

BizEd



MARCH/APRIL 2005

Ed Rust

Driving State Farm
Into the Future

Public Schools,
Private Mindset

The B-School As
Community
Hub

BizEd Contents

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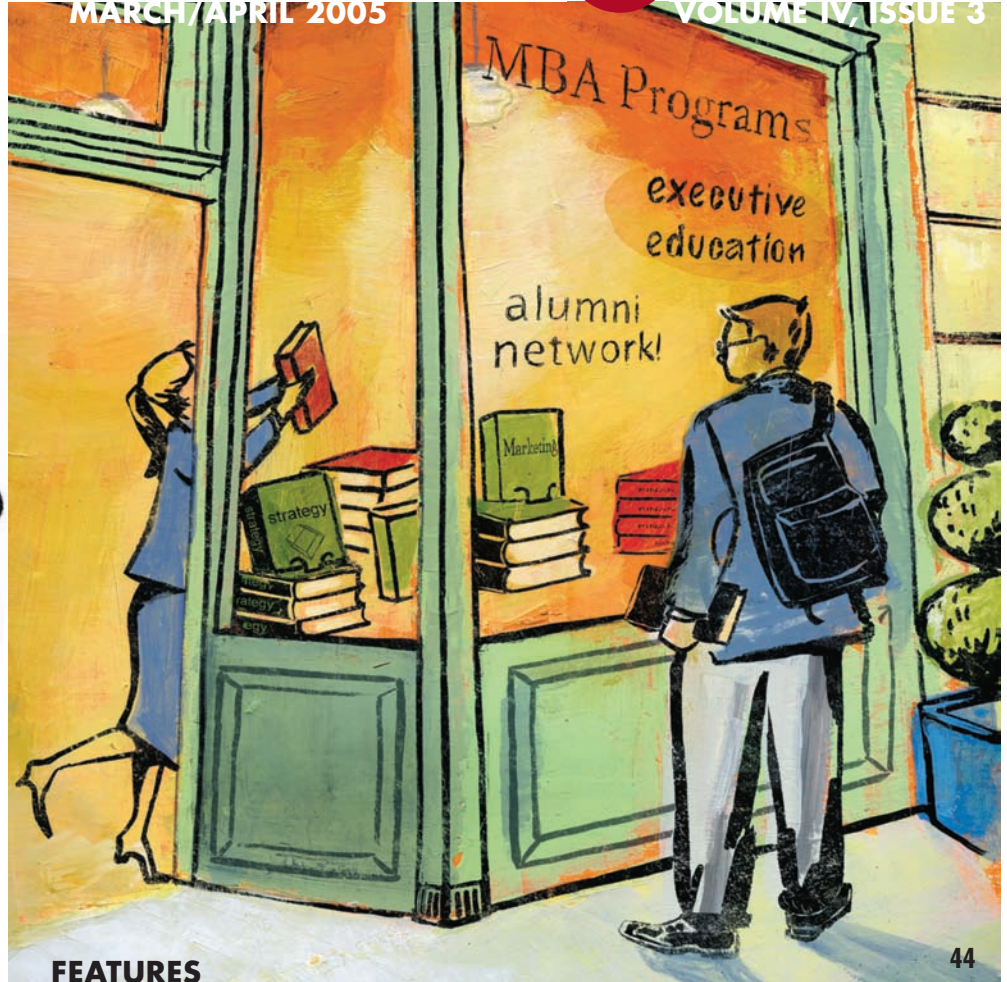
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Michel J. Smedley, State Farm



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From the Editors



PETER BECK/CORBIS

I 'Global Village': Before and After

A geologist quoted in a recent *Newsweek* said that, in cosmic terms, the 9.2-magnitude earthquake that caused the devastating South Asian tsunami was a mere blip on the radar. "The Earth shrugged for a moment," he said. That was all.

In human terms, of course, it was much more than that. It showed us, in starkest relief, what globalization really means. Before this cataclysm, business schools certainly embraced globalization, but often had only glimpses of the world to offer students through student exchanges, video conferences, and guest speakers. After, we have a massive, comprehensive working model of globalization unfolding before our eyes.

Before the Asian tsunami, the central focus of globalization seemed to be primarily on progress. It implied that when nations work together, they rise together. Human suffering was a concept often left on the periphery: Think of the genocide in Rwanda, or the AIDS crisis in Africa. The world's collective of nations has acknowledged these tragedies, but has rarely owned them.

Afterward, we see that globalization works both ways. It encompasses not just common progress, but also common catastrophe. Was there a country left unaffected? At this writing, the tsunami's death toll had reached more than 289,000 people. Countries on each populated continent have established a count of their killed or missing.

And our comparatively small community was touched when a group of Stanford business students was caught in the disaster. James Hsu, a 25-year-old student from Stanford Business School, is among the lost.

We have seen the issues we've been covering in this publication, so inherent to globalization, magnified hundredfold. Corporate social responsibility has been expanded to include *national* social responsibility and *personal* social responsibility. Funds raised or pledged from all sources—from governments, businesses, and individuals—have reached more than \$10 billion. The phrase "What you can do to help" is echoed on hundreds of commercial Web sites, from Amazon to Google.

The same technology now on state-of-the-art b-school campuses is the technology that allowed tsunami survivors to post amateur videos and personal accounts online at Internet speed. The same global team-building skills business schools teach are now imperative as organizations mobilize teams from all corners of the world to coordinate the most massive international relief effort in history, or as governments respond to the international call to fund and implement a tsunami warning system for the Indian Ocean.

Many have asked why this disaster has struck such a worldwide chord, when so many others have not. I think the answer lies in its scope. Before this, we often evoked the term "global village," but I'm not sure we considered that phrase much more than a metaphor. After December 26, 2004, however, that term transitioned permanently from metaphor to reality, generating lessons of globalization that will take most business schools years to study and teach. We can only feel sorrow for the tragic manner in which those lessons were learned. ■



BILL BASCOM

Julia Bisson

Headlines

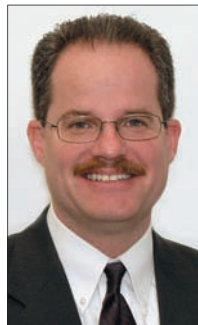
Monfort Wins Baldrige Award

The Kenneth W. Monfort College of Business at the University of Northern Colorado in Greeley has been named a recipient of the 2004 Malcolm Baldrige National Quality Award, one of the highest honors for quality and performance excellence in the U.S. This is the first time a business school has received the nation's top honor, which is traditionally presented by the president of the United States in Washington, D.C.

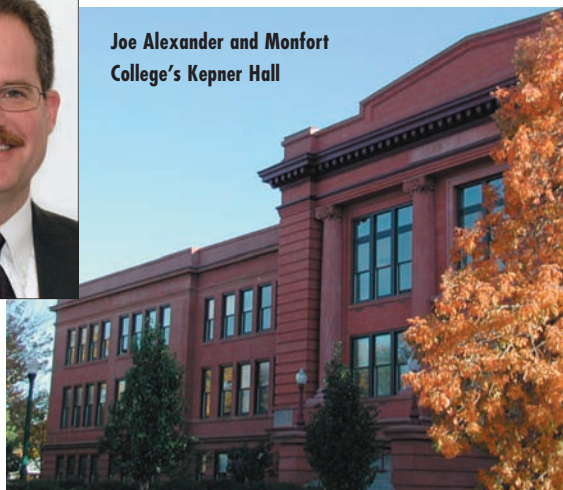
To earn the award, Monfort College underwent a rigorous quality review of its undergraduate-only program by a team of Baldrige examiners. The review covered seven areas: leadership; strategic planning; student, stakeholder, and market focus; measurement, analysis, and knowledge management; faculty and staff focus; process management; and organizational performance results.

Named after the 26th Secretary of Commerce, the Malcolm Baldrige National Quality Award was established by Congress in 1987 to enhance the competitiveness of U.S. businesses. The award may be presented to five types of organizations: manufacturers, service companies, small businesses, education organizations, and health care organizations. The Baldrige program is managed by the National Institute of Standards and Technology in conjunction with the private sector. Monfort and three other 2004 winners were selected from 60 applicants.

Joe F. Alexander, dean of the Monfort College of Business, shared with *BizEd* his thoughts about what the award will mean to the school.



Joe Alexander and Monfort College's Kepner Hall



What motivated you to apply for the award? We were convinced that we already had a good business program, but we wanted to take the leap to greatness by immersing ourselves in the Baldrige culture of performance excellence. Baldrige principles run parallel to much of what AACSB promotes, so the decision made sense from an accreditation standpoint as well.

Did the process of applying push you to a higher level of quality? Absolutely. The whole point of the Baldrige process is to help you see how your entire organization is performing in reaching stated goals. When we had applied for the award in the previous year, our feedback report identified a number of blind spots. We studied our opportunities for improvement and allocated significant time, energy, and financial resources to making changes in those key areas.

What benefits do you expect to see from attaining the award? Perhaps most gratifying so far has been the tremendous sense of pride our alumni have expressed. When a primary foundation of your business school is the importance of each stakeholder in building quality, then all of them—

students, faculty, staff, alumni, and campus partners—understand that they played a key role in achieving excellence.

Baldrige winners also become national spokespersons for management of quality within their fields. Following the awards ceremony this spring, we will be making three days of presentations at the Baldrige Quest for Excellence Conference in Washing-

ton, D.C., April 10 to 13. In addition, 40 states have their own quality programs, and we will be invited to make presentations at several of them. It's a wonderful opportunity to share our business school's journey with people throughout the country. However, by interfacing with so many others, we get an opportunity to learn from their experiences as well.

What advice could you give to other business schools looking to achieve higher levels of quality? While it often goes against our basic entrepreneurial natures as deans to eliminate programs, I believe it is critical to focus on where you want to excel and then have the discipline to stay the course over an extended period of time. Although last year was the first time we applied, we have been consistently pursuing the same basic strategy now for two decades. Each year has represented an improvement cycle and an attempt to shape our program into one that surpasses the results of the previous year.

The whole emphasis on *quality* is contagious. Students, faculty, staff, and employers all want to be associated with an organization that values

Students, faculty, staff, and employers all want to be associated with an organization that values excellence—not just as a word or phrase on your brochures, but rather as a full-scale, head-on assault against mediocrity.

excellence—not just as a word or phrase on your brochures, but rather as a full-scale, head-on assault against mediocrity. Once stakeholders observe firsthand that the changes they make in their roles actually can lead to improved performance in key areas such as learning outcomes, the natural response for most is to begin thinking about the next round of improvements.

What should other business schools focus on to improve their performance excellence?

Given the national visibility of rankings, it's difficult for business schools not to get caught up in pursuing them. However, rankings are, at best, a distant measure of quality. AACSB got it right in the last revision of accreditation standards when it strengthened the requirements toward a focus on outcomes. In the end, complicated systems and processes are meaningless if they do not translate into quality outputs. While business schools as a whole are moving in the right direction, when we wholeheartedly start paying more attention to our learning results than we do to how our peers perceive us, we will have taken a significant step forward.

Designing the Successful Alliance

Business schools that seek to form alliances with other institutions are primarily looking to enhance student educational experiences. When schools consider academic partners, whether for a student exchange or program alliance, their single most important criterion is the quality of the faculty. Selecting the right partner and agreeing on the objectives of the arrangement are the two most critical factors in

making such an alliance work.

These are among the findings uncovered in a survey of strategic alliances conducted jointly by AACSB International, efmd, and the Canadian Federation of Business School Deans. More than 160 schools from 28 countries participated in the survey, which sought to determine whether schools already have agreements with other schools from foreign regions, are considering agreements, or are not pursuing such alliances.

