New England) or specific sectors in the domestic economy (S&Ls). The current situation started in the U.S., has a fundamental impact on the overall economy, and is being exported to the rest of the world through a newly integrated global market.

“We still talk about the 1930s in my business in terms of the regulation that came out of that era,” Purnanandam says. “This is going to be another extremely important decade in our financial history. When the landscape of financial decision making and transactions changes, you have to have new regulations. But let’s put together all the facts from the last 70 or 80 years and look at the costs and benefits of both sides of the coin.” —DH





Quest for a Cure

When evaluating the symptoms that ail American society, policymakers, much like physicians, are forced to prioritize. As a result, the acute flare-ups plaguing energy, banking, and real estate likely will send the new administration into triage mode at the expense of the long-suffering issue of healthcare policy, says **Tom Buchmueller**, the Waldo O. Hildebrand Professor of Risk Management and Insurance at the Ross School.

“Unfortunately, we’ve been in a crisis mode for so long, the crisis has kind of become the status quo,” he says. “Americans used to be shocked that 35 million people in this country lived without health insurance. Then the number crept to 40 million, and is now closer to 50 million. We get numb to it.”

As a health economist, Buchmueller has examined various aspects of the unique model of employer-sponsored insurance on which the United States’ system is built. The set-up brings a host of specific business issues to market. On the one hand it offers significant economies of scale (especially for large employers), and employer-sponsored groups create efficient mechanisms for risk pooling. On the other hand, escalating costs exert downward pressure on wage growth, and a rapidly expanding pool of retirees places a huge burden on the manufacturing industry.

The challenge for reform is to maintain the real benefits of the employer-sponsored system while addressing its limitations, Buchmueller says. In his campaign, John McCain proposed eliminating the tax subsidy for employer-sponsored insurance and offering a refundable tax credit so consumers could purchase private health insurance. The approach addressed inequities in the way the tax system currently subsidizes health insurance, but for many Americans it would lead to a fundamental change in how they obtain insurance and what that coverage looks like.

“It would move a lot of people out of employer-sponsored group insurance and into individual insurance,” Buchmueller says. “And I don’t know if you’ve ever tried to purchase insurance as an individual, but it’s a tough market.” The changes would be especially pronounced for individuals considered by insurers to be high risk.

“In one sense, McCain’s plan is quite radical,” says Buchmueller. “But at the end of the day, the number of people without insurance probably would be the same.” And the combination of these factors makes it unlikely a plan like McCain’s would get very far in a Democratic Congress.

Barack Obama used the campaign to propose an alternative that would build on the current employer-sponsored system and existing public programs. Individuals who don’t have access to insurance through an employer could purchase coverage through a National Health Insurance Exchange, much like the state of Massachusetts’ Commonwealth Connector. In that system, participating plans are vetted by the Massachusetts legislature and made available to consumers via a system of subsidies and vouchers. The set-up offers the kind of risk pool, economies of scale, and ground rules that protect both insurance companies and individuals.

Obama likely could have more luck than McCain getting legislation passed through the Democratic Congress. But his plan requires additional federal spending on subsidies for people who currently can’t afford health insurance and forces significant financial challenges on an already burdened domestic economy.

Add to this a baby boom population creeping toward retirement. This boomer demographic, large and active when it comes to voting, could bias future legislation toward Medicare at the expense of programs targeting the nation’s poor and uninsured. It’s a mixed bag, says Buchmueller. “The Medicare prescription program seems to be going well, but it’s costly. And those are funds that could be used to expand coverage more broadly.”

One good sign Buchmueller sees is a trend in the Senate toward bipartisan concurrence regarding healthcare reform. He cites a proposal to expand coverage by Senators Bob Bennett (R-Utah) and Ron Wyden (D-Oregon). “The only chance of getting some serious legislation passed is to let it come from Congress,” says Buchmueller. “If Congress gets a cue from the next administration that healthcare is an issue the president is willing to sign on to, they can develop something with bipartisan support that fits with the broad principles he’s outlined. Then, change is possible.” —DH

A Perfect Storm

Ross Professor **Joel Slemrod** envisions a “perfect tax storm” gathering in the convergence of three critical events that will begin to unfold in 2009. It starts with the inauguration of the new president in January, continues at the end of 2010 with the expiration of tax cuts enacted in the first year of George W. Bush’s administration, and gathers steam in 2011 with the unofficial onset of the retirement of our nation’s baby boomers.

“The new administration will not have a clean tax policy slate to write on,” says Slemrod, the Paul W. McCracken Collegiate Professor of Business Economics and Public Policy. He also is director of the Office of Tax Policy Research at the school. “Unless legislative action is taken, the higher income tax rates that were in effect before President Bush took office will again be the law of the land. The new Congress will have to choose whether to let the tax system revert to its pre-2001 structure, allow the tax cuts to persist, or choose a third path.”

The biggest long-term fiscal concern is presented by the aging baby boom generation. The Great Society policies of the 1960s and 1970s lavished this cohort with promises of expanded Social Security and Medicare support. And beginning in 2011, when the first of the boomers reaches the common retirement age of 65, the bill for these promises will start to accelerate.

Slemrod cites one study that calculates over the next 75 years, promised Social Security and Medicare payments exceed the payroll taxes now in place to pay for them by \$52 trillion—yes, trillion. Medicare is by far the bigger issue. The latest report from the program trustees calculates that getting Medicare into actuarial balance over the next 75 years would require an immediate 122 percent increase in the Medicare payroll tax, from 2.9 percent to 6.4 percent, or an immediate 51 percent reduction in outlays, or some combination of the two.

“Something will eventually have to give — either a substantial increase in taxes to finance the promised payments, a substantial cutback in promised benefits to what current tax rates can provide, or some combination of the two,” says Slemrod. But neither party seems committed to any substantive fiscal reform that would address this problem. The proposals of both John McCain and Barack Obama would increase, not reduce, deficits.

Revising the tax system should be high on the new administration’s agenda, argues Slemrod. “As it stands, our income tax system is complicated and costly to administer.

A medium-term objective should be to simplify it. Unfortunately, the income tax system often is used to deliver all sorts of policy objectives. Rather than have explicit expenditure policies, they are embedded — and often hidden — in the tax system. This just complicates it further.”

Also looming on the agenda is the controversial issue of an increased federal gas tax. Each one-cent-per-gallon increase would bring in about a billion dollars per year. Many economists are intrigued with this idea, both as a method to raise revenue and as a way to reduce energy imports, but Slemrod concedes this is a political non-starter.

One revenue-generating option common in other countries is the value-added tax (VAT). Most developed nations rely heavily on some form of a VAT on all businesses, Slemrod points out. It’s similar to a retail tax, and is cleaner and simpler than income tax. The VAT is levied against the difference between a business’ receipts and its purchases from other businesses. Funds raised by a 10-14 percent VAT could be used to raise the standard deduction for income tax to \$100,000, thus eliminating the need for filing of about three-quarters of Americans who now file. Some of the monies raised by a VAT could even be put toward vouchers for health insurance. And while such a proposal is intriguing, it is also unlikely, says Slemrod. Americans historically resist new taxes.

In fact, among developed countries the United States actually has one of the lowest tax burdens. It’s lower than every major European country, and is substantially lower than in some countries like Sweden, where taxes amount to nearly half of total income, compared to about 30 percent in the U.S. On average across the world, the highest taxing countries are the most affluent, which Slemrod attributes largely to the fact that citizens of richer, more industrial and urbanized countries desire more of the services that governments provide.

Americans can’t have it both ways, he points out. Much like families faced with shrinking household budgets, the new administration needs to scrutinize spending habits, cut back on unnecessary items, and come up with a plan to make ends meet.

“It’s fine if we are going to be a relatively low-tax, low-government-service country. The problem comes from not paying for what we’re getting,” he says. —DH





Keep it Free

Linda Lim has three words for the next administration: global trade liberalization. “The economic benefits of free trade are a ‘no-brainer,’” says the Ross professor of strategy, who specializes in international trade and investment. “And the next president should take leadership of global trade policy.” This includes reviving the floundering World Trade Organization and focusing on multilateral trade deals, as opposed to bilateral agreements and one-offs with individual countries.

“I’m not an ideologue who says we must have free trade, but trade liberalization would benefit everyone,” Lim says. “It’s the single best thing you can do for economic growth and world poverty.”

Today’s integrated global economy poses challenges that didn’t exist when George W. Bush was elected eight years ago. Trade policy has to change with the times. “We didn’t rely so heavily on China for imports, we didn’t rely on them to fund our wars, and we were not going into recession in the year 2000,” Lim says.

And while most of this country’s economic woes have roots in domestic policy, the ripple effect increasingly triggers fallout far beyond U.S. borders. During a recent trip to Asia, Lim says, “All people wanted to talk about was ‘what the hell is happening in the U.S. housing market?’” After all, if people in America are losing their homes, they’re certainly not shopping at Wal-Mart and Lowe’s to fill them with stuff that comes from Asia.

At the same time growth in places like Russia, Brazil, and India is slowing down. Even China is experiencing a wave of bankruptcies in its labor-intensive export industries. “We’re all in this together,” says Lim. “There’s no free lunch, no savior out there called emerging markets anymore.”

A liberalized approach to trade could help strengthen the U.S. dollar, trapped in a downward spiral triggered first by current account deficits and more recently by interest rate cuts. The weak dollar may have boosted American exports in the short run, but those benefits can only go so far in a market in which a big chunk of

imports, namely oil, increases in price.

Add to this scenario a new trend that has yet to play out fully on the economic stage. Sovereign wealth funds (or SWFs) are government investment funds based in such oil- and commodities-rich or export-surplus countries as the United Arab Emirates, Norway, Australia, Singapore, and China. SWFs recently began buying shares in ailing U.S. financial services firms and banks, such as Citibank, UBS, and others. The SWFs claim to be purely passive portfolio investors. But it remains to be seen how their influence will unspool over time.

In the near term, the next administration faces one of its biggest challenges in educating the public as to why foreign investment is good for the domestic economy.

“The problems we face in the American economy are not made abroad,” she says. “But people don’t know that. Everything is linked: the environment, free trade, even the financial markets. It’s quite complicated, and when the economy is in such bad shape and people don’t understand the mechanics of the financial markets, it’s easy to blame foreigners.”

Instead of blaming them for our current economic conundrum, Americans should look to foreign partners for solutions, says Lim. “One: When foreigners invest in the U.S., they buy the dollar, and two: They inject capital into our system. This creates or preserves jobs, raises asset prices, and reduces imported inflation. If foreigners are coming in here, buying factories and buying homes, that strengthens the dollar. And it’s good for us because they’re investing, rather than lending.”

Lim knows the policy she advocates has detractors. “There are political costs because there will be winners and losers,” she says. “But the winners’ gains outweigh the losers’ losses. And what the president and Congress have to do is help the losers.”