By far, Western Europe appears to be the most collaborative part of the world. Thirty-four percent of U.S. respondents say they have or are considering alliances with schools in that region. On the other hand, U.S. schools are generally less likely than schools in Western Europe or Asia to have alliance agreements in any

U.S. schools, 36 percent of schools in Western Europe have or are considering agreements in Canada. Although collaboration may be weak among North American schools, the survey found substantial intra-regional cooperation in Western Europe and Asia.

Not surprisingly, “enhancing student educational opportunities” is the main motivation for 67 percent of respondents who make strategic alliances. Developing faculty is also a prime objective, according to 29 percent. Other goals are to increase visibility or enhance the school’s reputation (18 percent), help globalize the school (17 percent), and attract students (16 percent).

What makes such an alliance a success? According to 26 percent of respondents, it’s *partner selection*.

While many schools wish to make alliances, they say, few bring quality to the table. It’s important to choose partners with whom your school has a quality fit and that offer both stability and leadership. When selecting partners for a student exchange, schools consider these factors, in order of importance: quality of faculty, quality of students, types of programs offered, location, recommendations, reputation, accreditation, previous experience, other partners, and size. Reputation replaces recommendations in the top five when a prospec-



region. For example, despite its close proximity to the U.S., Canadian schools are more connected with partners in Western Europe. Compared to only 11 percent among

tive partner is being considered for a program alliance, which includes joint degree programs.

Another 26 percent say success hinges on *agreement in objectives and terms*. Respondents urge schools considering alliances to look beyond opening expressions of good will to the substance in each proposal. Don't just base alliances on personal relationships, they say; plan them carefully. And make sure both parties benefit from the relationship.

Another key, say 18 percent, is *managing the alliance* well by keeping promises, setting up measurable goals, communicating openly, and exhibiting patience. Developing *interest and commitment* is also important, according to 11 percent of respondents. They recommend surveying both students and faculty to discover how much interest they would have if a strategic partnership were to be arranged. The final three pieces to creating a healthy alliance are maintaining quality (according to 10 percent), committing the resources (6 percent), and keeping environmental issues, such as safety, in mind (2 percent).

Despite all the effort involved, most institutions involved in a strategic alliance believe it has been worth the work. Fifty-six percent of respondents say their alliances have been extremely successful or very successful when considered as an educational experience.

The picture is less rosy from other perspectives. Have alliances been extremely or very successful in terms of enhancing reputation? Yes, say 37 percent. In terms of faculty development? This time 30 percent say yes. From a financial point of view? Only 11 percent agree.



Setting Off for San Francisco

Deans and business educators will gather in San Francisco April 21 through 23 for the International Conference and Annual Meeting (ICAM) hosted by AACSB International. Approximately 1,200 business school representatives from more than 40 countries are expected to attend the conference.

The conference will cover topics such as strategic planning, corporate social responsibility, and professional development. The two days of programming will include opportunities to network with peers, participate in Affinity Group sessions, visit with exhibitors, and attend social events.

Keynote speaker for the event will be Ed Rust, CEO of State Farm Insurance Companies, headquartered in Bloomington, Illinois. Rust, who has led the insurance giant for nearly 20 years of stable prosperity, is a passionate advocate for education. He has worked with numerous educational organizations, including President Bush's education advisory committee. Also among the presenters will be Tilden J. Curry, dean of the College of Business at Tennessee State University in Nashville.

During the plenary luncheon on Friday, April 22, Beta Gamma Sigma

will present its International Honoree: James H. Blanchard, CEO of Synovus Financial Corporation since 1971. The multibillion dollar company provides diverse financial services to people around the world. A proponent of servant leadership, Blanchard has fostered a culture of work/life balance at Synovus, which has caused the company to be named to *Fortune* magazine's list of "Best Companies to Work For."

ICAM will be held at the San Francisco Marriott Hotel. To register, go to <https://www.aacsb.edu/conferences/Registration/Default.asp>. Or contact Lora Parker at lora@aacsb.edu or 813-769-6521. For information about exhibiting at the event, contact Bill Cotner at 314-843-5128 or billc@aacsb.edu.

B-School Profs See Salaries Rise

Salaries for business school professors are continuing to increase at a robust pace, according to the 2004-2005 AACSB Salary Survey. Across all ranks and business fields, the average nine-month salary for business faculty in 2004-2005 increased by 4 percent, to \$93,500. That compares to \$89,900 in 2003-2004.

One reason for the increase is the Ph.D. shortage, which continues to put upward pressure on new doctorate salaries. While U.S. business doctorate production sunk to 1,035, its lowest level in more than a decade, the average new doctorate salary increased to \$93,300 from \$89,700. Salaries earned by new doctorates in accounting rose to \$105,800 on average, which is 5.1 percent higher than the previous year.

Increases for new doctorates in high-demand fields continue to raise

SUCCESS
(suc*cess")

[n. The accomplishment of goals necessary to achieve a particular task, realize a particular dream or satisfy a particular need or want. The outcome of effort. From the Latin *successus*—to succeed.]

U.S. News & World Report has ranked Babson #1 in Entrepreneurship for the 11th straight year. Our success has everything to do with our position as thought leaders who advance entrepreneurial management practice and theory. At Babson, we're defining the future of business education—today.



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INNOVATION IS OUR TRADITION

Average Salaries by Rank and Discipline

Field/Discipline	Professor	Associate Professor	Assistant Professor	Instructor	New Doctorate
Accounting/Taxation	\$114.0	\$94.1	\$93.5	\$54.6	\$105.8
CIS/MIS	110.5	91.2	88.6	52.8	91.9
Economics/Managerial Economics	104.2	76.0	71.5	50.5	73.4
Finance/Banking/Real Estate/Insurance	129.6	101.9	105.1	62.8	108.8
Management/Behavioral Science/International Business/Strategic Management	112.9	88.5	84.4	53.8	89.5
Marketing	114.6	90.7	87.9	52.7	91.8
Production/Operations Management	116.0	91.5	90.8	58.1	85.1
Quantitative Methods/Operations Research/Statistics	111.4	87.9	80.7	49.9	101.2
Combined (all fields/disciplines, including fields/disciplines not listed above)	113.7	90.1	87.9	53.7	93.3

All amounts in thousands of dollars. Source: AACSB International Knowledge Services

questions about internal equity, according to Dan LeClair, vice president and chief knowledge officer of AACSB International. He says, "Salary inversion is a problem. For example, among accredited schools, the average salary for new doctorates in accounting is \$107,000, and one in four earns more than \$133,000. Three-quarters of all full professors do not make that level of salary. A similar story about salary inversion can be told for finance, where new doctorates at accredited schools earn \$111,500."

According to the survey, business faculty earn substantially higher salaries at AACSB-accredited institutions. For example, at accredited schools, full professors earn an average of \$34,800 more than those at nonaccredited schools. The accreditation premium for new doctorates is \$24,900. Business faculty at private schools also earn substantially more. New doctorates at private accredited schools earn \$101,700 on average, while new doctorates at public

accredited schools earn \$93,400 on average—a difference of \$8,300.

The full AACSB Salary Survey Report includes data on faculty and administrative salaries from more than 650 U.S. schools, including close to 26,000 full-time faculty members and 4,600 full-time administrative staff. The report provides breakouts by faculty rank and discipline, as well as institution type, such as public, private, accredited, and nonaccredited. The report is available at www.aacsb.edu.

Dalhousie Competition Spotlights Ethics

A team of students from Boston College's Carroll School of Management won the Dalhousie Business Ethics Case Competition (DBECC) held at Dalhousie University in Halifax, Nova Scotia. Thirteen Canadian and three American schools faced off in the competition, designed to help educate business students about corporate ethics.

In addition to student presentations, the event included speeches by WorldCom whistleblower Cynthia Cooper and Susan Phillips, dean of George Washington University's School of Business. Phillips discussed how the competition met many of the goals outlined by AACSB International's Ethics Education Task Force by encouraging students to develop a deep understanding of corporate responsibility, corporate governance, and personal and organizational ethical issues.

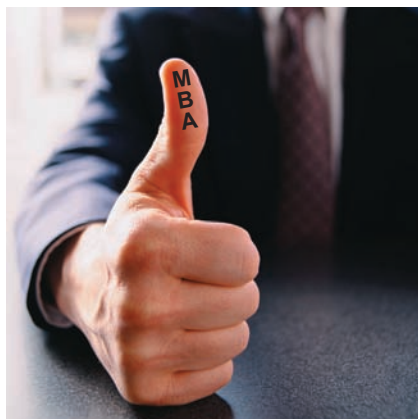
Julie Breau, chairperson of the DBECC, noted that business ethics and corporate social responsibility are in the spotlight now as they have never been before. "From Enron to WorldCom, we have seen seemingly

indestructible organizations collapse as their veils of deception and indiscretion were removed, revealing years of unethical and often illegal practices," she says. She believes competitions like the DBECC "will expose students to the crucial role that business ethics and corporate social responsibility will play in defining their careers as the business leaders of tomorrow."

Job Market Improves for MBAs

The job market is improving for MBA students, according to a new survey of 57 business schools conducted by the MBA Career Services Council (MBA CSC). The survey was developed by Randy Williams, director of career services for the Graduate School of Management at the University of California in Irvine.

"Companies have stepped up recruiting at business schools, and MBAs are getting more job offers," says MBA CSC president Mindy Storrie, who is director of Career Services at the Kenan-Flagler Business School, University of North Carolina at Chapel Hill. "Our survey identifies a clear trend of increased recruiting activity in the financial and



consulting industries, in particular."

Recruiting activity, such as job postings and on-campus interview schedules, increased this fall compared with fall 2003, according to 84 percent of the schools surveyed. In addition, 81 percent of the schools reported that a higher percentage of their 2004 graduates had at least one job offer within three months of graduating, while 93 percent of the schools predicted that the 2004-2005 job market would be even better than the previous academic year.

AACSB and efmfd to Host Joint Meeting

AACSB International and the European Foundation for Management Development (efmfd), the world's two largest business school accreditation groups, will hold their joint annual meetings in Paris in 2006. More than 1,000 business school leaders from around the globe are expected to attend. The event marks the first time AACSB's annual meeting has been held outside North America.

"We are delighted that the two world leaders in management education are joining together to come up with a common global theme that will impact management education on all six continents," says AACSB president John Fernandes. "The event will also allow members the chance to meet, network, and share educational experiences with schools that they don't normally get to see."

According to Eric Cornuel, director general of efmfd, "We are extremely happy that the cooperation between our two organizations is going so well. We have had several events together, and 2006 will be the continuation of our joint goals of advancing management education worldwide."

WHEN IT COMES TO **ENTREPRENEURSHIP**, ONE SIZE DOES NOT FIT ALL.
POLICIES MUST BE ADAPTED TO FIT PREVAILING NATIONAL CIRCUMSTANCES.

In terms of salary, 2004 graduates received an average base salary of \$71,096, according to the MBA CSC. Meanwhile, 49 percent of the schools surveyed say there was an increase in the percentage of students receiving a signing bonus in 2004 compared with the previous year.

The picture isn't as bright for non-American students attending U.S. schools. All participating schools reported that international students had a tougher time finding jobs in the U.S. than their domestic counterparts did. Storrie hopes the situation for international students improves under a new spending bill that includes a provision allocating 20,000 new H-1B visas solely to foreigners who hold master's degrees or Ph.D. degrees from American universities. More information can be found at www.mbacsc.org.

An Annual Look at Entrepreneurship

Seventy-three million people across the globe are either nascent entrepreneurs or own or manage a young business, according to the sixth annual Global Entrepreneurship Monitor. Directed by Babson College and the London Business School, the annual report measures entrepreneurial activity worldwide.