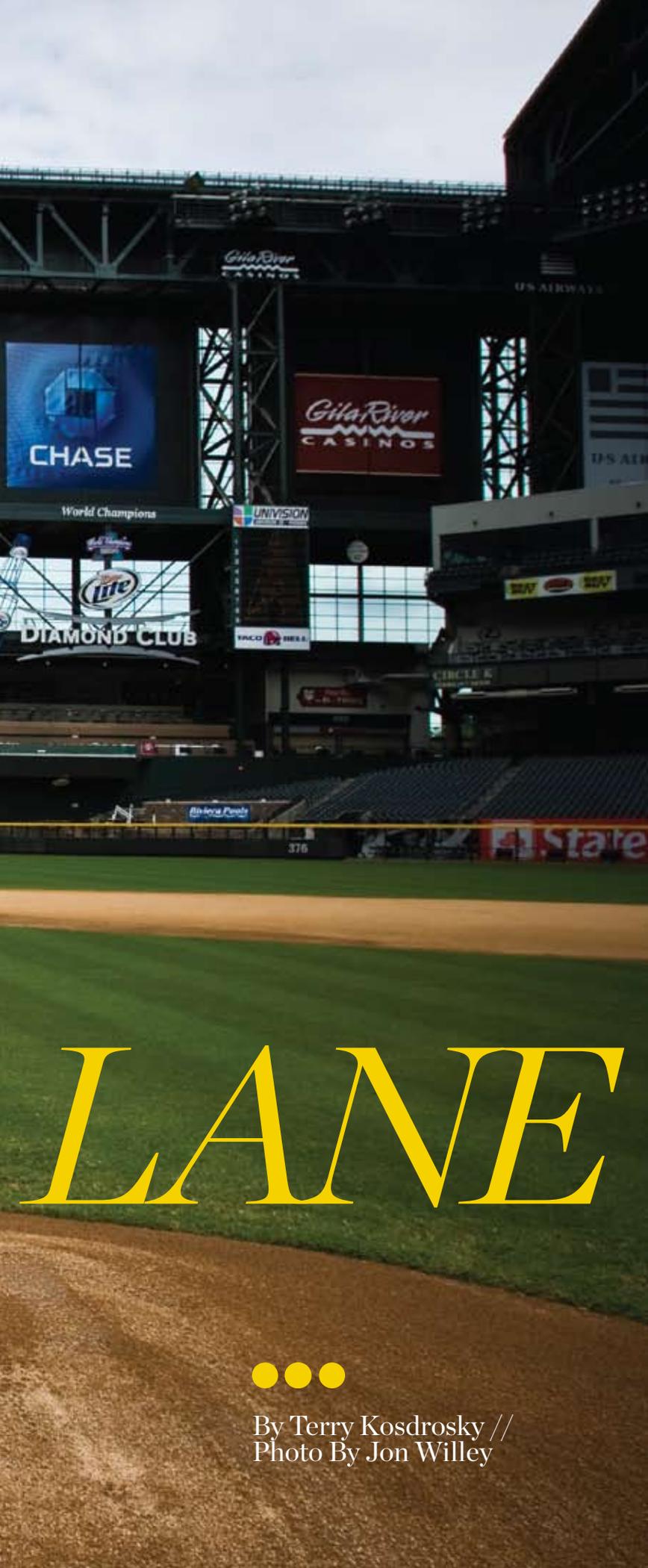
And that is never as easy as it sounds.

“It’s all political,” Lim says with a shrug. “Economists can say what should be the case. What will be the case is very different.”—DH



Diamondback IN THE *EAST*

Boosting the Business Batting Average;
Steering Success at NASCAR



LANE



By Terry Kosdrosky //
Photo By Jon Willey

Strolling Chase Field during an Arizona Diamondbacks game, **Tom Garfinkel**, MBA '01, doesn't always have his eye on the ball. As executive vice president and chief operating officer of Phoenix's Major League Baseball team, Garfinkel may be more attuned to the corporate logos circling the outfield — and he's probably brainstorming how to add more value for the sponsors. He could be studying the crowd, scanning for confirmation of a positive fan experience. Or he may be working his handheld, checking the latest group sales numbers.

Leave the headline-grabbing job of signing and coaching MLB players to someone else. Garfinkel's moves to boost revenue, increase ticket sales, and develop stronger corporate partnerships are making their own impact on the team's performance. As the guy who runs the corporate side of the Diamondbacks organization, Garfinkel knows it's critical that he performs at the top of his game.

"If (General Manager) Josh Byrnes and his staff are doing a great job, which they are, we can be successful right now," Garfinkel says. "If the business side does a great job, we'll be able to take advantage of that and give them a bigger budget to work with. It's mutual dependency."

RELATIONSHIPS DRIVE RESULTS Garfinkel's career path to the Major Leagues took some curves; he's held positions at Miller Brewing, Texaco Inc., and Chip Ganassi Racing, which fields cars in IndyCar, NASCAR, and other series.

"It's worked out well, though I made some decisions in my career that were non-intuitive," Garfinkel says. "There were times that I took a step back to go forward, to get out of my comfort zone. For me, it's about where the best opportunity is to learn and grow."

The stint with Ganassi Racing presented that kind of opportunity, Garfinkel says. It was there he began honing sponsor relationships that transcended the typical sign-a-check-and-get-your-name-here model. For example, when the racing team needed a new facility, Ganassi executives looked to retail giant Target Corp., a longstanding partner. Target put Ganassi together with its real estate team and saved millions for the racing outfit.

"A lot of race teams operate under a philosophy of, 'send us a check and we'll throw your name on the car and when the contract's up we'll call you and ask you for more money,'" Garfinkel says. "Ganassi Racing was a pioneer in developing strategic partnerships."

When Diamondbacks general partner/CEO Jeffrey Moorad recruited him to the Arizona team, Garfinkel brought that same approach to baseball. The team had won the World Series in 2001, only its fourth year in existence. But in subsequent years, the front office had lost its fiscal focus. Eager to reclaim the glory of a World Series win, management had been quick to spend money on players but tried to save funds off the field. Eventually, debt piled up and so did the Diamondbacks' losses.

"As we were in the process of restructuring our front office in Arizona, I felt the need for a strong business thinker and leader inside the organization," says Moorad, who became part owner ▶

of the Diamondbacks in 2004. “To me, Tom has a perfect blend of business skills, personality, and ambition. He was my first and only choice.”

Some early wins under Garfinkel’s leadership included a new loyalty program with supermarket chain Fry’s Food Stores. The initiative netted some 300,000 members and produced benefits enjoyed by other Diamondbacks partners, including MillerCoors and PepsiCo. The Diamondbacks also joined forces with several local businesses to streamline an outreach program to new residents in the area. At one time, individual retailers maintained separate mailing lists and sent welcome packages containing coupons and freebies to new residents. Now the Diamondbacks and retail players work together off one master list to deliver a single, comprehensive bundle of goodies to the new move-ins.

“What we’re selling is a lot more than just eyeballs and the signs in the outfield,” Garfinkel says. “It’s being able to attach your name with our brand, which is a fundamentally different value proposition.”

That kind of strategy helped the Diamondbacks increase sponsorship revenue by 34 percent between 2006 and 2008. The increase occurred even as the team cut the number of sponsors from 106 to 65.

“Our focus tends to be heavy on the leadership front,” says Moorad, who describes his management style as one that demands accountability from its executives even as it gives them autonomy to run their departments. “Tom is an example of the type of leader we have confidence in. It’s what I would expect out of a U-M grad.”

Moorad, a former player agent, is quite familiar with Michigan grads. He represented former U-M football greats Desmond Howard and Jim Harbaugh in the pros.

BOOSTING THE NUMBERS Even though he scored some early wins with the team, Garfinkel knew it was going to take more than sponsorship deals to turn the Diamondbacks’ business model around. He next targeted the ticket sales group and concessions. He hired about 40 employees in ticket sales in a three-month period, worked to improve the fan experience, and cleaned up the “logo clutter” in the park.

He streamlined pricing on outfield advertising, as signs that brought in \$30,000 had at one time been placed adjacent to ads that brought in 10 times that much. He reduced the number of signs, but increased the net worth of those that remained. In 2006, sponsors took 90 percent of the stadium’s advertising space but paid 58 percent of the asking price. In 2008, the team sold 60

CURVEBALLS

Tom Garfinkel, MBA '01, believes that business fundamentals in sports have a distinctive spin.

► **Discounted cash flow analysis is largely irrelevant when valuing a sports team,** says

Garfinkel. The real goal should be to grow revenues to a break-even point and reinvest in the franchise.

► **Public relations is a different animal in sports.** “You really are more the steward of a public trust,” he says. Even racing teams, which don’t have

the geographic allegiance inherent with stick-and-ball sports, are stewards of their corporate sponsors.

► **Sports is the only business where “a degree of socialism actually works,”**

Garfinkel says. Competitive parity is essential to the growth of any sport, and teams benefit from revenue-sharing.

percent of available space but at 98 percent of the asking price.

Attendance grew in 2007 with a 14 percent increase in single-game ticket sales, a 63 percent increase in group sales revenue, and a 22 percent increase in suite sales revenue.

In 2008, the Diamondbacks set franchise records with \$7 million in new season ticket sales, and \$5 million in group sales. The team has 15,600 full-season equivalents, an improvement of more than 2,500 from 2007.

At the same time, the baseball team improved. The Diamondbacks made it to the National League Championship Series in 2007 before losing to the Colorado Rockies.

“We’re taking a strategic, disciplined approach, both on the field and off the field,” Garfinkel says.

BACK AT THE RACETRACK

He decided to take that approach back

to the racing scene in 2007 when he and Moorad bought a controlling interest in Hall of Fame Racing, a NASCAR Sprint Cup team owned by former National Football League players Troy Aikman and Roger Staubach. The team owns the No. 96 DLP HDTV car.

It’s a small outfit facing big odds and competing against much larger and better-financed organizations. But Moorad and Garfinkel are not intimidated. They both see a turnaround situation similar to the Diamondbacks.

“Really, you can call it a startup operation,” Garfinkel says. “It’s a big challenge, one of the biggest challenges I’ve had in my career. But we have a plan. In 2005 and 2006, we faced a lot of criticism from Diamondbacks fans and employees, as well as the media. But from the leadership, there was clarity of vision. It’s the same at the racing team.”

As a top executive in two of the biggest sports leagues in the country, Garfinkel marvels at the way his career has come full circle. He reflects back on his 20s when he was looking for a job in the sports industry: “I couldn’t get anybody to let me work for them for free.”

Then there were his buddies at the time, “baseball nuts,” who could out-debate him on the sport.

“If I could drop myself from back then into my lap today, I would be pretty pleased,” Garfinkel says. “It was a circuitous route to get here. It wasn’t a traditional path, but you can choose to take your career in the direction you want to go.”

And as for those baseball know-it-alls he used to argue with? “Now we have a conversation that turns into a baseball debate and I remind them, ‘Don’t even go there,’” he says. ✪

A man with dark hair, wearing a light blue and white checkered button-down shirt and dark trousers, stands in a workshop. He is holding a clear, rectangular plastic mold. The background shows various tools, workbenches, and equipment, suggesting a manufacturing or prototyping environment.

[Ross MBA goes from building
gadgets to building a business]

REINVENTING THE SUTURE

By Terry Kosdrosky //
Photos By Aruna B.

For surgeon **Jafar Hasan**, MBA '06, the term “closing” took on new meaning recently when he secured funding to commercialize his own medical invention.

Surgimatix is the decidedly catchy name of a handheld device Hasan designed to close surgical incisions with the speed and ease of a skin stapler but with the quality and minimal scarring of manual sutures. Hasan built and refined the device at home after closing thousands of wounds during his surgical residency at University of Michigan Hospitals and Health Centers.

When he sought seed funding to help bring the device to market, he knew exactly where to turn: the Frankel Commercialization Fund at Ross. As a former member of the student-managed venture capital fund, Hasan was able to approach the financial side of this procedure with the savvy of an enterprising entrepreneur.

“The whole reason for going to business school was to get all the individual pieces in place so when a big idea came around that had commercial potential, I would know what to do with it,” says Hasan, who came to Ross with a Michigan M.D., earned in 2000. “I started putting together the case for Surgimatix based on things I learned in business school. There are specific, objective criteria that predict success in commercialization. All those measures I learned through my years at Ross.”

Hasan’s Surgimatix Inc. represents the third investment — and the first in the healthcare field — by the Frankel Commercialization Fund, which specializes in early-stage investments. Founded in 2005, the fund is organized into student teams that function as independently financed venture capital firms. The monies from Frankel will help Surgimatix secure technology options from the University, since the device was developed while Hasan was a surgical resident at U-M.

“THE WHOLE REASON FOR GOING TO BUSINESS SCHOOL WAS TO GET ALL THE INDIVIDUAL PIECES IN PLACE SO WHEN A BIG IDEA CAME AROUND THAT HAD COMMERCIAL POTENTIAL, I WOULD KNOW WHAT TO DO WITH IT.”

AN OPERATIONS QUESTION As is the case with many inventors, Hasan conceptualized his novel idea on the job after he ran up against limitations presented by existing technology. The two ways to close incisions each have benefits and drawbacks. Metal surgical staples are fast, easy, and don’t expose the healthcare worker to needle sticks. But they have to be removed, which can be painful for the patient, and can lead to “railroad track” scars. Manual sutures cut down on scarring but take longer to perform.

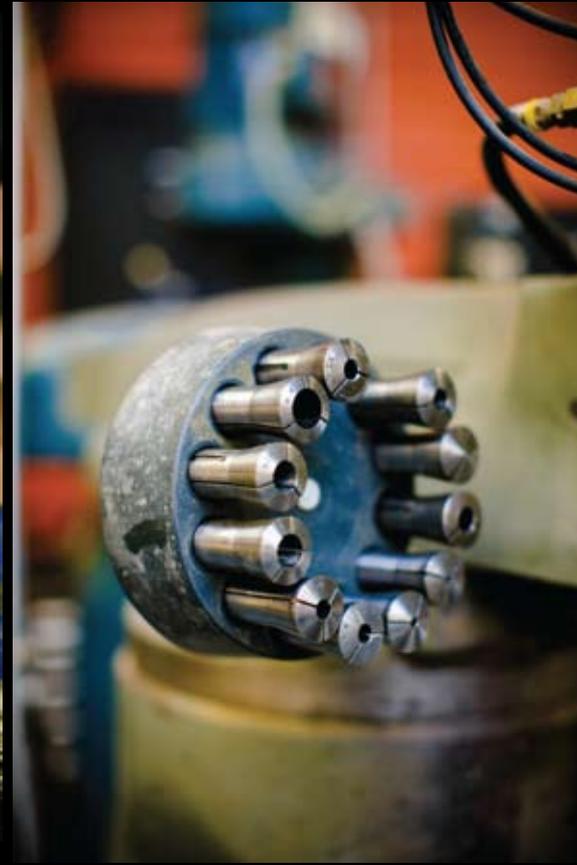
In addition, the person doing the suturing runs the risk of being poked by the needle, a hazard with which Hasan is all too familiar.

“It started to hit me over the years that this was an inefficient way to do things,” says Hasan. “In my field of plastic and reconstructive surgery, we have long incision lengths. And it’s not an option to use metal staples.”

In 2006, the self-described “constant tinkerer” started to stitch his own plan together, combining his medical expertise with his entrepreneurial streak. Once he had a preliminary design, he approached the

University’s Office of Technology Transfer. Their experts helped execute the initial patent work and secured funds from the Michigan Universities Commercialization Initiative, a partnership between universities and businesses that helps connect colleges, industry, and investors. With that financing in place, Hasan was able to refine the technology behind Surgimatix and improve the original prototypes.

He then drew upon his experience at Ross and the Frankel Commercialization Fund to formulate a business plan — studying the market size, the competition, and intellectual property. Operating with the acumen of an MBA, he knew it took more than a good idea to bring a product to market. On the one hand, his previous experience on the investment side of the venture capital table worked to his advantage. On the other, he knew how tough the pitch to current Ross VCs-in-training would be.



Tom Porter, executive-in-residence at the Zell Lurie Institute for Entrepreneurial Studies and director of the Frankel Commercialization Fund, says the fund's healthcare team evaluates about 35 opportunities per year. Students seek out seed (or even earlier pre-seed) investments that will help high-potential entrepreneurs defray organizational costs. The fund's investment in Surgimatix is in the form of a convertible note that, under certain conditions, will convert to equity in the future.

"In the third year, to be able to invest in one of our former students is pretty neat," says Porter, adding that Hasan "did a great job of putting the package together. That made it easy for the healthcare team to do their homework, and he respected that they had to contribute. As an investor, you just don't get into these things if it isn't a partnership or collaboration."

Potential for that partnership seemed low at first, says Ross second-year MBA Philip Kowalczyk, who led the fund's healthcare team on the investment. A competing device was already making inroads on the market, and the students weren't yet sold on the value proposition of preventing needle pokes.

"We knew Surgimatix saved time, but we didn't know if that really would convince the people who purchase devices, ones who are not surgeons, to buy it," Kowalczyk says.

But interviews with medical professionals revealed the time savings and reduced risk of needle pokes were of greater value than the team initially thought. And further research convinced the team that Surgimatix could outperform the

existing competition.

"As we started talking to doctors, those value propositions were enhanced to us," Kowalczyk says. "Once we did our initial round of diligence, Surgimatix kind of shot to the top of the list."

ALL SEWN UP The real key to closing the deal, though, was Hasan's grasp of the business, technical, and customer angles regarding his product, says Kowalczyk.

"When you're doing such an early-stage investment, who the individual is and who starts the company is critical to understanding and predicting the success of it," he says. "We thought [Hasan's] business acumen, technical skill, and ability to understand the needs of the customers put him in a unique situation. A lot of entrepreneurs might not have such an understanding of both sides."

Hasan is now working with a medical product development firm on further testing and research with the ultimate goal of approval by the U.S. Food and Drug Administration. Refinements to the technology continue as well. He plans to hire executives for Surgimatix Inc., including a CEO, and envisions his role as chief medical officer. In the meantime, he is establishing a plastic and reconstructive surgery practice in Chicago.

"Building things has always been a hobby of mine," Hasan says.

Thanks to his shot from the Frankel Commercialization Fund, he's graduated from building gadgets to building a business. ✎



Getting the Deals Done

Private Equity Copes with Credit Crunch

By Terry Kosdrosky // Illustration By Kyle Raetz

Once upon a time, life was good for private equity funds. Financing was cheap and easy to find, and investors were able to flip portfolio companies for big returns. But then the storm clouds that started over the subprime mortgage meltdown gathered strength and developed into a full-blown credit crisis. Economic growth slowed. Now banks, buyers, and sellers are retrenching and rethinking.

Ross alumni in the private equity world say their funds are adapting. Life goes on and deals get done. But it's not business as usual. Lenders are tougher with financing terms, sellers are savvier, and it's harder to translate an investment into a big return.

The recent credit crunch put the brakes mostly on those big, leveraged buyout deals that make the headlines. That kind of risk just isn't tolerated today. But while that segment has dried up, financing is still available for middle-market deals, or companies with an enterprise value of \$100 million to under \$1 billion. That said, the banks are demanding more rigorous terms than they did in the past, such as higher interest rates and onerous financial covenants.

For investment fund managers, that means putting more of the firm's own equity into a deal, says Evan Wildstein, BBA '93, a partner at New York-based Kohlberg & Co.

"Deals might have been done with 25 percent to 30 percent of equity — and the rest financed — about a year ago," says Wildstein. "Now it's 40 to 50 percent equity. In fact, 40 percent is pretty traditional today."

And there's less of an appetite today for companies considered to be more of a risk, he adds.

"You have to be a better quality company to be in a position to support levels of financing," Wildstein says. "That's the bad news. The good news is that there are sources of supply, unlike in the high-yield market where there's a complete shutdown."

Long-term relationships with a group of core lenders can help ease the pain of a newly tight market, says Amy Ludwig Weisman, BBA '85, vice president of Sterling Investment Partners, based in Westport, Connecticut.

"Sterling has been around for 20 years and we have very deep relationships with many of our lenders, which kind of plays well in this environment," she says. "The lenders have become more conservative in their lending practices, but not to the point where it's crippling our business."

One way the big private equity funds are adapting to the lack of credit is downsizing their deals. More companies are searching for options in the middle market, where it's easier to obtain financing.

"It's tough to be a big private equity guy right now," says David Brophy, associate professor of finance at Ross and director of the Office for the Study of Private Equity Finance. "But it's not impossible, and these people are sharp and smart and react quickly."

Kohlberg's Wildstein says the big private equity funds have an advantage in that they can write a heftier equity check than some middle-market funds.

"Some of these guys will write a check for the whole thing and finance it later," he says. "They have their requirements to deploy capital."

The big funds also are finding other ways to deal with the credit crunch, such as buying back debt.

"If you have debt out there on a company that the lenders are getting nervous about and they would like to get out of that and are willing to discount the loan, then you might do that," Brophy says. "It helps you in two ways. You get a baked-in profit on the loan you

bought and it takes that bank off the hook. When they get their act together, they will be a good lender again."

Middle-market funds also are adapting as the environment becomes more competitive. To keep the mega-funds at bay, many mid-sized firms play to a specialty. For example, Sterling has a long history of working with the entrepreneur who grew the business to a certain size and needs to take the next step. That's where private equity comes in with money and executive talent.

"While the larger firms might be reaching down, if you have a really good history of working with the middle-market companies, I think it's going to shine through when they meet the partners of the various firms," says Ludwig Weisman.

One challenge all private equity funds face is that the valuations of potential target companies haven't come down in proportion to the lower amount of financing available, Wildstein says. That's because there are still a large number of private equity funds with pent-up capital to deploy.

But there are ways to handle it. One method is to use what's known as a "seller note." That's where a fund pays most of the purchase price upfront and disburses the rest after certain financial targets are met.