This year, the GEM Global Report demonstrates a U-shaped relationship between total entrepreneurship activity (TEA) and per capita gross domestic product (GDP). Entrepreneurial activity declines as countries attain higher national income, reaching its lowest point at a GDP of about \$30,000 per capita in U.S. dollars. Beyond that level, TEA begins rising slowly and steadily as GDP continues to rise. For example,



Uganda, Peru, and Ecuador have high TEA rates but low national incomes, whereas the United States and Iceland have both high TEA rates and high national incomes. A key implication of these results is that when it comes to entrepreneurship, one size does not fit all. Policies must be adapted to fit prevailing national circumstances.

Self-funding and informal investment is the lifeblood of an entrepreneurial society. According to the report, 99.9 percent of nascent entrepreneurs launch new ventures without formal venture capital or business angel investments. Entrepreneurs themselves provide 65.8 percent of the start-up capital. More information about the report can be found at www.gemconsortium.org.

Hawkeyes Meet Buffett

Business students at the University of Iowa are encouraged to arrange face-to-face meetings with industry leaders, but they're rarely quite as spectacular as the one MBA student Jafar Azmayesh managed last year: a visit

with legendary investor Warren Buffett. Azmayesh, a second-year MBA student at the Henry B. Tippie School of Management, brought almost 50 fellow students with him on a chartered bus from Iowa City to Buffett's location in Omaha, Nebraska. The other students were MBAs from the Tippie Leadership Association and undergraduate students from the Hawkinson Institute of Business Finance, also part of the University of Iowa.

During the informal 90-minute question-and-answer session with students and the following lunch, Buffett talked about a variety of business topics, including Social Security, the U.S. dollar, and the tactics he uses to evaluate managers and leaders. The visit was sponsored by Iowa State Bank and Trust, the Tippie School of Management, the Office of the President at the University of Iowa, and University of Iowa Student Government. As a token of appreciation, the students gave Buffett two gifts: an Iowa Hawkeye jersey and a gift certificate for a \$20 account with the Iowa Electronic Markets.

Students took away valuable insights from their meeting with the Wall Street great. "He stressed the importance of taking your time and doing due diligence," says Derek Johnson. "He also said you really only need one good idea a year to be successful."

Jeffery Rahm was impressed by Buffett's comment that "it's important to invest within your circle of competence." Said Brad Downes, "He told us how important it is to align your investments with your personal philosophies, that you shouldn't compromise your values. That's great advice for students entering the workforce."

SHORT TAKES

NEW APPOINTMENTS

■ **Jean-Pierre Helfer** has been named the new dean of Audencia Nantes School of Management in France, succeeding Aïssa Dermouche. Chairman of the French Marketing Association from 1996 to 2000, Helfer is currently chairman of the French Accreditation Commission for business schools, an organization which officially evaluates the country's management programs. He joins Audencia from Paris's Institute of Business Administration, the business school of the Sorbonne University, where he was previously director.

■ **Karen L. Newman** has been named the new dean of the Daniels College of Business at the University of Denver in Colorado. She takes her new position July 1. Newman currently serves as dean of the Robins School of Business at the University of Richmond in Virginia.

■ **Ira R. Weiss** has begun his new role as the third dean of the College of Management at North Carolina State University in Raleigh. Weiss comes to N.C. State from the College of Business Administration at Northeastern University in Boston, where he was dean and professor of accounting and management information systems for ten years.

■ **Roger Martin** has been reappointed dean of the Joseph L. Rotman School of Management at the University of Toronto. He begins the new five-year term on July 1.

■ The University of Arizona has named **Paul R. Portney** the new dean of the Eller College of Management. Portney plans to join the Eller College this July. Since 1972, Portney has been with Resources for the Future, an independent research and educational organization in Washington, D.C., that specializes in natural resources and the environment. He has also held positions at the Graduate School of Public Policy at the University of California at Berkeley, at Princeton University's Woodrow Wilson School, and as Chief Economist for the White House Council on Environmental Quality.

HONORS AND AWARDS

■ **Marianne Bertrand** is the 2004 recipient of the Elaine Bennett Research Prize, given by the American Economic Association's Committee on the Status of Women in the Economics Profession. Bertrand, a professor of economics at the University of Chicago Graduate School of Business, has studied racial discrimination, CEO pay and incentives, the effects of regulation on employment, and other topics in labor and finance. The Elaine Bennett Research Prize was established in 1998 to recognize outstanding research in any field by a woman at the beginning of her career.

■ **Glenda Glover**, dean of Jackson State University's College of Business, is among the winners of the Fifth Annual Mississippi Majesty Awards. The awards celebrate living African Americans in Mississippi who have made contributions to education

and the arts. In addition to her role as dean, Glover—who holds CPA, J.D., and Ph.D. degrees—is the first African American female who has been chairperson of a major transportation entity.

NEW PROGRAMS

■ **Cornell University's** S.C. Johnson Graduate School of Management in Ithaca, New York, will launch the Cornell Boardroom Executive MBA



program in June 2005. The program, developed in partnership

with Queen's School of Business in Kingston, Ontario, will bring the classroom into workplaces by delivering live, multipoint, interactive videoconferencing to boardrooms in major cities in the United States and Canada. Participants will be organized into Boardroom Learning Teams of six to eight people. Videoconferencing sessions will be augmented with three two-week, on-campus residential sessions over the 17-month program. Half the participants will come from each country, and students will graduate with MBAs from Cornell and Queen's.

■ **The University of Iowa's** Henry B. Tippie School of Management in Iowa City is offering its International MBA Program in Beijing to executives in China's food and agribusiness sectors. The program is being conducted in conjunction with Purdue University. Graduates of the program will have an MBA from Iowa and a certificate in agricultural business from Purdue. Eleven UI faculty will travel to Beijing to teach business



courses, while four Purdue professors will teach agribusiness courses.

■ **North Carolina State University's** College of Management in Raleigh has developed a new biotechnology-pharmaceutical concentration within its MBA program. Traditional MBA classes will be supplemented by in-depth courses for the biotech and pharmaceutical industries that cover topics such as legal and regulatory issues. Full-time MBA students will also complete an internship with a biotechnology or pharmaceutical firm.



COLLABORATIONS

■ The Robert H. Smith School of Business at the **University of Maryland** in College Park and ChinaCast Communication Holdings Limited have signed a memorandum of understanding to deliver education courses and programs electronically to students in the People's Republic of China. The partnership allows students outside China's major cities to have access to business education. Initial offerings will be an advanced management course and a bank management course, followed shortly by programs in education management, healthcare, insurance, and hospitality. Courses will be delivered by satellite and held at university campuses and educational facilities throughout China.

■ **Grenoble Ecole de Management** in France and **Fudan University** in Shanghai have signed a partnership agreement covering student exchanges, faculty mobility, and cross-collaboration in academic research.

HUH?

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SHORT TAKES

■ IBM, Ikea, and Danone have become the first companies to sign up as partners of **Audencia Nantes School of Management's** Centre for Global Responsibility. The center seeks to enrich the school's research into social responsibility, increase its presence in teaching, and foster joint projects between corporate partners, students and faculty.

DONATIONS AND GIFTS

■ **Temple University's** Fox School of Business and Management in Philadelphia, Pennsylvania, has received a lead gift of \$15 million from Gisela and Dennis Alter to build Alter Hall. The new building will be part of a \$400 million renovation and construction project at Temple. Alter Hall, designed by Michael Graves, is planned as a 200,000-square-foot, seven-story, state-of-the-art facility. The Alters' gift is supported by a \$25 million capital appropriation from the Commonwealth of Pennsylvania and \$25 million in university bond proceeds. An additional \$13 million will be raised by The Fox School of Business to complete the financing.

■ Another gift to the **Fox School** will be used to create the Ronald O. Perelman Professorship in Entrepreneurial Finance, named for the chairman and chief executive officer of MacAndrews & Forbes Holdings Inc. The \$1.5 million funding for the endowed chair comes from a \$5 million pledge to Temple

by Howard Gittis, chairman of Temple's Board of Trustees and vice chairman and chief administrative officer of MacAndrews & Forbes Holdings.

■ The Capital Campaign of **Old Dominion University** in Norfolk, Virginia, received a \$5.4 million gift from the estate of Elmer Virginius Williams that will be used primarily in the university's College of Business and Public Administration. From the gift, \$3 million will be used to create the E.V. Williams Chaired Professorship in Marketing and the E.V. Williams Chaired Professorship in Strategic Management. An additional \$1 million will be used to support the Center for Real Estate and Economic Development; \$1 million will provide for faculty research grants and fellowships; and \$400,000 will go to the Perry Library.

■ The financial firm UBS has given a \$1.25 million gift to the Wharton School of the **University of Pennsylvania** in Philadelphia. The gift will be used to name the MBA Admissions Suite in Jon M. Huntsman Hall the UBS MBA Admissions Suite.

■ CPA and real estate developer Ken Dixon has donated more than \$2.5 million to the School of Accounting at the **University of Central Florida** in Orlando. The gift, the largest single cash donation received by UCF's College of Business Administration, will grow to more than \$5 million with a state match. In recognition, the school has created the Kenneth G.

Dixon School of Accounting. The money will be used in part to hire a director

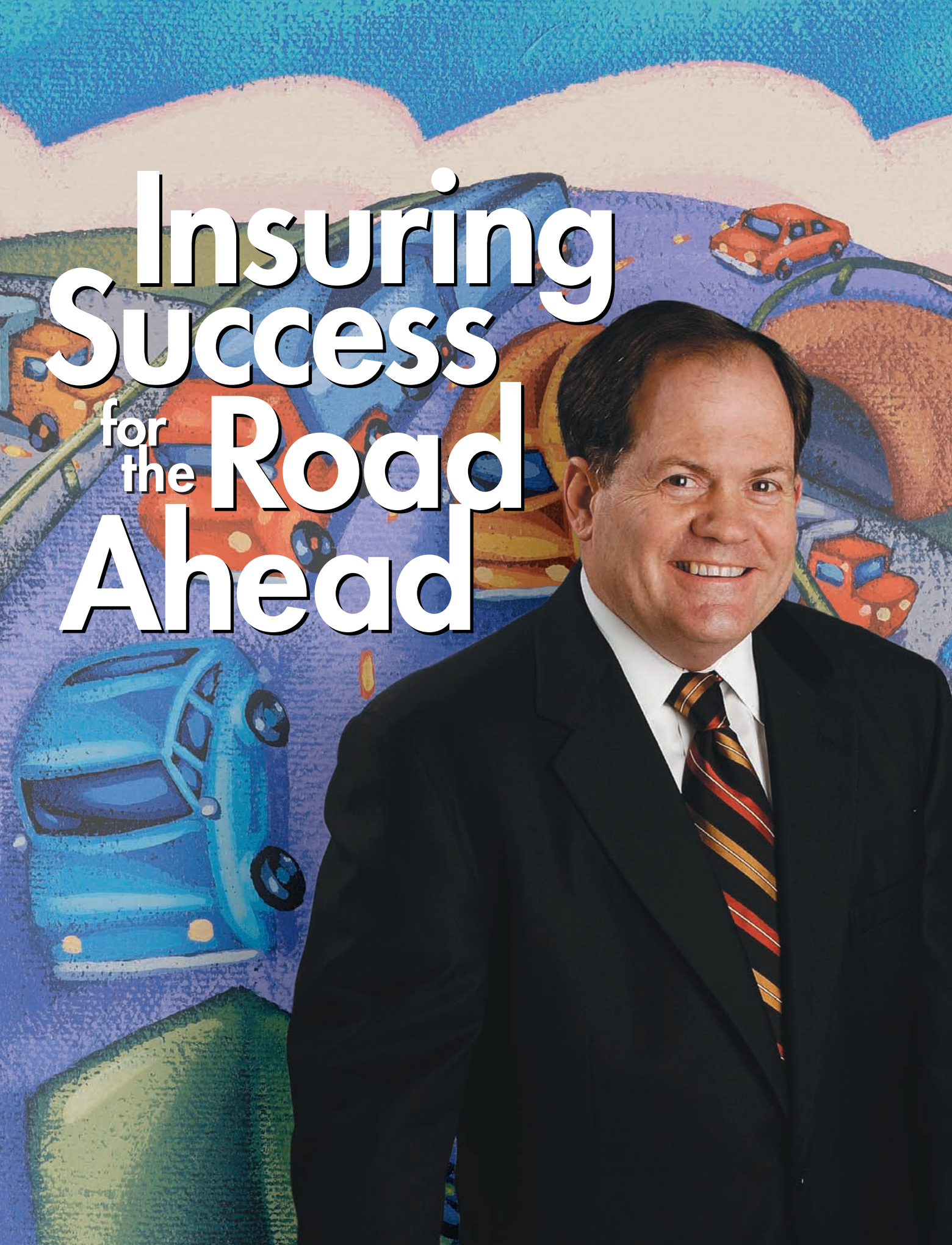
for the school, support research in the accounting field, and fund the Kenneth G. Dixon Eminent Scholar Chair in Accounting.