"It's a way firms like ours are able to close the gap," says Ted Kramer, LS&A '92, a partner at Hammond Kennedy Whitney & Co. Inc. in Indianapolis. "These seller notes or earn-outs are becoming more popular in today's environment. It is a way to better support the seller's valuation expectation in an environment that is different from a year ago."

While deploying a fund's capital might be more challenging right now, the good news is that there are still plenty of opportunities to invest. Companies always need capital to reach the next level, and some public companies, with the downturn in the stock markets, are looking to go private. "We've been seeing a lot of really good businesses coming into the market," says Ludwig Weisman.

The other side of deal-making, selling properties for a nice return, also has its challenges. The economy makes public offerings less attractive, so selling to another financial buyer or a company is the best route, says Kramer.

Those types of buyers are dealing with the same conditions. But good properties with strong cash flows still command acceptable prices.

"The prices have come down on the buy side," says Ludwig Weisman. "This is a better time to be buying companies. But when we get to sell a business, if they're good, they're still achieving multiples that are historically high and they're multiples that we're very happy to accept."

Brophy says some private equity funds also are broadening the scope of industries in which they're willing to do deals. Others are looking to international markets. Still others are expanding their knowledge base by building up executive talent, something that helps the firm find targets while enhancing executive teams of portfolio companies.

"The beautiful thing about private equity is that it has greater flexibility and greater freedom of movement than a public corporation," Brophy says. ✦



For coverage of the Oct. 3 Global Private Equity Conference at Ross, visit www.bus.umich.edu/newsroom.

1,000 Dollars & an Idea

Entrepreneur **Sam Wyly**, MBA '57, founded and grew some of the world's leading-edge companies pushing advancements in technology, energy, retail, and investments over a career spanning 45 years. His fascinating trajectory in business includes such highlights as waging an anti-monopoly battle against AT&T while building the first telephone company for computers, expanding the small chains of Michaels stores and Bonanza steakhouses to more than a thousand locations nationwide, co-founding the Maverick Capital and Ranger Capital hedge funds, and creating Green Mountain Energy. *1,000 Dollars & an Idea: Entrepreneur to Billionaire* (Newmarket Press, 2008) chronicles how Wyly's early experience with IBM and Honeywell in Dallas in the early 1960s gave him the idea to start the first "computer utility." Risking \$1,000 of his savings, he founded University Computing (UCC) in 1963, and took it public two years later, becoming a millionaire at the age of 30. The following book excerpt tracks his early years with UCC and his quest to build a "highway for computers" that would transform our modern world.

By Sam Wyly, MBA '57

In 1965, when our little company was two years old, I said that by 1975 computers and information technology would be a multibillion-dollar industry and that half its value would derive from software and services. I wrote in the company's 1966 annual report, "We intend that UCC shall have a leading position in this market."

Through a series of acquisitions, we built a multinational business and moved UCC into 10 European cities, including Zurich, Vienna, and Frankfurt. We used the new multinational businesses to demonstrate the feasibility of a worldwide network of computer centers and telephone lines. We hosted an exchange of greetings between the mayor of Dallas and the Lord Mayor of London. Using UCC computers, we transmitted via ground lines in each country and then by satellite across the ocean. I bought a full-page ad in *The Wall Street Journal*, with pictures of each mayor beside our Cope 45 terminals.

Data messages like this had never been sent before by civilians. The military, of course, was electronically more advanced. For those of us outside the military, this new method of transmitting data was a big deal and we built on that success.

In addition to offices in New York, New Jersey, Louisiana, Illinois, Missouri, Kansas, Oklahoma, California, the U.K., and Ireland, we had expanded UCC into the Netherlands, Venezuela, and Australia. Wherever I traveled, I would painstakingly describe to people I met the concept of a digitally connected computer network. I compared it to electricity: power available in the exact place you need it. Just like you plug in your electric toaster. "We believe," I wrote in the 1966 annual report, "that in the future many corporations will no more own a large computer than they would their own generating plant."

It was clear to me from the start that this would work. But when we would meet with corporate execs to sell our computer processing services, their response was, "We don't send our work out." Our answer was, "You don't have to. You can do it right here in your own offices. You just link over the phone lines to our large-scale computing center, maybe to Dallas, maybe to London. All you need is a batch processor to come in over the phone lines

to our central computing system."

Whether we were trying to sell it to the company controller, the manufacturing department, or the engineering department, whoever it was, they could see how we saved them money and made their knowledge workers more productive. After we gave demonstrations on test data, they understood our concept of a "computer utility."

For many people, the idea of computers talking to each other over phone lines seemed too much like science fiction. But not to me. It was going to happen, just like Huey Long building roads and bridges to pull Louisiana up out of the mud when horses and wagons were replaced by Henry Ford's Model T. This, too, would change the world. Ford could not have done it without Long's

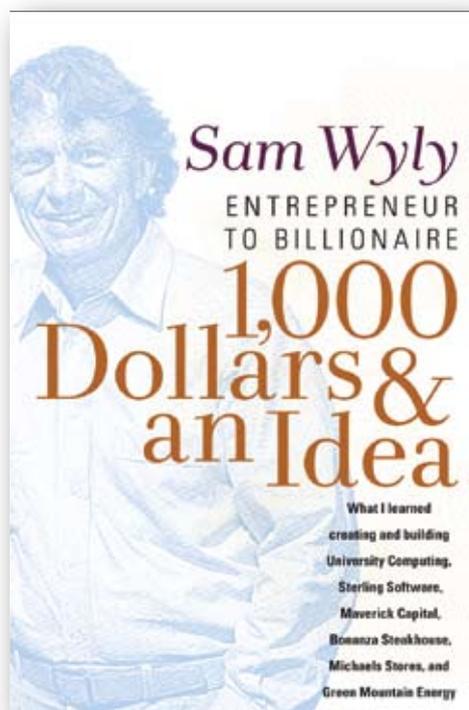
roads. Similarly, we needed to build a digital highway for digital computers.

Computers talk to one another with all the ease of flipping the light switch. It is instantaneous. But it's also a relatively recent phenomenon. In the 1980s, if you were using a computer in one part of the country and needed to get information to or from another computer across the country, you had to send your data over the voice telephone lines, analog as opposed to digital lines.

But what's okay for voice is not okay for data, because computers speak an entirely different digital language. As keynote speaker at the annual industry conference for American Information Technology managers, I said, "The computer industry has dialed into a busy signal." I went on to say, "You won't get what you need from the AT&T monopoly, and IBM considers this AT&T's domain, so UCC will bring you the solution."

They stood up and cheered.

Gene Bylinsky, a senior editor at *Fortune* magazine, wrote a book called *The Innovation Millionaires*. In it, he titled the chapter about me "Sam Wyly Builds a Highway for Computers." He described how I had 300 of the best and brightest engineers building the country's first nationwide digital highway, routed on digital microwave towers built 20 miles apart. Today, 14 fiber optics-based backbones carry the data traffic of the World Wide Web from Tulsa to Tokyo to Tangiers. We blazed that trail, but unfortunately, ended up facedown in the creek. It's a tough lesson ►



to learn, but sometimes when you're charting a path through enemy territory, the other guys shoot back.

Working through the analog phone lines meant, in the 1970s, having to deal with AT&T. There was no other choice. AT&T was the only game in town. They were the biggest monopoly ever, the baddest, meanest dog in town — with no leash. Anyone who came close got bit, while the government looked the other way.

In 1970, what few private phone lines were available from AT&T to handle computer traffic were costing something like \$3,000 per month, plus usage costs. At those prices (obviously much more in today's dollars) there would never be an Internet. Compounding the problem, analog transmissions of digital data were full of errors.

We needed a line for \$300 a month or less that would transmit digital flawlessly. But AT&T had no interest. They were even less interested in our idea of a dedicated digital network because they were making plenty with analog lines.

So I went back a step — to telegraph poles and wires. These I saw as the physical assets for an instant national data network. What's more, the telegraph franchise was a legal loophole to AT&T's telephone monopoly, as telegraph law and telephone law were completely separate.

The more I looked at telegraph poles, the better I liked them. The closer I looked at the company who owned those telegraph poles, plus a lot of wire in the ground in all the big cities — the Western Union Company — the more I became convinced that they were just sitting on a mother lode of rights-of-way and copper wire connections.

The way to get our hands on that mother lode was to buy it. But in 1968, our UCC assets were \$42 million and Western Union's assets were \$741 million. Most people would say, "You've got to be crazy to even think about buying

Western Union." So we went to them with our vision of the future growth opportunity and proposed a friendly merger. Were told not just no but, "Hell no!"

In April that year we made a cash tender offer for control of Western Union, managed by Andre Meyer at Lazard Freres.

Absolutely nobody believed the daring of that move. Not in the computer industry. Not on Wall Street. And especially not at Western Union.

We pipsqueaks from Texas almost pulled it off. Unfortunately we were done in by some small print 1,500 miles away. Western Union's lawyers came up with a dusty old New York State law, dated 1905, that said no one could buy more than 10 percent of a telegraph company chartered in that state without the approval of Albany lawmakers. Originally, the law was written to stop Western Union from monopolizing the telegram business, but the law backfired and was being used by the monopolist for its own protection.

Saying no to us, Western Union lost a fabulous opportunity that, arguably, would have enabled their survival. Having lost their telegraph, telex, and private line businesses to competitors, they were going out of business. We would have transformed them into a phone company for computers and moved them into the digital age. But their myopic CEO and board could not see where the markets and technology were going, and their egos got in the way. They had the local rights-of-way into every city and town in America, which at that moment in history represented enormous value. But they wasted every penny of it.

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www.newmarketpress.com
www.1000DollarsAndAnIdea.com*

Entrepreneur to Billionaire

Sam Wyly's incredible career features the following highlights, recounted in his new book:

- ▶ **Co-founded Earth Resources Co., an oil-refining and silver-mining operation, and sold it 13 years later at the top of the market**
- ▶ **Purchased the Bonanza Steakhouse chain, and expanded it from 20 locations to more than 600**
- ▶ **Created Data Transmission Company (DATRAN) and took on AT&T**
- ▶ **Co-founded Sterling Software and Sterling Commerce, and sold them to Computer Associates and AT&T for \$8 billion**
- ▶ **Purchased the arts-and-crafts chain Michaels, expanded it to more than 900 stores, and sold it for \$6 billion, yielding the 1984 Michaels IPO investor a 60:1 return**
- ▶ **Co-founded hedge funds Maverick Capital and Ranger Capital**
- ▶ **Founded Green Mountain Energy**



★ Washington, D.C.

- 1** Courtney Griffith, MBA '91 (left), and Bill Taylor, MBA '77, joined alumni from the D.C. and Baltimore area at Charlie Palmer Steak in June.
- 2** First-year MBA David Yeung (left), and Chris Campbell, MBA '98, at the Charlie Palmer Steak event.
- 3** Left to right: Keith Maccannon, MBA '01, Julie Granof, MBA '05, Michelle Zlakowski, MBA '01, Evan Steinberg, BBA '06, and Rachel Zimmerman, MBA '00, represented Ross at a Dupont Circle happy hour that drew business grads from several schools.
- 4** Victoria Raven (left) and Jordan Milner, BBA '98/MAcc '98, mingled with other business school alumni at the D.C. club's happy hour gathering.





★ Chicago

1 From left: **Barbara Manley**, MBA '95, and **Omer Abdullah**, MBA '95, attended a Chicago Alumni Club summer session on entrepreneurship featuring Ross Professor Andy Lawlor (not pictured).

2 Big Ten Network President **Mark Silverman**, MBA '91 (left), hosted **Rick Gordon**, MBA '07, and other members of the Chicago Alumni Club during a tour of the Big Ten facilities in August.

3 Left to right: Real estate industry experts **John Rutledge** of Oxford Capital Group LLC; **Tom Danilek** of Hines; **Mark Parrell**, BBA '88, of Equity Residential; and **Perry Pinto**, BBA '92, of Walton Street Capital LLC, spoke at the Chicago Club's annual spring conference, "The Real Estate of Affairs."

★ Dallas

4 The Dallas Alumni Club's happy hour event brought together (top, from left): **Neeraj Singhal**, MBA '08, **Eduardo Garcia**, **Shiva Gupta**, **Fallon Ahearn**, MBA '03, and **Menno Ellis**, MBA '99, and (bottom, from left): **Evgeny Vasilyuk**, MBA '07, **Yogesh Agarwal**, MBA '07, **Akash Randhar**, MBA '05, **Claudia Joseph**, MBA '07, **Sanket Bansal**, and **John Shelburg**, MBA '08.



★ Sao Paulo

1 The Ross Alumni Club of Sao Paulo came out in force to host Ross Professor C.K. Prahalad.

★ Shanghai

2 Front row, from left: **William Patrick Cranley**, MBA/MA '88, Ross Strategy Professor **Linda Lim**, and **Fei He**, MBA '05, enjoyed dinner with (back row, from left) **Stefan Wu**, MBA '05, **Kenneth Feng**, MBA '07, **Nattapong Treewisawakij**, MBA '06, and **Shuang Lang**, MBA '05.



★ Kuala Lumpur

3 From left: **Sharifah Yuhaniz Syed Tahir**, MBA '00, Ross Strategy Professor **Linda Lim**, **Tony Yong**, MBA '00, and **Kheam-How Teo**, MBA '99, convened in Malaysia last year.



★ Frankfurt

4 From left: **Dr. Andreas Kirschkamp** (Exchange '00), Ross Professor Emeritus **Gunter Dufey**, and **Dr. Florian Müller** (Exchange '99), welcomed guest speaker **Dr. Phoebe Keibel** of Hering Schuppener Consulting to a recent club event in Germany.





1

★ Southeast Michigan

1 Left to right: **Sanjeev Kulkarni**, MBA '98, **Matt Schuster**, MBA '00, **Troy Clarke**, MBA '82, and **Sanjeev Mirle**, MBA '02, wrap a successful event at Oakland Hills in May 2008. Clarke, president of GM North America, was the featured speaker.



2

★ Los Angeles

2 Enjoying an Alumni Club get-together in Los Angeles are **Maricel Ramos**, MBA '96 (left), and **Doug McCracken**, MBA '04.



3

★ Los Angeles

3 At a recent event in Los Angeles, **Jen Hollingsworth**, MBA '02, (left) welcomed future alumna **Elizabeth Smith**, MBA '09, to the Ross family.

★ New York

4 Each June, members of the New York Alumni Club enjoy a Hudson Valley hike. This year, the two-day trip featured a climb of Mount Taurus, near Bear Mountain and the West Point Military Academy.



For more photos and events, visit www.bus.umich.edu/AlumniCommunity/AlumniClubs/



4



Alan Gelband, BBA '65, MBA '67 (center), is pictured here with ACG Vice Chairman Den White (left) and ACG Chairman Harris Smith (right).

Alan Gelband, BBA '65/MBA '67, recently received the lifetime achievement award from the Association for Corporate Growth (ACG), the premier professional organization focused on corporate growth, development, and mergers and acquisitions. Gelband, who established the Alan Gelband Merit Scholarship at the Ross School, is founder of Gelband & Company. He has been an investor, analyst, and investment banker since 1969, and a director of ACG for 19 years, as well as president in 1992-1993. Founded in 1954, ACG has 12,000 members in corporations, private equity, finance, and professional service firms representing Fortune 500, Fortune 1000, FTSE 100, and mid-market companies in 53 chapters in North America and Europe.

Kyle Wescoat, MBA '76, joined VIZIO as vice president and CFO. He will be responsible for their financial function in anticipation of the company's continued growth into new markets, additional customers, and broader global partnerships. Kyle has more than 25 years' experience with several companies. Most recently, he was the chief administrative officer for the Los Angeles Dodgers. VIZIO is the fastest-growing manufacturer of high-definition flat-panel TVs in North America.

Larry Harwood, BBA '78/MBA '90, CCIM, senior director, iCap Realty Advisors-Michigan, has been named treasurer on the 2008 board of the Michigan Chapter of

Certified Commercial Investment Members Institute. Larry is the only CCIM designee in Michigan and one of the few in the U.S. whose practice is focused exclusively on commercial mortgage brokerage. He originates and closes complex financing transactions for commercial property acquisition, development, and construction. Prior to joining iCap Michigan in 1998, Larry spent 20 years as a finance and accounting executive with PricewaterhouseCoopers, Dickinson Wright PLLC, and Thorn Apple Valley. He became a CPA in 1978, is a licensed Michigan Real Estate salesperson, and a member of the Mortgage Bankers Association, the Commercial Board of Realtors, and the CCIM Institute.

James Wheat, BBA '80, has been appointed CFO of Rackable Systems Inc., a leading provider of servers and storage products for large-scale data centers located in Fremont, California. Jim has a long history of executive and financial leadership within prominent public and private technology organizations, including Lam Research, Asyst Technology, Sybase, TeleVideo, Sunterra Corporation, Raychem Corporation, Core-Mark International, Spectra Physics, and Honeywell International. He earned his MBA at the Wharton School and is a licensed CPA in California.

John Sharp, BBA '84, recently joined Oakbrook, Illinois-based ExteNet Systems Inc. as vice president of finance and controller. John brings more than two decades of finance, accounting, planning, and analysis experience to the company. Most recently he was senior director, finance, for NEC Corp.'s display solutions division, where he was responsible for all finance and accounting functions for the \$700 million division. He began his career as an auditor with Arthur Young and Co. and is a certified public accountant.

Lorelle Fritsch, BBA '88, has been elected CFO for both Hampton Roads Bankshares and The Bank of Hampton Roads, headquartered in Norfolk, Virginia. She also was elected by the board of directors for Hampton Roads Bankshares as a senior vice president and executive officer. "I am truly honored to have this opportunity. I am excited about both the present and future of this company," says Lorelle. She is a CPA and was the valedictorian of the 2005 class of the Virginia Bankers School of Bank Management at the University of Virginia. Prior to joining Bank of Hampton Roads, she was with Ernst & Young from 1988 to 1992 and was controller and treasurer of MultiOne Financial Services from 1992 until 1995.

Philippe Prufer, MBA '88, has assumed the role of vice president and area director of European mid-size as well as central and eastern European markets for Eli Lilly and Company.

David Galbenski, BBA '90, became chairman of the Global Board of Directors of the Entrepreneurs' Organization on July 1. Dave is president and CEO of Lumen Legal, based in Royal Oak, Michigan. Lumen delivers document review services in large-scale litigation, provides contract staffing services to augment permanent staff, and finds top-notch talent for its clients on a direct hire search basis. Since 1993, he has pioneered outsourcing solutions for corporate clients and law firms and guided development of one of the industry's most innovative database-driven human resource systems. Dave also has received the Ernst & Young Entrepreneur of the Year award for staffing and IT consulting services. In addition, Lumen Legal has been lauded by business and law industry peers, having received the "Metropolitan Detroit's 101 Best and Brightest Companies to Work For" award. Lumen Legal also is a two-time member of the Inc. 500. Dave and his wife **Lynn Talaski Galbenski, BBA '90**, live in Grosse Pointe Shores with their daughter Sarah, 8. You can contact him at dgalbenski@lumenlegal.com.

Karim Bitar, MBA '92, has been named president, European operations, for Eli Lilly and Company. Karim has over 12 years' experience with Lilly, and has held a variety of international roles, including, most recently, general manager of Lilly Italy.

Charles Cassell, MBA '93, has been appointed CFO of Vibes Media, the market-leading interactive mobile marketing company, located in Chicago. With more than 15 years' experience, Charley brings an impressive record in management, strategic planning, budgeting, and financial operations, as well as invaluable knowledge of building operational structures needed to sustain company growth. Previously he worked with FeedBurner, Yahoo, and John Nuveen & Co.'s Healthcare Corporate Finance Group.

Katy O'Brien, BBA '93, has been promoted to account director at McGraw Wentworth in Troy, Michigan. Katy will be responsible for managing several accounts, assisting clients with strategic planning for their group benefits plans, facilitating the management and stewardship of plan offerings, and evaluating plan alternatives. Formerly at Aetna, she joined McGraw Wentworth in 1999 as account manager and was named assistant manager of client

services in 2003. Katy, her husband, and daughter live in Beverly Hills, Michigan. You can reach her at ekjallad@comcast.net.

David B. Wisen, MBA '93, has joined the commercial banking group of California United Bank as senior vice president/regional manager for West Los Angeles. David joins the bank from Mellon 1st Business Bank where he was vice president and senior relationship manager. Previously, he was with Imperial Bank/Comerica as a vice president and regional portfolio manager. He has substantial expertise in commercial, middle-market business lending as well as technology and venture capital-related lending. Prior to the banking business, David spent 10 years with the Central Intelligence Agency where he focused on contract management and budgetary planning for the Directorate of Science and Technology. He lives in Santa Monica, California, with his wife and three children. He has been a director of the Westside Food Pantry for five years.

Jim Hanley, MBA '94, writes, "My wife, Lauren, and I live just outside Boston. We have two beautiful daughters, Maya, 4, and Fiona, 2, who definitely keep us on our toes (and yes, I know the fun is only just beginning)." For the past five years Jim has been

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Loren Verne Heckelman, MBA '89, completed 28 years of military service and retired as a Captain in the United States Navy on January 1, 2008, after serving as the comptroller for the United States Atlantic Fleet and Fleet Forces Command in Norfolk, Virginia. Loren graduated from Miami University in 1979 and completed the executive education program at Northwestern University in 2002. He was commissioned an Ensign in the Navy on May 6, 1979, and served in a variety of logistics, contracting, and financial management assignments aboard ships, on shore, and overseas. He was awarded the Meritorious Service Medal for his actions in the Pentagon on September 11, 2001, as well as a number of other personal awards and decorations throughout his career. Loren and his wife Elena reside in Virginia Beach, Virginia, with their son Thomas, a senior in high school. Their older son Jeffrey is currently in his second year as a midshipman at the U.S. Naval Academy. You can reach Loren at loren.heckelman@cox.net. Vice Adm. Ronald Route, U.S. Navy (left), presents Captain Loren Heckelman, MBA '89 (right), with the Legion of Merit Medal (third award), Military Outstanding Volunteer Service Medal (third award), and his Certificate of Retirement at a recent ceremony.