OTHER NEWS

■ The first international case competition in the United States for graduate business students has been launched by **The University of North Carolina's** Kenan-Flagler Business School in Chapel Hill and **Emory University's** Goizueta Business School in Atlanta. The schools collaborated to develop the competition for the Partnership in International Management (PIM), an international consortium of business schools. Teams from around the world competed to solve international cases involving multinational companies and earn an \$8,000 cash prize. The winner was the **University of Otago** School of Business in New Zealand, followed by Goizueta, Copenhagen Business School, UNC Kenan-Flagler and Università Commerciale Luigi Bocconi from Italy.

■ **Baylor University** in Waco, Texas, has officially opened its Southwest Securities Financial Markets Center, part of the Hankamer School of Business. From this facility, graduate students and senior finance majors manage a \$6 million student-run portfolio. The opening of the facility allows the Portfolio Practicum class, which started in 2001, to be taken to a new level. The center is equipped with leading-edge technology replicating the equipment found in the nation's top investment firms and financial institutions. **Z**



A man in a dark suit, white shirt, and striped tie is smiling and looking towards the camera. He is positioned in the lower right foreground. The background is a vibrant, abstract painting featuring various cars in different colors (blue, orange, red) and winding roads in shades of blue and purple, set against a backdrop of soft, rounded hills in blue and white.

Insuring Success for the Road Ahead

State Farm CEO **Ed Rust** is always thinking about the future, whether he's investing in education initiatives, promoting the benefits of financial planning, or making sure the insurance giant adapts to a changing market.

A man in the insurance industry is always looking ahead. He's constantly wondering what might go wrong next week or next year—and what he can do today to fix it. Edward B. Rust Jr. thinks about the future even more than most people in the business, because he's not just focused on property and casualty insurance. As chairman and CEO of State Farm Insurance Companies in Bloomington, Illinois, he's overseen the expansion of the company into financial services lines, which allow customers to plan for college and retirement. And he's turned himself into a champion of education, which is the ultimate investment in the future.

For someone who was practically born into the insurance industry, Rust almost didn't realize his destiny. His grandfather, Adlai, ran State Farm from 1954 to 1958; his father, Edward, was CEO until 1985. Nonetheless, the younger Rust originally planned to pursue a career in engineering. Later, as he attended Illinois Wesleyan University, he became more interested in business and accounting. Another shift in career goals led him to obtain his joint JD/MBA degree at Southern Methodist University.

Having studied securities and tax law, Rust was all set to take an offer with a major law firm. But conversations with his father convinced him that he should give the insurance industry a try. He joined State Farm's regional office in 1975 as a trainee. When his father died ten years later, Rust took over State Farm as president and CEO. He was 35 years old.

During his 20 years heading the company, Rust has maintained State Farm's position as an industry leader. Outside the office, his deep interest in education has led him to co-chair the Business Coalition for Excellence in Education, serve on President Bush's education advisory committee, chair the Business Higher Education Forum, and commit his organization to a number of educational initiatives. In one, a collaboration with the National Service-Learning Partnership, State Farm provides six K-12 school districts with \$5,000 each to fund the integration of service-learning projects into the academic curriculum.

For his efforts in supporting education, Rust was one of six individuals honored with the National Promise of America Award last May. Sponsored by America's Promise—The Alliance for Youth, the awards were presented at the White House during a dinner hosted by Laura Bush.

Rust will be a keynote speaker at AACSB's International Conference and Annual Meeting April 21-23 in San Francisco, where he'll share his views about the collaboration between corporations and educational institutions. An investment in education, he knows, is one sure way to guarantee that business will be on the right road in the future.

by Sharon Shinn

You were 35 when you became CEO of State Farm. What were the keys to being successful at such a young age?

I was most fortunate in that a number of people from my father's senior management team mentored me and shared their time, perspectives, and experiences. In addition, having MBA and law degrees gave me analytical tools that helped me understand the business. Both law school and business school teach you to do a deep and thorough analysis of a situation, but in law school you don't always have an opportunity to argue the side you want. That forces you to develop a broader understanding of an issue.

The regimen of an MBA program also gives you analytical skills. You learn how to peel back the layers so you can understand the core issue. You also learn what kind of options you have in addressing that issue and moving it in a preferred direction.

What have you discovered on the job that you hadn't learned in business or law school?

It's often much easier to implement actions on paper than it is in life. Leadership requires understanding the people you work with and the organization you lead. You need to develop a feel for the organization—what gives it vitality, what motivates it, what issues are of deep concern. You have to be cognizant of these as you work to make adjustments.

Education is important to you as an individual and a CEO. What motivated you to take up education as your personal cause?

I think the whole concept of lifelong learning is more relevant today than ever before. It's scary to realize that the skill sets we possess today are likely to be inadequate five years from now, just due to the normal pace of change. As more young people come into the workforce, they need a deeper, fundamental understanding of the basic skills—not just to get a job, but to grow with the job as their responsibilities change over their lifetimes.

Thirty years ago, some of the kids I went to high school with planned to take jobs at the local assembly plant, put in their 35 years, and retire. Those jobs don't exist any more. And the jobs that do exist demand much higher skill sets than the ones those people originally possessed. Workers today need to have the ability to grow with the changes.

Are institutions of higher learning effectively helping workers acquire these necessary new skills?

I think community colleges play an important role for the



Corporations are saying to educational institutions, “We’ll work with you, but we want to see programs that move the needle on student achievement. If they do, great. Replicate them and scale them. If they don’t, move on to something else.”

masses in terms of ongoing educational opportunities. Community colleges offer a chance for people to earn certificates that show they’re competent in a given area of expertise—in software development, for instance. A number of high-tech firms such as Cisco are helping develop programs that will allow people to become certified in their technology. That basically gives them a ticket into major data processing centers with Internet server applications.

What do you think are the most important educational initiatives being undertaken today—by the government or by school systems?

Time will tell, but I think that the passage of No Child Left Behind has pointed public policy in the right direction. We’re looking at outcomes. We’re looking at results, as opposed to strictly looking at input. We’re developing metrics to understand student achievement, to evaluate what’s working and what’s not. When it’s working, we scale it. And when it’s not, we change or do away with programs. That’s a phenomenal shift in education.

As a corporation, State Farm makes a sizable investment in education. Do other corporations do as much as they could in this area?

There is a significant amount of business investment in education. What’s happened in recent years is that corporations aren’t so much reducing their investment in education as looking for demonstrable progress in the areas where they *are* spending. They’ll say to educational institutions, “We’ll work with you, but we want to see programs that move the needle on student achievement. If they do, great. Replicate them and scale them. If they don’t, move on to something else.”

This is what’s really driving some of the companies that fund and support charter schools. They want to know what is improving student learning and how they can achieve it. That’s a profound positive change in the direction of business involvement in education.

In addition, many companies—including State Farm—do in-house training to help employees continue enhancing their skills. It may not be an investment in the public classroom, but it is a major investment in education. We run many programs through our learning and development department,

teaching everything from data processing to human resources skills. We also do all our own training for claims representatives—our single largest group of employees.

When times are tough, why do so many corporations cut funds for employee education?

It really depends on the business and the value of intellectual capital in that business. I think any time you are helping employees grow their understanding of the markets they serve and improve the skill sets they bring to their current responsibilities—while it may be hard to measure—the investment pays off in the years ahead.

A corporation can create an environment for learning, whether it’s done internally, by partnering with a university or a community college, or through a tuition reimbursement program. It’s important to encourage people in their desire to get a better understanding of the world where they live.

I want to talk a bit about State Farm itself. What do you consider its major accomplishments since you’ve been CEO?

One of the challenges has been to continue the company’s evolution—and sometimes accelerate its evolution—to keep pace with what’s happening in the marketplace. We have to know what our customers are demanding and understand how we can provide it.

In recent years, technology has had a significant influence on the way we think about business. We’ve also launched our own bank, started a small family of mutual funds, and expanded our product offerings in insurance. These are all significant changes from ten or 15 years ago.

Why did you decide to diversify into this new area of financial services?

Many people don’t realize it, but for more than 50 years, we used to partner with financial institutions across the country to provide car financing. More recently, we felt offering financial services would be a way to build upon the relationship we already have with more than 25 million households. Those customers are buying cars and homes. They’re taking out home equity loans, running checking accounts, and using credit cards. We already have an excellent relationship with them. We saw financial services as an opportunity to build on that relationship and sell deeper into that household.

Business students often study the risks and rewards that come when a company diversifies its product line. When they become top execu-

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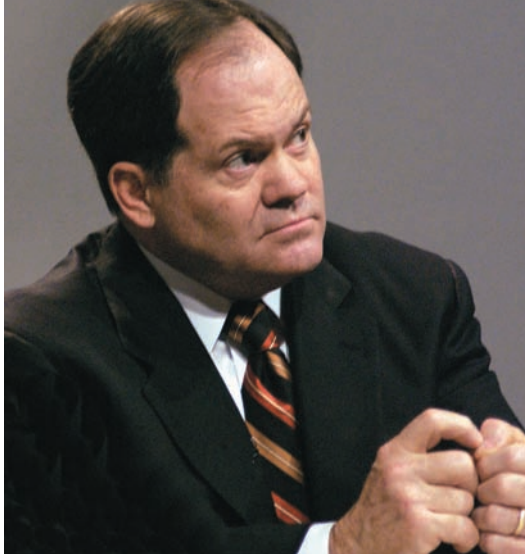
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When the vast majority of our customers think of us, they think of us as their local agents down the street, around the corner, in the neighborhood.



Being the person they've known for years who arrives with a check. And being a shoulder to cry on.

tives, how can they know when to diversify and in what direction?

Diversification isn't just saying, "Well, let's get into other things." It's really understanding the markets you want to serve. If you want to expand with current customers, look at their expectations and demands. Then look at your core competencies. What do you do well?

Diversification really comes down to doing your homework. Make sure the rationale for diversifying is one that meets reality. Your rationale can't just be, "We want to get bigger." If you can identify a frustration or an unmet need or a strong desire on the part of your customer, and if you have the core competencies that allow you to fill that need, you have a great opportunity in front of you.