Keeping in Touch Proves Profitable

Ross BBAs Hook Up on Venture Capital Transaction

About two years ago, venture capitalist **Tom Wasserman**, BBA '97, and his partner Cliff Friedman, sensed possible gold in a small, digital media division of IT infrastructure firm Savvis Inc. It didn't take long for them to realize the alchemy to turn that potential into profit would come by way of a fellow Ross BBA.

As managing director of Constellation Ventures LLC, Wasserman first had to purchase the Savvis spin-off to create Origin Digital Inc. The Internet video application service provider allows companies to deliver media in multiple formats on multiple devices.

The deal brought with it a handful of employees and customer contracts. But Wasserman needed a chief financial officer who also knew operations. Enter former classmate **Erik Perkins**, BBA '97/MAcc '98. Wasserman was confident Perkins had the ideal skill set to complement that of Origin Digital Chief Executive Darcy Lorincz.

"I always had a high regard for what Erik was good at and I'm not, which is really understanding the nuts and bolts of the accounting side," Wasserman says. "We stayed in touch throughout the years, and I knew it wasn't just the accounting stuff that drove him, but the operations piece. That's a hard combination to find. I knew I'd love to have him involved in one of my portfolio companies."

Indeed, Perkins previously explored an opportunity at a Constellation property, but it wasn't the right fit. This time Perkins liked what Wasserman had to say. Origin Digital fit his niche of working with small, entrepreneurial businesses while meshing finance and operations. It also gave him the chance to transition from the printing industry to digital media.

"I took the public accounting route, and I didn't follow the dot-com stuff," Perkins says. "But I love small businesses and working with entrepreneurs. I don't really see eye to eye with a lot of my CPA counterparts. I'm a bit more of a risk-taker and I don't sweat the small stuff. I like getting in there and showing a different flair for accounting."

Perkins relocated from the Detroit area to the East Coast and set about turning Origin Digital into a thriving stand-alone enterprise. When a management shift in 2007 required Perkins to take on the added job of president, he accepted the challenge.



Erik Perkins, BBA '97/MAcc '98, surveys a stack of gear at Origin Digital.

The structure worked because everybody respected each others' strengths, from the visionary CEO to the venture capital backers to the people running the day-to-day operations, he says.

"I don't like anything about investment banking," Perkins says. "I like running the company. It worked because we didn't step over each other. We ended up raising additional capital from an outside bank, and when there's debt, things are serious."

In May 2008, Wasserman and Perkins cashed in on their BBA connection when Accenture Ltd. acquired Origin Digital. The deal resulted in a profitable exit for Wasserman and his partners at Constellation, an affiliate of JPMorgan Chase & Co. And gaining Accenture as a parent lent stability to Perkins and his team at the Internet video operation.

"Having the Accenture name next to you is a phenomenal thing," Perkins says of the deep pockets and myriad contacts that Accenture brings to the table. "This should provide a lot of assurance."

For Wasserman, the deal really provided assurance in the power that relationships can bring to business.

"You meet maybe 10 people in your life and say, 'This is a guy I want to do business with,' and Erik's one of those guys," Wasserman says. "It worked out well for all of us. We made good money and we did it in 20 months. That's not something that happens every day. It's a nice example of a relationship starting on campus and blossoming into a good project." ✦ —Terry Kosdrosky

You Say You Want a Revolution (LLC)

Social Investing the Capitalist's Way

Socially responsible investing (SRI) could be considered positively vogue these days. As a category, SRI is growing at a faster pace than the broader universe of all investment assets under professional management, according to a 2007 report published by the nonprofit Social Investment Forum (SIF). SRI assets increased more than 18 percent from 2005 to 2007, states the report, while all investment assets under management edged up by less than three percent in that same time frame.

The SIF identifies \$2.71 trillion in total assets under management using one or more of the three core socially responsible investing strategies: screening, shareholder advocacy, and community investing. **Tige Savage**, MBA '98, goes for the capitalist's strategy. As partner and senior vice president of investment firm Revolution LLC — founded by former AOL Time Warner Inc. Chairman Steve Case — Savage and his colleagues are seeking healthy returns by investing in emerging companies that have a green or consumer-friendly twist.

"Consumers frequently accept the status quo as 'the way it is.' We think consumers often deserve more and look for companies that can deliver something better," Savage says. "The screen we use is, 'Is it good for consumers?' and 'Do we feel good about it?' Some people call that social investing. We call it smart investing and doing something we're proud of."

ZIP IT A good example is Zipcar Inc., one of Revolution's portfolio companies. This car-sharing service targets urban customers who don't own vehicles, but may need on-demand transportation to haul items, run errands, and so on. Consumers pay an hourly fee (which



"I don't want to look back and say, 'I could have done something important.' I like to be a doer and I like to be around doers."

covers gas and insurance) to use vehicles that are strategically placed throughout such cities as Seattle, Portland, Phoenix, Minneapolis, and Ann Arbor. Customers can reserve and pay online, walk a short distance to the vehicle they're renting, and drive away. No agents, no paperwork.

Revolution initially invested in Zipcar competitor Flexcar, then merged the two companies. Savage sees the service

as a viable investment at a time when consumers are concerned about the environment, daunted by exorbitant gas prices, and don't feel good about making payments on a car that sits in a parking space 90 percent of the time.

"People had been fooling around with car-sharing for decades but they never treated it like a serious business in terms of instilling the capital, discipline, and management," Savage says. "We

look at what's going on in the world and how we can provide consumers more utility in a way we can feel good about. One way is to share common assets."

A DISRUPTIVE MODEL Case recruited Savage to help launch Revolution in Washington, D.C., in 2005. An investment fund veteran, Savage had been vice president of AOL Time Warner Ventures, the investment vehicle for what is now Time Warner Inc. Before that, he was vice president of D.C.-based Riggs Capital Partners. In Revolution, Savage saw the opportunity to support "disruptive" business models that deliberately force innovation.

Besides Zipcar, other portfolio companies include Revolution Health, a website that provides healthcare tools and information; Revolution Money Inc., a payment network that includes credit cards and an online money exchange; Clearspring Technologies Inc., an Internet widget network; and Exclusive Resorts LLC, a collection of private, high-end vacation homes shared by members.

TIME TO GROW While Savage enjoys taking calculated risks around big concepts, a firm like Revolution does present challenges. Allocating time is one of the biggest. The fund usually assumes a controlling position and long-term commitment in its portfolio companies, which requires a tremendous investment of time and effort.

"It's not like we're hopping on the bandwagon just as a company is about to go public," Savage says. "These companies need to build management teams and boards. They need financing. There's only so much of us to go around."

But the returns make it all worthwhile.

"I want to do something that I really enjoy and I think is meaningful, and I want to do it with people I like and respect," Savage says. "It's easy to say, but harder to find." ✨ —Terry Kosdrosky

◀ continued from p. 54

working in tech startups, focused on wireless and the Web. "I haven't quite figured out that next 'big thing' but I'm getting close and having a lot of fun," adds Jim. He is active in the Ross Club of Boston and looks forward to seeing classmates next year for the 15th reunion. You can reach Jim at jphanley@hotmail.com or 617.839.9098.

Derek Koenig, MBA '94, has been named senior vice president and chief marketing officer for Vail Resorts Inc. Derek will assume responsibilities for the company's corporate marketing and sales functions, including pricing and research, e-commerce, marketing services, corporate communications, strategic alliances, central reservations, and domestic and international sales. He also will ensure coordination of the company's marketing efforts in its hospitality and real estate divisions. Derek comes to Vail from Discovery Communications in Silver Spring, Maryland, where he was senior VP of marketing since 2005. Prior to that he was VP of brand advertising for AOL and director of consumer marketing for Sony Electronics Corporation. An avid skier, Derek grew up skiing in Michigan and discovered the Colorado Rockies while an undergrad at U-M. He married his wife Lisa in Vail with the ceremony taking place at the Vail Chapel and reception at the lodge at Vail. "I am thrilled to combine two great passions in my life, the mountains and marketing, to help lead the world's top resorts to even more success on all levels." He and Lisa and their two children have relocated to Colorado.

Adam Sonnhalter, BBA '95, is a partner with Maximum Value Partners. He was recognized as the "Coach of the Year" by the Professional Business Coaches Alliance (www.pbca.biz),



Janet Mehlhop Mansinne, MBA '00,

proudly announces the arrival of her first child, Valerie Ann Mansinne. Janet and husband Matt live in the hills of Sausalito, California, and Janet enjoys the ferry commute into San Francisco each day. She is beginning her sixth year as vice president of business development at M Squared Consulting and has recently joined the St. Francis Yacht Club's a capella singing group called the High Seas. Baby Valerie loves wearing Maize and Blue, and is learning to sing and dance in preparation of her Follies performances, sometime between the years of 2035-2045!

a group of the most highly trained and best-equipped business coaches in North America, during their annual meeting in Orlando. John Deagan, the founder of the PBCA, says, "Adam's commitment to his clients, his fellow allies in the PBCA, and to the business coaching profession made him our obvious choice." Adam, his wife Shannon, children Jackson and Lexie, and dogs Connor and Frankie live in Cleveland. You can reach Adam at adams@maximumvp.com.

Great Expectations

One step ahead with Google's Mekhala Vasthare, MBA '02



“I think it's good to have high expectations of technology and what it's supposed to be doing for us,” says Mekhala Vasthare, MBA '02. “No technology would evolve in the absence of higher expectations from its users.”

Few know better than Vasthare about high expectations from technology users. She is Google's group product marketing manager, and head of business marketing — acquisition programs, in Mountain View, California. Google recently celebrated its 10th anniversary, a milestone marked by the fact that it is now the globe's most popular search engine.

Among the innovative products that pushed Google to such amazing heights is the company's flagship advertising product AdWords. Vasthare works on this groundbreaking platform, which revolutionized the Internet and the marketing business by offering both cost-per-click and cost-per-impression pricing for online advertisements served on Google.com and partner sites. Basically, advertisers specify which search terms they are interested in and

bid on them to trigger their ads so that when a user searches the Internet using Google, relevant sponsored links appear alongside (and sometimes, above) search results on the screen.

As for expectations, Google set the bar incredibly high with AdWords. Never before have marketers been able to reach consumers with such accuracy. In the following Q&A, Vasthare, who also has worked on Google's publisher-facing product AdSense, as well as various webmaster tools, talks about the computing industry today and what users can expect in the future, as the Web evolves.

DIVIDEND: Talk a bit about the impact Google and AdWords have had on the science of marketing.

VASTHARE: From the consumers' standpoint, they may be looking to find and possibly buy something as a result of a search. On the business side, you have business owners seeking precisely these prospective customers. AdWords is the perfect balance of pull and push advertising. It makes it possible for advertisers to reach people that are

“raising their hands” and saying, “Hey, I'm interested in your product.” That, to me, is really compelling because it makes marketing that much more effective. It takes segmentation and targeting, which are two things a marketer thinks about every day, to a whole new, game-changing level. It introduces an element of mathematical precision to marketing that was never there before. AdWords makes it possible to find the perfect prospect and do it in a way that makes the economics work.

DIVIDEND: You have a background in computer science and engineering. How does that expertise intersect with your MBA training?

VASTHARE: I used to write code right out of undergrad. It gives me a different perspective on the industry. An engineering background, coupled with business experience, provides for a layered perspective in terms of critical thinking about technology and strategic and operational issues. It's easier to identify a competitive advantage a certain product may have over similar products. When I look at something, I'm equally interested in the economics of it and the technology underlying it. The economic implications of these technological (or other sources of) competitive advantage are as interesting, if not more.

DIVIDEND: Our tendency is to think of engineers and programmers as solitary types interacting mostly with technology. But your job requires you to interact with customers, some more tech-savvy than others.

VASTHARE: My job involves building channel partnerships and communities. In a lot of ways, it brings together right and left brain faculties as we learn to work with companies and

industries different from our own. In some cases, we're talking to independent and creative small business owners who are very passionate about their business. AdWords has made their life possible because it sustains their business on a daily basis. It may be challenging for someone on the outside to understand and appreciate that a click can be that personal, that vital, to the health of a business.

DIVIDEND: AdWords is just one example of how Google tapped into a whole new application for computing. Do you foresee other revelations of that magnitude on the horizon?

VASTHARE: I think cloud computing is exciting. Cloud computing is really all about software as a service, and it leverages the Internet in a way that we have not seen before. The idea is that one can tap into a "cloud" of available services to fulfill both personal and business-related computing needs. One of the more interesting things is the application of distributed computing power to solve really big problems — making computing power available to anyone who needs it on demand. People and businesses will no longer need to build their own online infrastructure stack. Imagine being able to tap into a ready-made electronic storefront infrastructure that comes complete with shopping cart functionality, secure certificates, and encryption for credit card processing. In just a few hours, and in just a few mouse clicks, your business is up and running. It goes back to what the industry has been talking about for a long time: the idea of computing becoming another utility, just like water or gas, that you get in your home every day with the flick of a switch. But computing will come with the added advantage of customization. We are already seeing some of that taking shape in the industry. I can't wait to see what lies ahead. ✦

—Deborah Holdship

Ronaldo Boruchovitch, MBA '97,

is currently co-head of UBS Pactual Asset Management, the sixth-largest asset manager in Brazil and the largest without a retail outlet, with responsibility over Latin America. You can reach him at ronaldo.boruchovitch@ubs.com.

Jotham Zach Monsma, MBA '99,

has joined UBS as an executive director in the Equity Sales group based in New York. Zach joins UBS from JP Morgan, where he was an executive director in the Institutional Equity Sales group. Previously he worked at Lehman Brothers.

Christine Shea, MBA '01,

was recently promoted to director of Global Health & Wellness for the H. J. Heinz Company. She and her husband Christopher both work for Heinz and enjoy living in the Squirrel Hill neighborhood of Pittsburgh, where they have resided for the past four years. You can reach Christine at christine.shea@us.hjheinz.com.

Michael C. Iannuzzi, MBA '02,

has been appointed chair of the department of medicine at SUNY Upstate Medical University. Most recently, he worked for Mount Sinai Medical Center in New York City, where he was chief of the division of pulmonary, critical care, and sleep medicine. Michael is an expert in sarcoidosis, an immune system condition that involves inflammation of the lungs, lymph nodes, and other parts of the body. Before joining Mt. Sinai in 2003, he was a professor at Case Western Reserve University and practiced at Henry Ford Hospital in Detroit. In 1989, Michael and a team of researchers at the U-M Medical Center isolated various DNA sequences leading to the discovery of the cystic fibrosis gene. He earned

his medical degree from the U-M Medical School and did his internship, residency, and chief medical residency at the U-M Medical Center.

Wallace Davis, MBA '04,

is the new president and CEO of Dempster Industries. After graduating from Oakland University in Rochester, Michigan, he joined Marriott International, but left after six years to join the automotive industry. After receiving his MBA, he went to Cooper Industries, a Houston-based tool company, and oversaw operations of a plant in Ohio. Within six weeks, he says, he realized the plant was headed for disaster.

"I met with corporate heads, then with employees, and told them if they were willing to work with me, I'd try to keep the plant open." Within two years, the plant was manufacturing its product more cheaply than it could outsource the work to China. He now believes he can turn around Dempster, which once was a world-renowned windmill manufacturer with 500 employees. Today the plant continues to manufacture windmills, water well pumps, fertilizer spreaders, and other products. Wallace lives in Centerville, Ohio, and plans to split his time between Dempster and a distribution center in Springfield, Missouri.

Blair Miller, MBA '07,

is the business development manager at Acumen Fund, a global nonprofit venture capital fund that uses market-based approaches to solve the problems of global poverty. Based in New York City, Blair says, "Coming from a nonprofit background, you don't learn the rigor of the private sector, which is focused on measurement, training, mentoring, and, most important, execution. In addition, the cultural gap between the business and social

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Game On

Growing *Sports Illustrated* in a Digital World

If the media business came with a playbook, **Alex Sutton's** life might be easier.

Unfortunately, no such manual exists. So the marketing manager and his colleagues at Time Inc.'s *Sports Illustrated* have to write their own. Especially if they want to win the hearts and minds — and dollars — of sports fans living in the digital age.

“Our biggest challenge is changing our readers’ online habits,” says Sutton, MBA ’07, of his role in consumer marketing and reader retention. “Many think the website is just the magazine online. Our goal is to get them to think of SI.com for breaking news, complete with scoops and the kind of authoritative writing they expect from *Sports Illustrated* magazine. Instead of seeing it as a threat to the magazine, we see the website as another channel, a way to really engage consumers and get them involved with the SI brand.”

Historically, that brand has been most associated with print thanks to its iconic weekly magazine and its signature, awe-inspiring photography. Something gets lost in translation, though, when a sports fan can access scores and statistics in real time on a wireless, handheld device with a palm-sized screen. The trick is getting consumers to see SI as a robust multimedia resource, as research suggests the magazine readers who use the website are more likely to renew their print subscriptions.

“I always thought the Sports Illustrated brand was undervalued, like a stock,” says Sutton. “It’s a great stock to invest in, and its equity hasn’t been fully leveraged. That’s what I came here to do — leverage that value.”

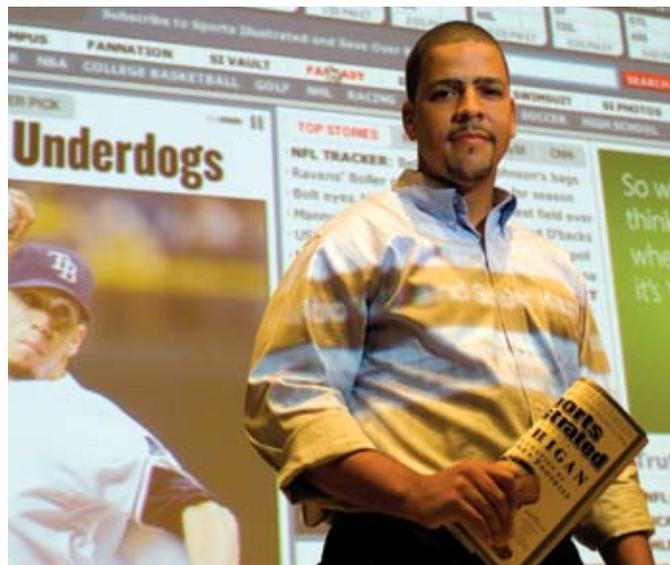
PRACTICAL MATTERS Sutton transitioned from a career in human resources to marketing after earning his Ross MBA. The school’s emphasis on practical coursework has served him well in the SI position, he says, since it spans strategic marketing, testing, customer service, finance, and creative functions.

“I’m able to ask questions about what really matters, get to the bottom of a problem a lot quicker, and get to a solution much faster,” he says. “Being a full-fledged know-it-all, I always thought you had to have the right answers. What I learned at Michigan was that you have to have the right questions.”

Jonathan Shar, MBA ’95, former vice president of consumer marketing at SI, interviewed Sutton and recognized in him the ideal combination of creativity and nuts-and-bolts marketing savvy.

“When I hire, I look for someone who’s strong analytically but can put themselves in the shoes of the consumer,” says Shar. He is now general manager and senior vice president of Time Inc.’s CNNMoney.com. “I saw Alex was able to do that.”

Sutton’s clear competitive streak certainly helped tip the scales



in his favor. He grows animated when the conversation turns to slugging it out with ESPN, his most formidable foe. While *Sports Illustrated* still dominates in print, ESPN.com is generally considered the champion when it comes to sports coverage online.

“But not for long,” Sutton predicts.

He points to ESPN’s hiring of longtime *Sports Illustrated* columnist Rick Reilly, which was countered by SI.com’s hiring of veteran ESPN “SportsCenter” anchor Dan Patrick.

“ESPN lured Reilly away. Why? They see us as a threat and want to destroy us,” Sutton says. “But we picked up Dan Patrick, which is cool. That’ll help drive readers to the site.”

RELATIVELY SPEAKING In addition to his formal coursework, Sutton draws upon a lifetime of informal training from a well-known relative. His great uncle Percy Sutton was once the lawyer for Malcolm X and served as borough president of Manhattan from 1965-1977. In addition, he sought the 1977 Democratic nomination for mayor of New York in a field that included Ed Koch (who won), Mario Cuomo, and Bella Abzug. Today Percy Sutton is a media and entertainment entrepreneur.

“He’s been a terrific role model,” Sutton says. “My first lesson in ethics came from him. He even taught me how to shake hands. It sounds simple, but it was really effective.”

Sutton hasn’t ruled out the possibility of following his great uncle into politics someday. “He’s a politician-turned-businessman. Maybe someday I could be a businessman-turned-politician. I do care deeply about our political process. But that’s on the horizon, further out.” ✪ — *Terry Kosdrosky*

◀ continued from p. 59

sectors is enormous and often underestimated. My experience at Ross taught me the language and tools of the private sector, enabling me to thrive at Acumen Fund, an organization which invests in entrepreneurs who build sustainable enterprises for the poor." You can reach Blair at blair.emily.miller@gmail.com.