The recent hurricane season brought devastation to Florida and the southeast coast—and put a huge drain on the companies that had insured property there. How does State Farm brace for such widespread disaster? How do you make sure no disaster is so great that it doesn't take the company down with it?

I turn off the Weather Channel! Seriously, I can give you a better answer today than I could have in 1992 when Hurricane Andrew came ashore. Andrew basically caused a recalibration of all the best thinking in terms of what hurricanes could do as they hit major population centers. Most of the modeling—and we were part of that, as were our competitors and the re-insurance industry—was off on Andrew by a factor of ten or more.

Coming out of that, we looked at our own exposure and how much business we could have in some of these low-frequency but potentially high-severity cases. We worked with the state governments and tried to determine how to structure programs to finance the rebuilding after major events. We learned a great deal and made a number of changes. Today we're in a far better position from a financial standpoint and a risk management standpoint.

That does not minimize the agony and the emotion that go with standing next to people who are looking at where their beautiful home used to be, now seeing only a slab. On the other hand, that's what State Farm is all about—being there for people in their time of need. Helping them rebuild.

Today, many insurance companies—particularly health insurance companies—are seen as the villains in driving up costs and being reluctant to pay out benefits.

Unfortunately, that's true.

Does some of that mistrust spill over onto companies that provide home and auto insurance? How do you retain the good will of your clients and your stakeholders when your entire industry is being painted with such a dark brush?

What we rely on as our strength is the relationship people have with their local State Farm agents. We're a huge organization—anywhere from a Fortune 10 to a Fortune 25 company, depending on the year. However, when the vast majority of our customers think of us, they think of us as their local agents down the street, around the corner, in the neighborhood.

In our business, the relationship is what we're all about. If you went out and bought a new car on Friday night, you probably drove it around all weekend. You took a few extra trips just because you wanted to smell the new leather and try out the features. With our product, you see a State Farm agent and you buy a policy. You don't necessarily go home and say, "Gee, I want to read about the Newly Acquired Vehicle provision and see whether or not I can tow a trailer." It's an intangible. It's not until after the purchase—maybe many years after the purchase, or never—that you really need to call on that product.

That's why, when someone is in an accident or files a claim, it's critical that we use that as an opportunity to reinforce why that person came to us. That's where we try to shine, by taking an emotionally difficult experience and turning it into a positive, professional experience with a State Farm agent.

So you're really trying to live up to the famous motto, "Like a good neighbor, State Farm is there."

Even with all the new technology, even with the Internet, when people have a question, they want to talk to somebody they know. They want to know someone is convenient to reach. Companies that have tried to use strictly 800-number or Internet approaches might pick up a little traction. But customers still come back, wanting—somewhere in the equation—to interact with people they know.

What do you think today's business students should understand about the insurance industry to make it appealing to them as a career option?

In insurance, the issues you deal with and the thought processes you go through are similar to those of other kinds of business. Insurance can be as exciting and stimulating as investment banking. After all, we are major institutional investors. Insurance can be as exciting as doing research. We do some of our own crash and damageability assessment research. Insurance also follows demographics and market trends. If someone is coming out of business school and wants to deal with real challenges and issues, we've got our fair share in insurance.

What factors do you think will shape the insurance industry in coming years?


Some changes will be caused just by demographic shifts. As the younger generation comes along, we need to understand how they interact and what they expect in the way of products and services. We need to understand how to adapt from the models that have served us so well for many years. That's one of the biggest challenges the insurance industry will face.

In the broader field of financial services, we will be asking people, "Do you have a financial plan, and is it current?" Everybody needs to go through that process. We'll see baby boomers aging, families planning for the future, parents saving for college, and individuals looking toward retirement. People need to start financial planning earlier than they typically think they do. That's part of the change happening at State Farm. Now we're in a position to talk to people about planning for the future, setting aside money, and considering some options.

What do you see specifically in State Farm's future?

I'd like to continue to expand our leadership in markets we serve. To do that, we need to continually assess, adjust, and move. We all have old shoes that we keep going back to because they're comfortable, but they might not be the best things to wear at the moment. It's important to recognize when you have to make a change to position the organization to succeed tomorrow.

If you were asked speak to a graduating class of MBAs for 2005, what advice would you give?

Know that the person you look at in the mirror every morning has a more profound impact on your success than anyone else. Realize that learning will be a lifelong process. Find something that really lights your fire and that makes you passionate. When it's all said and done, that's what life is really all about. 



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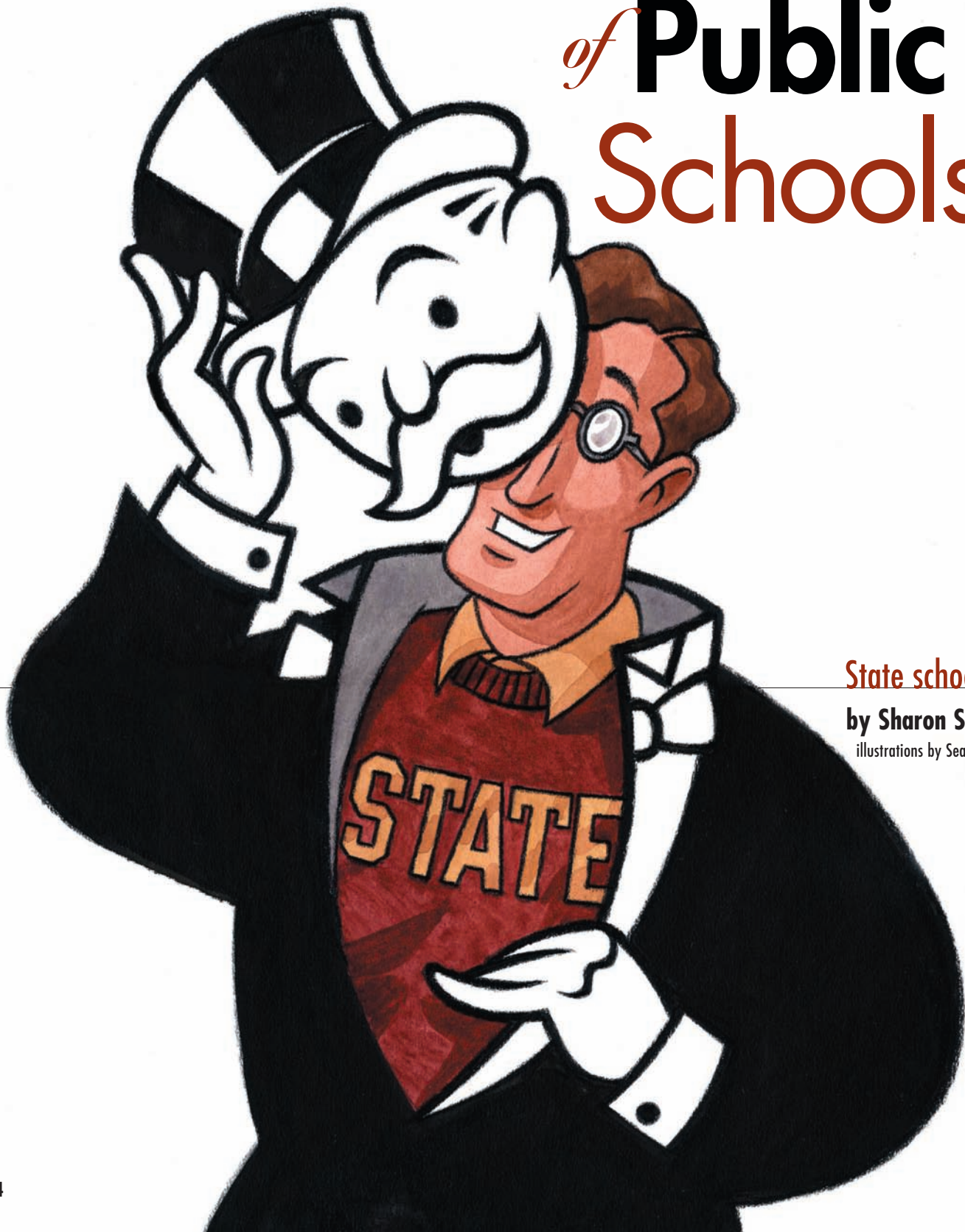
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The *P*ri~~va~~te Face
of Public
Schools



State schools stay

by Sharon Shinn

illustrations by Sean Kelly

In the competitive world of elite business schools, money is everything. With sufficient funds, a school can attract world-class faculty, invest in state-of-the-art facilities, enroll the best students, and score high in the rankings. But that upward climb requires adequate funding, which usually translates into a healthy endowment and high tuition fees. Private schools generally have both. Public schools? Not so much.

Yet a handful of public business schools are positioning themselves to be among the best worldwide by transforming themselves so that they operate much like private schools. They're raising fees, courting alumni, taking control of their budgets, and throwing their mortarboards into the ring. They're here to compete at the highest levels, and if that means acting like private institutions, so be it.

"We haven't explicitly set out to say we want to be 'more private,'" says Robert J. Dolan, dean of the Stephen M. Ross School of Business at the University of Michigan in Ann Arbor. "But we do want to be the best business school of our type. That means being able to attract the top talent and compete with all universities, including private ones. Just defining our competitive set as other public institutions isn't the right way to think about it. Our aspirations are much higher."

Howard Frank, dean of the Robert H. Smith School of Business at the University of Maryland in College Park, puts it even more bluntly. "If you look at the top ten schools, seven or eight of them are private," he says. "They're not in the top echelon because they're private, but because they have more money."

The urge to pursue private money really began as states started cutting funds for education. "Many state schools now identify themselves, not as state-

competitive with the top elites by raising enough money to act like private schools themselves.

supported, but as state-assisted," says Hasan Pirkul, dean of the School of Management at the University of Texas at Dallas. "Depending on what school you're looking at, support from the state could be as low as 15 to 20 percent of the university's total budget. That makes it absolutely necessary to provide alternative funding sources."

The percentage is even lower at the Smith School, where the annual budget is between \$55 million and \$58 million. "We get roughly \$4 million from the state," says Frank. "The rest is made up from tuition and revenues for services and programs. A private school gets no state support, so the difference between the Smith School and a \$50 million private school is basically nothing."

Frank and other deans emphasize that the move toward privatization brings with it a whole new attitude. "We're running an educational business," says Joseph A. Alutto, dean of the Max M. Fisher College of Business at The Ohio State University in Columbus. "We happen to be located in a public institution, but we need to think carefully about the quality of the product we have and whether that product is providing value to those people who purchase it." In other words, they need to operate like privately run businesses.

"As you increase the costs of attending your program, students want to know they're getting value for it."



Balancing the Budget

Like private business owners, these deans become wholly responsible for the budgets governing their enterprises. This is a major difference between a typical state school and a public school with private leanings. Currently, many state schools use an "expenditure authorization system," says Alutto, in which a dean is given a set amount of money to spend regardless of how much his school is generating. Resources are allocated depending on where the money is most needed; business units that aren't generating enough money to survive are funded by the units that are generating a surplus.

The new model, which he calls "responsibility-based budgeting," requires every college to be responsible for all revenues generated and all expenditures made. Some units still might lose money, Alutto notes, but a "tax" system in place gives the university some flexibility in diverting funds to less successful units. "The school still has to manage within its budget plus whatever the school gives it through the taxation system—or its budget and whatever the school takes away through taxation," says Alutto. "But then what the tax rate should be becomes a public discussion rather than a hidden distribution of slush funds."

Responsibility-based budgeting has the immediate impact of making school administrators consider how to bring in more money. The three most obvious sources are increased tuition, stepped-up private giving, and an expanded executive education program.