Sebastian (Tomas) Seromik, BBA '07, is serving in the Peace Corps. He writes, "I live in a small town called Ouesse, Benin, without electricity or running water. It is located 30 kilometers from the Nigerian border, and its rural location and proximity to the border make it a hotbed for child trafficking. In addition, Ouesse, with its low standard of living, limited healthcare and education, and typically high rate of HIV/AIDS, is home to many orphans and abused children. There is no structure in the entire region to care for these vulnerable children. Instead, a friend of mine takes them in when he has the means, which is not often. I went with him to meet with local law enforcement officials in April after they had stopped seven Togolese children who were being trafficked. I was appalled to see they were holding the children, ages 10 to 15, in cells at the local jail. My friend started a new NGO to care for these children, and we have been meeting with government ministry officials and international aid organization leaders to gain support. Our goal is to fund construction of a children's home through a Peace Corps Partnership Program, which allows friends, family, businesses, and organizations in the U.S. to donate to specific volunteer projects. My project was approved in September by the Peace Corps, and I am now looking to raise just under \$30,000." Interested donors may contact Sebastian at tsseromik@gmail.com.

Do you have news to share with Ross classmates? We'd love to hear from you. Send your Class Notes to dividend@umich.edu.

OBITUARIES



Professor Allen Spivey (right) with Ross colleague Roger Wright.

W. Allen Spivey was the Clare E. Griffin Distinguished Professor Emeritus of Business Administration and professor emeritus of statistics at the Ross School. He died of cardiac failure on June 3, 2008. Spivey joined the University of Michigan faculty in 1956 and received the University's Distinguished Faculty Achievement Award in 1971. In 1978, he was appointed to the Griffin professorship, named for the second dean of the business school.

"Professor Spivey has an enviable reputation as an outstanding scholar, stimulating teacher, and most useful member of the University community," said late business school Dean Floyd Bond in his recommendation for that appointment.

Spivey's research focused on time series analysis and forecasting models as well as their applications in management. He also studied the operational implementation of global strategic management concepts. In addition, he was actively involved in several departments across the University, and took pride in teaching and collaborating with faculty members in mathematics, economics, and engineering. He co-authored books and papers with professors in all of those areas.

Spivey also held visiting appointments at Harvard University and the London School of Economics. In 1968 he was a visiting Fulbright professor for Kyoto University's American Studies Program in Japan. In addition, Spivey was a member of the Panel on International Statistics of the U.S. and chairman of the Business and Economic Statistics Section of the American Statistical Association. He also served on the board of directors for the International Institute of Forecasters, acted as associate editor and referee for leading scholarly journals, and served as an adjunct scholar at the American Enterprise Institute for Public Policy Research in Washington, D.C. He was instrumental in the development and implementation of the business school's program in the Leonardo da Vinci University in Paris, where he continued to play an active role even as he retired from U-M in 1996.

Spivey's friends and colleagues will remember him as an inspirational teacher whose hallmark was his dry wit and uncanny ability to turn what some would call "dull" subjects into captivating lessons. The care he put into planning his presentations awed his colleagues. "The hours he put into preparing to teach — it was like he was preparing for surgery," says colleague and friend William Hall, adjunct professor of strategy. "Allen was one of the true great scholars in our field," says Ross School Dean Robert Dolan. "Our community was very fortunate to have him as a devoted member for so many years."

Ruth Whitaker was the wife of late Ross School Dean Gilbert R. Whitaker Jr. She died on July 1, 2008, at Methodist Hospital in Houston. Ruth Whitaker was a vibrant contributor to the Ross community and Ann Arbor during her husband's 16-year tenure at the University. Gil Whitaker Jr. served as dean at Ross from 1979 to 1990, at which time he led the school to national prominence. He doubled the size of the faculty, expanded the facilities, and spearheaded the school's efforts to attract outstanding minority students. From 1990 to 1995, he served as University of Michigan provost and executive VP for academic affairs.

Those who knew and worked with the Whitakers surely will remember Ruth as a great partner in helping Gil achieve his goals as dean and U-M provost. Following Gil's retirement, friends and admirers honored the couple with the establishment of the Gilbert and Ruth Whitaker Endowed Professorship. In addition to the legacy she helped create at Ross, Ruth Whitaker was very active in local affairs. She served as president of the Michigan Faculty Women's Club and Ann Arbor Women's City Club, chair of the Ann Arbor Summer Festival, and board member of the Ann Arbor Area Community Foundation and the Ann Arbor Thrift Shop Association.

The Whitakers were married for 53 years before Gil passed away in June 2007. They are survived by their three children, Kate, David, and Thomas, and five grandchildren.

Archie R. McCardell, BBA '48/MBA '49, led industrial giant International Harvester Co. in the late 1970s and early 1980s. He died on July 11, 2008, in Casper, Wyoming. McCardell was born on August 29, 1926, in Hazel Park, Michigan, and enrolled at the University of Michigan after serving in the Army Air Force. He joined Ford Motor Co. as a financial analyst, later holding the

positions of secretary-treasurer of Ford of Australia and director of finance for Ford of Germany.

In 1966 Xerox Corp. hired McCardell as vice president for corporate services. He later became president and chief operating officer at Xerox and showed an ability to reduce costs while spurring innovation.

Chicago-based International Harvester, at the time a maker of farm equipment, trucks, and engines, selected McCardell as its new president in 1977. He announced the company would work harder to cut costs and modernize. Those efforts helped International Harvester boost its earnings, sales, and market share. McCardell was named CEO of International Harvester in 1978 and chairman in 1979. Despite progress in cutting costs, the company's margins still trailed those of its major competitors. McCardell clashed with the United Auto Workers (UAW) when the union's contract expired in 1979 and a nearly six-month strike ensued.

The costs of the strike and a recession in the U.S. led to weakening financials at International Harvester. The company won concessions from the UAW in 1982, but McCardell resigned from International Harvester in May 1982. In 1985, International Harvester sold its farm equipment division. The remaining truck, engine, and bus manufacturing operations were reorganized into Navistar International Corp. in 1986.

McCardell is survived by his wife Margaret Edith; son Clay; daughters Sandra McCardell and Laurie Patton; brothers Allen and Arnold; sister JoAnne Iwanicki; and five grandchildren.

Charlie Tinkham, MBA '62, passed away in January 2008 at age 73. He lived in Litchfield Park, Arizona, with his wife of 35 years, Karen. Prior to retiring from Smith Barney in 1996, Tinkham worked as an investment executive in Sun City, Arizona. He earned his bachelor's degree from Duke

University, where he was a member of Pi Kappa Alpha and the Duke Choir. In addition, he served as an officer in the U.S. Navy from 1956 to 1960, then enrolled at U-M. Tinkham joined Rotary International in 1973 and was honored to be a Paul Harris Fellow. Named for the Rotary's founder, it recognizes one's contributions to the organization and its charitable and educational programs. An avid golfer, Tinkham qualified for the U.S. Amateur in 1962 and 1963. He also enjoyed history, model airplane building, world travel, and mystery novels. In addition to Karen and their daughter, he is survived by his three sons from his first marriage and six grandchildren.

Scott King, EMBA '02, passed away June 11, 2008, after a courageous battle with cancer. He was 48 years old.

Most recently, King was CEO - Automotive Group at Eaton Corporation in Cleveland. "Scott's passing is a major loss to all of us at Eaton who knew him as a fine leader, colleague, and friend," wrote Eaton Corporation Chairman/CEO Sandy Cutler in an email to *Dividend*. "His passing will not only leave a void in our lives, but also in the hearts of many of us at Eaton."

King joined Eaton Corporation, a diversified industrial manufacturer, in 1996. He served in several senior positions within business units in Eaton's Automotive Group. Prior to joining Eaton, King held various sales and marketing positions with a number of companies, several of which were in the automotive components industry.

He is survived by his wife Julie and their children Courtney, Kerry, and Ryan, in addition to a large extended family. Memorial tributes may be sent to Hospice of the Cleveland Clinic, 6801 Brecksville Rd., #10, Independence, OH 44131, or to the Sarcoma Program Fund at U-M, Cancer Center Development Office, 301 E. Liberty, Suite 130, Ann Arbor MI 48104-2551. ✦

Postcards from Beijing

I recently returned from China, where I spent four weeks preparing for, competing in, and enjoying the 2008 Olympic Games. My team finished fifth in the world in the Men's Quadruple Sculls. It's disappointing because we lost to some teams we beat earlier in the year. But fifth in the world isn't too bad, I guess. Beijing is a long way from Argo Pond, where I started rowing as a freshman on the club team at University of Michigan.



Matt Hughes, BBA '04 (far left), visits the Great Wall of China with other Olympic athletes during a break in the 2008 competition.

Seeing Beijing at the Olympics was incredible, but I'll be most interested to see what China looks like in 15 years. It's still an emerging country that has a long way to go. During our first week there, the pollution was pretty extreme. The air was thick, and visibility was about 500 meters. After the government enacted the emergency pollution elimination plan, taking half the cars off the road and shutting down nearly every factory in Beijing, the air started to improve dramatically. (I say nearly every factory because the only factory I saw running throughout the games was the Yanjing beer factory, which happened to be directly across the street from our hotel. At least we had suds when we were finished!)

The Chinese people I met were fantastic, and they were very aware of American culture, stars, and current events. One of our cab drivers loved basketball (evidenced by the ball hanging from his rear view mirror). When we asked what his favorite team was, he enthusiastically replied, "Kobe Bryant, Kobe Bryant." Repeated attempts resulted in the same answer. On

further consideration, we came to realize he wasn't that far off.

I have to give the Chinese one thing: They are great at ceremonies. We didn't walk in the opening ceremonies because the round trip took about 12 hours and most of our team competed the next day. We did get to walk in the closing ceremonies, which were incredible. The Bird's Nest was huge, and the crowd was going wild. We had front row seats to the spectacle of the torch dance, the flame going out, and the interesting transition to England's very own version of the Olympics in 2012.

I'm pretty sure life in the Olympic Village was like life before original sin. Everybody was gorgeous, all our needs were catered to. The arcade games, pop machines, and everything else you can think of were free. You could almost pluck McDonald's from the trees.

And yes, I met famous people. They were all around the Village: Yao Ming (inside the cafeteria, can't miss him), Shawn Johnson (outside the cafeteria, much smaller and cuter in real life), and Kobe Bryant (in line at McDonald's, just what I

expected). Pretty much everybody I met was in the cafeteria. Life revolved around food in the Village, but with a 150-yard-long cafeteria, that's to be expected. All in all, the experience was great, but I am glad to be home in the USA where the beer is strong and the pizza doesn't have tones of soy and ginger.

The experience in China was amazing. I saw the Great Wall and the Forbidden City. But the best moment of all came when I was racing for a medal, followed closely by when my plane touched down at Dulles. I look forward to the 2012 Olympics in London. It will be great to see the new venues and the rising stars. And whether or not I compete in the games, you better believe I will be cheering for all the Michigan alumni who do. ✨

The 2008 Beijing games was Hughes' first Olympics. He was bow seat of the squad. Hughes has represented the U.S. in international rowing each year since his graduation, and has won a silver medal in the 2005 World Championships as a member of the Men's Four with Coxswain. He currently is an associate at One Equity Partners in New York.

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A photograph of a modern building with a glass facade and orange panels, set against a clear blue sky. The building has a prominent glass entrance on the left and a large orange section on the right.

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