Tuition is often the first component to be addressed. State schools looking to privatize first raise their tuition—or at least their graduate school tuition—to something close to market rates. For instance, the Darden Graduate School of Business Administration at the University of Virginia in Charlottesville benchmarks its graduate tuition against schools like Harvard and Wharton. While a portion of tuition goes back to the central university, the school retains control of the rest. "Of course, we are often in dialogue with the university about what our resource priorities are and why they should be like that," says Robert S. Harris, dean of Darden.

Another critical step is to emphasize increased donations from alumni and other potential donors. Says Dolan of Michigan, "We hope a number of alumni will say, 'Now is my chance to perpetuate the school's goals. The school's on the right track, but it needs my financial support.'"

Last year, for example, alumnus Stephen Ross donated \$100 million to the University of Michigan, a donation that is expected to have a big impact. "We'll spend about \$75 million on our facilities, which really need to be upgraded if we're going to be competitive with our peer institutions.

We'll also put \$25 million in our endowment," says Dolan.

The third leg on the fund-raising tripod is executive education, where schools typically can charge a premium price that is not set by the university administration. Not only will executive education bring in additional funds, Pirkul says, but it can improve the school as a whole. It encourages faculty to maintain close ties with the business world; it also creates a whole body of alumni who are already in management positions and able to offer financial support to the school very quickly.

Once a school becomes responsible for its own budget, says Alutto, it never stops looking for other areas to expand—especially at relatively low costs. For instance, research centers can bring in money both from the private sector and from federal funding. One-year master of science programs offer a chance to generate revenue while not requiring the high infrastructure expenditures necessary to support an MBA program. As the school's mindset reflects private-school values, Alutto says, other areas of revenue growth may be discovered.

Good to Great

Most deans see the trend toward privatization as overwhelmingly favorable. For one thing, higher tuitions force schools to provide even better programs.

"As you increase the costs of attending your program, students want to know they're getting value for it," Alutto says. "They become far more responsive and involved in the development of high-quality programming. You can no longer hide a professor who's not teaching well when you're charging students at the high end of the cost continuum, so there's a lot more accountability."

Privatization also encourages colleges within a university to work across boundaries. Because schools are being encouraged to generate revenue, says Alutto, "units that otherwise might not have been working with the Fisher College are suddenly very anxious to work with us. We've especially reached out to the school of engineering, because we think the com-

You can no longer hide a professor who's not teaching well when you're charging students at the high end of the cost continuum, so there's a lot more accountability." —Joseph Alutto, Ohio State University

bination of engineering and business will provide real additional value to students and faculty."

Another advantage to becoming more like a private school, suggests Harris of the Darden School, is that it allows the school to develop stronger ties with alumni. When alumni know that their investments—not the state legislature's budget—are shaping the future of the school, they tend to develop a "shared sense of destiny." He says, "I think the alumni of most private institutions have a different link with their schools than alumni of most public schools. They see that their investment is what's going to make the school go forward."

This is particularly true because, in general, privately raised funds face fewer restrictions than state funds. For instance, Pirkul notes, state funds are rarely earmarked to fund overseas travel for faculty, but private donations may be used to send professors to international conferences—which will improve both the faculty and the school.

Private funds can also be used specifically as donors request. "It's very clear that people want to see where their gift is being used and how it advances the agenda they're interested in," says Dolan. "One thing that helps us in our fund raising is that a gift to the business school really does get used for the business school."

Not So Fast

Still, operating a public business school as if it were private does have a few drawbacks. Frank points out that the school can suffer if enrollments go down and the school fails to meet its projected budget. Meanwhile, the business school isn't really in line for extra money if the university has any to hand out. For instance, when the University of Maryland had \$10 million to distribute to offset state budget cuts, the Smith School's take was only \$75,000.

Another downside is that there can be some tensions between the central administration and the more independent school. "As we initially started expanding, the university had no way of coming to grips with the kind of creature we were building," Frank says. "We still give the university controller more problems than any other three schools combined as he tries to figure out what we're doing."

Privatized business schools also sometimes have to worry about jealousies from other schools on campus. "Business schools are already thought to be the wealthiest places on campus, even though often they're not," says Frank. "As you go out and generate your own revenues, the campus tensions actually get worse. For instance, we have a terrific building, and some people are jealous of it. But I paid for it with our hard-earned funds! That gets lost in translation."

One School's Private Journey

How does a school move from public to private status?

Through small, incremental changes, says Howard Frank of the University of Maryland. Upon arriving at the Smith School of Business in 1997, his first task was to raise the price of the MBA program to market rates, essentially by quadrupling the cost of the program over a number of years. Concurrently, the number of students was also quadrupled.

"Within a few years, we were generating 16 times the revenue we were generating the day I arrived," he says. "Did we wake up one morning and decide we were going to do that? No, it was a series of steps."

During this time, the school also opened satellite campuses and evening and weekend programs. Meanwhile, the executive education program was refined until it went from generating about \$500,000 annually to bringing in more than \$6 million. The school also launched an EMBA program in the U.S. and an executive education program in China.

Then Frank addressed various research centers on campus, slimming down existing ones and opening several new ones. In the process, he began an aggressive pursuit of research grants and contracts; today, the school brings in about \$5 million in such funds. "Along the way, we changed the culture so there were some inherent rewards for going after these grants," he says.

At the same time, he worked to expand the school. He added about 50 faculty members and almost 100,000 square feet to the facilities. The school now can boast laboratories for financial markets, supply chain management, behavior research, and electronics. "In the last few years, we have received the equivalent of \$10 million in gifts of software, hardware, and services to build these labs," he says. "Seven years ago, we had basically nothing."

And of course, there's the fund raising, though Frank considers that a somewhat modest proportion of the school's entire revenue chain. Still, charitable gifts have brought the endowment from \$6 million to \$35 million, and individual donors continue to give money on a regular basis. "Out of our budget, gifting will generate something like \$3 million a year," Frank says. "We're launching a campaign to triple that."

Ultimately, it all comes down to funding—to hire the top faculty, upgrade the facilities, and craft an image. Says Frank, "A *Financial Times* reporter recently asked what my top three priorities were, and I said, 'Money, money, and more money. And if I had a fourth priority, it would be money.'" With more funds, he says, he can build faculty, strengthen the school's reputation—and continue his quest to make the school competitive with the best.

The Touchy Topic of Tuition

Raising tuition is one of the time-honored sources of new revenue. But how much should it be raised—and should such increases affect all students? At many state schools, undergraduate tuition is set by the universities, which also determine how many undergraduates should be admitted to the business school.

The restrictions are chafing to some deans, including Joseph Alutto of The Ohio State University. "Since I arrived here, I've said that one of the best things I could do, even at the undergraduate level, is to triple the cost of tuition. It always gets a gasp. But as long as tuition is low, students will accept poor performance on the part of staff and faculty. Once they're paying market rates, they will demand—and they will get—high-quality performance at all levels."

Yet providing affordable education is part of the compact the public school makes with the state, and most schools are still bound by that contract. So, for now, undergraduates at the University of Maryland's Smith School of Business pay \$6,700 a year. At the University of Michigan, an in-state BBA student pays \$9,000. Says Michigan's Robert Dolan, "Where we show we're public is more in our undergraduate programs than our graduate programs."

Even so, as graduate tuitions trend higher, do deans worry that public schools might leave the neediest students behind? Most don't. "We now offer more scholarships than ever before, both at the graduate and undergraduate level," says Alutto. "Most of us in the public sector understand that we have a public policy imperative that insures that we still provide opportunities. The way we do that simply changes. We've gone from an endowment of \$10 million to a permanent endowment of about \$120 million. A good portion of that is designed to provide scholarships and fellowships for students."

At the University of Texas at Dallas, Hasan Pirkul agrees—

to a point. "In most excellent schools, there are scholarship funds available, and I think universities are very responsive to students in need," he says. However, he notes, as education gets more privatized, it becomes less affordable. "The people who get squeezed are not the poor, because there are funding sources that target them specifically. And obviously the well-to-do have the means to send their kids to college. I do think privatization hurts the middle class."

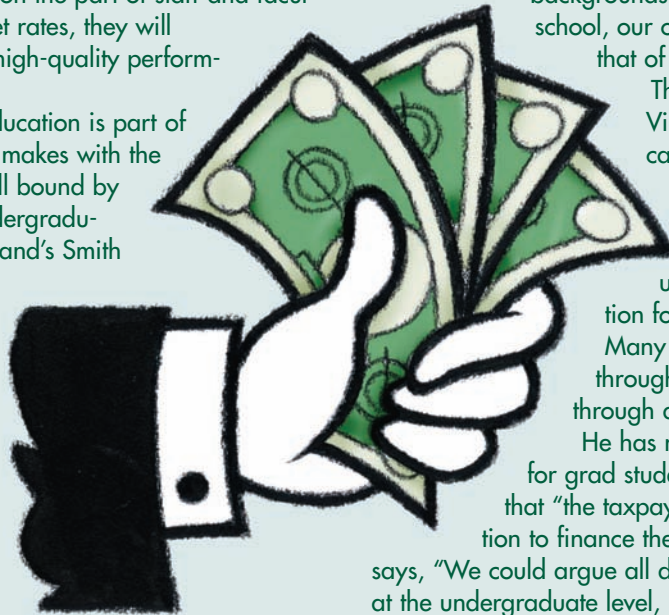
While higher tuition at the MBA level doesn't worry Robert Harris of the University of Virginia, he does think price hikes might affect undergraduates from less wealthy backgrounds. "Even though we're a public school, our out-of-state tuition is higher than that of other public schools," he says.

Therefore, the University of Virginia has launched a program called "Access UVa," which commits funds to financial aid. He adds, "If you're going to raise tuition, then you have to figure out how to provide the education for a certain group of people.

Many of us believe that's better done through selective scholarships than through an across-the-board discount."

He has no qualms about raising tuition for grad students, even given the argument that "the taxpayers of the state have an obligation to finance the children of the taxpayers." He says, "We could argue all day whether or not that's relevant at the undergraduate level, but at the MBA level, the average age of students is 27 or 28. Their parents aren't paying for their educations; they are. And MBAs make good salaries when they graduate. Arguments for large state subsidies for graduate business students aren't the same as they would be for an undergraduate English major. You can take this public policy argument off the table when you talk about an MBA."

While it takes many components to make a public school resemble a private one, it seems clear that a key component is market-based tuition. That signals to everyone—students and stakeholders alike—that the public school is on a par with private institutions and certainly knows what its education is worth.



Dolan, on the other hand, has not experienced conflict with the central university. "We haven't said anything like, 'We don't want this many in-state undergraduates,'" he says. "I also think we've convinced people that the BBA program benefits from a strong MBA program. We've been able to communicate to the university that we have a strategy in which all the parts are working together."

That's small comfort to another group of state schools who find the real disadvantage to privatization is that they're not able to do it. "Private funds go disproportionately to universities already known for excellence," notes Pirkul of the University of Texas at Dallas. Private funds also are donated by successful alumni, he says, and schools whose students come from a lower socioeconomic background might have few alumni in a position to give a great deal of money.

Another type of school that would find it hard to privatize would be a school with a unionized faculty, says Frank. "If a finance professor and a French literature professor make the same amount, you can't expect that business school to prosper in the upper echelons," he says.

This means that state schools that aren't able to make the leap to greater independence will find it harder than ever to compete with the best schools. "Schools that don't have an alumni base with enough success or a long enough heritage to help them out will be struggling to provide a quality education," says Harris of Darden. "So will schools where political reasons keep them from raising more private funds. I do worry about that gap."

Pirkul believes that what ultimately will separate public and private schools—or elite public schools and public schools with fewer resources—is the ability to do research. As financial support decreases, the resource gap between schools will relegate small, regional schools to being teaching institutions in the shadow of larger national research universities. "In the long run," says Pirkul, "that does have an effect on the quality of the education students will receive."

Making the Leap

Despite such concerns, these deans believe it's inevitable that more state schools will begin to pursue a private funding model. "Considering the way states are funded and society's appetite for tax cuts, I'm not sure any major change will take place in the funding of higher education," Pirkul says. "If you don't tax people to support higher education, they are going to have to pay for it."

For business schools that do want to move from a more public to a more private model, these deans recommend five essential steps.

Develop a strategy. Start with a carefully thought-out financial model. Harris suggests, "Sit down and ask, 'What kind of endowment do I need, what kind of tuition do I have to charge, how much money do I have to raise each year, how much money in scholarships do I need to offer to get students at this higher rate?'"

Alutto of the Fisher School points out that schools have to understand which programs make money, which ones don't, and which ones they're going to keep even if they're not profitable. "If you haven't defined your core values, then you can get in big trouble," he warns.

Work collaboratively. To succeed at the new model, you'll need "the support of the political apparatus that surrounds the public university," says Harris. He adds, "If it comes down to a fight, I don't think it works. There has to be a shared understanding of why it makes sense for the public and for the school. The change requires support from alumni, political forces, and university administrators. You've got to build some coalitions."

Build a strong management team. Frank structured his team slowly during his first few years as dean. "Once the team is in place, you'll have a very collegial set of department chairs," he says. If this group is full of entrepreneurially-minded people, so much the better. "My role has gone from being the one who creates new programs and ideas to being the one who makes sure there's enough energy behind the great ideas coming from many different places," he says.

Keep control of the money. Not only should the business school keep most of the funds it raises for itself, but the dean should be the one who decides what to do with it, Frank believes. "The finance department doesn't own the money it uses. That's owned by the dean's office," says Frank. "That's tremendously important when it comes to optimizing resources. While I don't do it frequently, I can move money in and out of a department."

Remember your roots. Even though the Darden School has gone toward a model of more private funding, Harris is quick to point out that the school has not split off from the university. "We're still proud to be part of the University of Virginia," he says. "We still partner with other schools around the university. Our students are still University of Virginia graduates, and I still report to the president."

As competition increases for the best teachers and the best students, business schools worldwide must refine their programs, define their niches, and align their priorities. Those who want to compete at the highest levels will be looking for ways to fund their ascension—and most will be taking the private route up an increasingly elite mountain. **Z**

For university-based centers for local economic development, it may just take a business school to raise a village.

BUILDING

From multicultural team-building to multilingual communication, the buzzword in business education these days is undoubtedly “global.” Still, in the rush to “think globally,” many business schools have pledged to “act locally” through university centers that offer services, training, and information to area businesses and organizations. Their mission is to train small business owners, encourage entrepreneurship, create jobs, and, above all, spark measurable economic growth in their surrounding regions.

B-school-based centers for economic development (CEDs) have existed in the U.S. since the 1950s, but they have traditionally focused more on generating economic research than on providing service and training. In the last two decades, however, some business schools have revisited the idea of opening centers dedicated to community building. CEDs operate on the principle that while a business school’s primary role is to provide business education and research, it has the resources and opportunity to offer even more to its community, says Kjell Knudsen, dean of the Labovitz School of Business and Economics at the University of Minnesota in Duluth (UMD). “We should participate actively in the creation and retention of business enterprises in our own regions,” Knudsen stresses.

To that end, Knudsen spearheaded the launch of the university’s Center for Economic Development in 1986.

As a joint venture among the business school, the Natural Resources Research Institute, and the College of Science and Engineering, the CED provides the type of *pro bono*, hands-on business training and strategic planning that many communities need, especially in tough economic times.

Through the spirit of learning and volunteerism, university-based CEDs strive to fuel the economic growth of a community. Their grassroots efforts aim not only to strengthen local economic growth and strengthen ties to the surrounding region, but also to ensure a business school’s contributions to its community are far more than academic.

Cross-Campus Collaboration

While centers for economic development serve as catalysts to boost local business growth, they also offer a substantial educational advantage to their parent campuses. Students and faculty alike benefit from an expanded learning network that reaches across campus and throughout the community. In addition, CEDs provide students with rich, project-based learning experiences that integrate cross-disciplinary education, team-



by Tricia Bisoux

illustration by Dave Jonason



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“We decided that we would fulfill our mission as a business school by being an economic engine for the region.”

—Michael Verchot, University of Washington, Seattle

work, and quantifiable, positive real-world outcomes.

That has been the experience at the Center for Economic Development at the University of New Orleans (UNO) in Louisiana. Established in 1978, the UNO's CED is maintained by the university's College of Business Administration, but also relies on strategic alliances with UNO's College of Public and Urban Affairs and its International Program for Nonprofit Leadership. The center maintains active partnerships with Louisiana's government and the U.S. Department of Commerce's Economic Development Agency. This network of connections and interactions creates a valuable learning laboratory for students and faculty, says Ivan Miestchovich, the center's director. “Economic development,” he adds, “permeates throughout the entire university network and culture.”

Miestchovich has a full-time staff of four, but has between 20 and 40 students and faculty working on commercial revitalization projects at any given time. “We function much like a movie production studio,” he explains. “We bring together creative teams from across disciplines to work on projects and then disperse once those projects are over.”

The UNO's center conducts training programs and workshops on strategic planning for community leaders. It also tackles economic development projects throughout the region. In one project, the center helped a rural community write a strategic plan, fill out grant applications, and secure funding for an industrial park. Once \$2.1 million in funds were available, the center walked the community through the site improvement process, from establishing streets and water systems to leasing commercial space. The result has been the creation of more than 300 jobs and between \$5 million and \$10 million in capital investment, says Miestchovich.

“Such projects represent a significant economic impact for small, rural communities that are somewhat cut off from the world,” says Miestchovich. “In many ways, such communities don't have much in the way of hope. We work with them so that they can reposition themselves and keep moving forward. They don't have to wait for someone else to come in and do it.”

Hubs of Activity

Most higher education institutions have incorporated service-oriented aspects in their curricula, ranging from student proj-

ects to faculty consulting. A formal CED, however, can focus, organize, and coordinate those outreach efforts. It can offer a more centralized, ongoing resource to areas of the community that need that kind of continuous assistance the most.

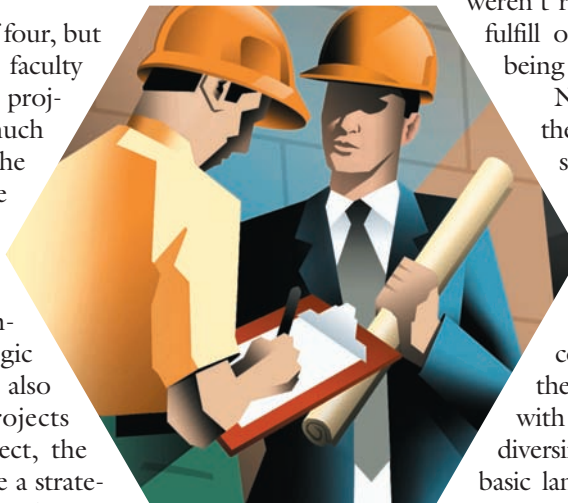
Michael Verchot has served as director of the Business and Economic Development Program (BEDP) at the University of Washington Business School in Seattle since the program's launch in 1995. He agrees that the good intentions of any business school community may be more effectively and consistently channeled if given a dedicated outlet like a CED. “Before the BEDP was in place, the University of Washington recognized that it was a hub for economic development in the state,” he notes. “Even so, we realized there were segments of the state—economically distressed communities—that we

weren't reaching. We decided that we would fulfill our mission as a business school by being an economic engine for the region.”

Now celebrating its tenth anniversary, the BEDP has begun to follow up with some of the companies it has counseled through the years. One company that cleaned parking lots, for example, came to the school to learn how to boost its profits. The BEDP did a financial analysis and counseled company owners to change their bidding process, increase the speed with which they finished each job, and diversify their service offerings to include basic landscaping. As a result, the company met its goals for profits and growth. The BEDP

helped a Mexican restaurant grow its catering division from 10 percent to 30 percent of total sales; guided a security guard company's growth from 30 to 100 employees; and helped develop a marketing plan for a health services company, now the 13th fastest growing inner city business in the country.

Students from disciplines across the University of Washington's Seattle campus—from business to engineering to medicine—work together to counsel BEDP clients like these. Each student team benefits from a cross-disciplinary learning experience and enjoys the satisfaction of providing an ongoing, tangible benefit to local businesses. Verchot knows their sense of satisfaction firsthand: Before he became director of the BEDP, he was an MBA student working on the team that brought the program itself to fruition. He notes that students often feel so gratified in their work with the BEDP, they return as alumni to check the progress of projects they helped set in motion before they graduated.



Keys to Success

It can take significant investment for a business school to develop a center dedicated to promoting and servicing the economic needs of a community, region, or state. The Business and Economic Development Program (BEDP) at the University of Washington in Seattle, for example, operates on an annual budget of \$250,000 and is in the process of raising a \$1 million endowment. Once the dollars are in place, however, a business school must then look at several other factors to ensure that its efforts in creating such a center will succeed:

Involve the private sector. A business school can't go it alone when it comes to community building, says Kjell Knudsen, dean of the Labovitz School at the University of Minnesota Duluth and former director of its Center for Economic Development (CED). The school must convince diverse constituencies to buy into the plan, including students, faculty, and major regional economic players such as small business, large business, and local and state government economic agencies. The CED, for instance, has formed a 17-member consortium called the Arrowhead Growth Alliance, which includes CEOs from all the major regional economic organizations, to better direct its growth.

Establish an advisory board. Both the BEDP and the CED

have formed advisory boards to guide their efforts. The boards are made up of representatives of large companies in the region, as well as students, faculty, and business owners the programs have helped in the past.

Meet with like-minded institutions. The University Economic Development Association (formerly NAMTAC, now UEDA) can serve as a valuable source of information for schools interested in establishing community-based programs of their own. Over the last three years, the organization has experienced considerable growth, in part because of the increased pressures communities are experiencing as they weather the effects of outsourcing and unemployment. UEDA now boasts an international membership of 120 institutions who often share best practices. The organization's Web site is at www.namtac.org.

Think in the long term. Most projects CEDs tackle have timelines that go beyond a semester. In fact, many last for years. "A school must have a long-term commitment to such a project," says Michael Verchot, director of the BEDP. "When we first started the BEDP, for example, we weren't looking at what we could accomplish in one or two years, but what we would accomplish in ten, 20, or 30 years."

Moreover, initiatives like the BEDP help a business school to assure its own future, Verchot emphasizes. By investing in community service, a business school is actively involved in new business creation and builds its base of prospective students, recruiters, private donors, and corporate partners.

Not Just Academic

When a business school wants to establish a CED, it may have to overcome some external skepticism. Knudsen recalls that at its launch in 1986, the UMD's CED had to convince the business community that the center could deliver on all three of its objectives: to train, counsel, and inform local business. "Leaders in the private sector didn't believe the university had much to contribute to economic and business development. They thought academia wasn't very practical," says Knudsen. "Our main challenge was to prove ourselves to the business community in our region."

Since 1986, the CED at the University of Minnesota has expanded to eight locations in cities throughout the region, providing one-on-one business counseling, business workshops, and information to small business owners. Minnesota's State Department issues an annual report on the number of jobs that the center has assisted in creating or retaining. In the past three years, CED efforts have resulted in 10,684 new or retained jobs in the state. In addition, in 2003, the CED saw approximately 890 clients, 230 of whom represented startups. Its staff also worked with banks to help create 57 loans valued at \$9 million.

Elaine Hansen, director of the CED, says that as the center's reputation has grown, so has the number of people utilizing its services—in 2004, it served almost 1,000 clients. "I want the CED to be recognized within the seven-county area as the place where people can interact with the university and where students and faculty can interact with the community," Hansen says.

Like most centers for economic development, the BEDP at the University of Washington relies heavily on private funding. Gaining the private sector's trust and support was therefore crucial for its success. When it first launched, the BEDP's budget was set at \$100,000, even though it had only \$50,000 in reserve, and that came primarily from the business school and the local Catholic Community Services, explains Verchot. As the program began producing results, however, other donors gradually came on board to fill budget gaps.

The BEDP taps the skills of undergraduate student consulting teams, alumni, and area business owners to work with about 16 companies a year. The program also partners with the King County Bar Association, which provides *pro bono* legal assistance when needed. Twice a month, the BEDP offers free seminars—in both English and Spanish—to about 20 small-business owners. Twice a year, it offers CEO-level seminars for the state's fastest-growing minority businesses, which attract about 90 business owners.

While many factors play a role in any company's success or failure, says Verchot, a resource like the BEDP gives vital

“One of the business community’s failures is that information does not flow as readily to the small business community as it does to the large corporations. By serving as a resource to small enterprise, we felt we were filling that void in the market.”

—Kjell Knudsen, University of Minnesota, Duluth

assistance to especially vulnerable companies, such as those in the inner city. The results, he says, are undeniably positive. Since 1995, the program has worked with 100 different companies, which have reported \$12 million in new sales and the addition or retention of 500 jobs due to his program’s efforts.

“Businesses in distressed communities tend to be isolated from those in the broader business community,” says Verchot. “We’ve been able to build a bridge between those two groups. We want to break down the walls that often exist between the larger business community and the inner city.”

From ‘Think Tank’ to ‘Do Tank’

Business research has weathered substantial criticism recently—it’s been described as too theoretical, too academic, and too distant from the immediate, real-world concerns of business. In response, a number of b-school think tanks are determined to dispel this criticism by generating research linked directly to the improvement of real-world business practices.

One real-world initiative is the Center for Competitive Economics (CCE), established at the University of North Carolina at Chapel Hill in 1998 as part of the UNC’s Frank Hawkins Kenan Institute of Private Enterprise and its Kenan-Flagler Business School. The CCE, says director Michael Luger, strives to unite two activities often believed to be mutually exclusive: academic research and real-world implementation.

“We want to be a ‘do tank’ as well as a ‘think tank,’” says Luger. “We focus on solving problems by using creative, cutting-edge thinking and implementation. At the same time, we are part of a research university, so we try to do innovative research that is also publishable.”

So far, the CCE has worked with the region’s failing rural communities to find ways to make them prosper. For instance, CCE student research teams found that North Carolina’s rural counties often viewed each other as competitors, rather than allies. The center used its research to convince five North Carolina counties to band together in a “mini hub,” investing jointly to create an enhanced industrial park attractive to new businesses; the counties would then share revenues. In addition, the center showed county officials that while biotechnology was a strong industry for North Carolina, biotech companies most often located their offices in the larger metropolitan areas of Raleigh and

Networks of Development

While face-to-face training and counseling is at the heart of the offerings at University of Minnesota’s CED, one of the center’s most crucial roles is to serve as an informational resource for the community. To that end, it publishes a monthly newsletter, the *Arrowhead Business Advisor*, which circulates to 64,000 subscribers. The *Advisor* includes articles on all the issues that concern a small business owner, from implementing technology to developing better customer relationships to writing a business plan. The CED then makes every article it publishes available through its Web site at www.umdced.com.

Business schools and business regularly provide information to large corporations, but often don’t provide similarly targeted information to local small businesses, says Knudsen.

Durham. CCE research showed that rural counties should target the related, but less visible, bioprocessing industry.

The center garnered statewide recognition for its plan, which was seen by regional economic development organizations as a way to resuscitate the economy and stem the “brain drain” afflicting the region. “This plan has received attention because we broke through a barrier and got the counties to work together,” says Luger. “We convinced state government to pass legislation underscoring the importance of revenue sharing. This broke new ground and helped these counties move ahead.”

Like the CCE, the Seidman Research Institute at Arizona State University’s W.P. Carey School of Business in Tempe has long focused its research on the regional economy. The endeavor is an extension of a much older program, ASU’s Bureau of Business Services, which opened in 1951. In 1985, the Institute was decentralized and grew to include eight internal specialized centers, among them the Center for the Advancement of Small Business, the Center for Business Research, and the Bank One Economic Outlook Center. Supported by a small professional staff and graduate student volunteers, the institute releases regular economic forecasts for the state and is frequently asked to provide economic impact studies of state initiatives. In addition, its small business center provides ongoing informational support to the small business community.

“At Arizona State University we have ownership in the local business community and in the local population, which includes more than 3 million people,” says Dennis Hoffman, the institute’s director. “We want to maintain a strong local presence and demonstrate that we are serving the local business community in everything we do.”



“One of the business community’s failures is that information does not flow as readily to the small business community as it does to the large corporations,” says Knudsen. “By serving as a resource to small enterprise, we felt we were filling that void in the market.”

For its part, the BEDP would like to expand its network of locations and be a resource to a larger number of businesses in the state of Washington, says Verchot. The program already has been working with its academic neighbors, including Bellevue Community College and the University of Washington in Bothel, to set up new locations. Recently, the program also set up three more rural technology centers for small business, one at Heritage University in Toppenish, a city in the southern part of the state. It plans to continue

The institute has been able to thrive by balancing its role as public servant with its ability to generate revenue through its research. For example, area firms and state and local governments pay for the institute’s economic impact studies and contract research, which help it to be fiscally self-sustaining. The next goal for the institute, says Hoffman, is to expand its work beyond the Phoenix and Tempe areas into the Western U.S. and even Mexico.

In the 1950s and 1960s, many universities had bureaus of economic analysis. Today, however, those bureaus have all but disappeared as business schools find it cost-prohibitive to provide what they view as a public service, says Hoffman. The consequence for some schools, he says, is that they have lost currency with local community and regional development organizations.

Luger of UNC’s CCE agrees that business schools should not become so concerned with their value to the business community that they lose sight of their perceived value in the general community. “Business schools usually don’t have a problem being accepted in the private sector,” says Luger. “But they do run into trouble earning wider recognition in the larger community of nonprofits, government, and the general public.” In addition, the public may perceive business schools—especially elite schools—as being more interested in national and international issues than they are in issues in their own states.

By generating a steady stream of community-focused research with immediate application, business schools can tackle both problems head-on, Luger emphasizes. In the process, schools build their reputations, their networks, and their influence beyond their own campuses.

to work with higher education institutions throughout Washington to create a strong network of economic development, says Verchot.

“The fixed costs of opening centers like the BEDP are pretty high,” explains Verchot. “The only way we’re going to grow our program dramatically is to work with other higher education institutions. Those kinds of partnerships will be the model that we use to stimulate the development of more centers like ours.”

Going Beyond Business

While most business schools are well-regarded within the local private sector, economic development centers take that regard one step further. Because CEDs approach community building so comprehensively, they must reach beyond the private sector to organizations in government, urban planning, and the arts. In addition, they provide active forums where small business, big business, government, and academia meet on common ground to learn, collaborate, and strive to create a more robust local economy.

Once a center for local and regional development begins to produce measurable results, its role in the community as a valued resource is assured. And that recognition is often not limited to the local purview. Verchot, for example, was recently chosen by the U.S. Department of Commerce as its 2004 Minority Business Advocate of the Year. That kind of recognition indicates that even the U.S. government views the BEDP’s efforts as being of national importance, says Verchot.

An ancillary goal for successful centers is to share what they’ve learned with other schools interested in similar objectives. While the value of business research is unmistakable, Verchot, Knudsen, and Miestchovich would like to see this model for economic development become more commonplace among business schools and are eager to share their experiences. For its part, the BEDP has developed its own curriculum related to its efforts, and its staff is in the process of writing a textbook. It is also working with universities in South Africa to help them set up or improve similar programs overseas.

Business schools have important traditional academic roles to play in their communities, say these CED directors. But they also have an incredible resource to share—a collective of students and faculty who can act as advocates for and advisors to area businesses. When their efforts are channeled via a dedicated center, students and faculty make an important difference to oft-overlooked businesses, make a long-term impact on the regional economy, and receive an invaluable opportunity to learn. **Z**

In themed residential colleges, students are eating, drinking, living, and breathing **business**.

by Sharon Shinn

illustration by McDavid Henderson



Part of any student's learning experience happens outside the classroom, in libraries, study groups, and dorm rooms. But what if a school could participate in those off-site learning experiences, reaching students where they live, so to speak? How much would that enhance a student's overall education?

We'll soon find out. A handful of business schools have organized themed residential colleges that cater to students interested in business or entrepreneurship. Dormmates take classes together and participate in extracurricular activities together, have access to lectures and specialized resources, and get a chance to rub elbows with professors and professionals who either live in the college with them or who drop by for extended visits.

Residential colleges are a long-standing tradition at schools like Oxford, Cambridge, Harvard, and Yale—and they're catching on at schools around the world. "What residential colleges provide for students and faculty are the advantages of a small college environment in the context of a large university," says Robert J. O'Hara, a biologist at Middlebury College in Vermont. He's also author and administrator of The Collegiate Way Web site, which both extols the benefits of residential colleges and tells administrators how to establish them.

He continues, "Big state universities have wonderful resources, libraries, and research opportunities; but at an institution of 20,000 or 30,000, an undergraduate can feel lost in a crowd. As a consequence, many people choose small liberal arts colleges. Those are wonderful in terms of getting to know the faculty on a one-to-one basis and having a tight-knit community, but students lose the advantages of a big university. Residential colleges provide the best of both worlds."

Variation on a Theme

Most residential colleges are cross-sectional living spaces that bring together students from all majors into the microcosm of a dorm. Themed residential colleges take an entirely different approach, giving students every opportunity to immerse themselves in their majors—with the goal of making students even more committed to their chosen profession.

Themed residential colleges also appear to be a relatively new concept, at least for business schools. Last fall, Oregon State University in Corvallis rolled out the Austin Entrepreneurship Program @ Weatherford Hall, a joint project among the College of Business, the College of Engineering, and University Housing & Dining. Situated in a remodeled historic building, the program can accommodate up to 290 students, as well as a resident entrepreneurship professor and visiting professors. It also has space for class-

“Students who live together, study together, go to class together, and pursue common goals together **do better.**”

—J.D. Mackin, Central Michigan University

rooms, conference rooms, an extensive entrepreneurship library, ten incubator rooms, and a machine shop—in short, everything a young entrepreneur might need to bring his innovation from idea to reality.

AEP @ Weatherford, as the program is called, was conceived partly as a way for the College of Business to add value to a very tech-oriented campus with a strong engineering program. The focus on entrepreneurship was a natural one, since the majority of Oregon businesses are small- and medium-sized enterprises. “We wanted to fill the gap between discovery and market in a way that enriches education and scholarship while spawning economic development for the region,”

Words to Live By

A business residential college is not a project to undertake lightly. Administrators considering the costs and benefits of such an endeavor should consider five pieces of advice:

- 1. Do thorough research.** Talk to other schools that have set up residential colleges, whether they're themed or cross-sectional. A wealth of information is available at www.collegiateway.org. The book *A Collegiate Way of Living* by Mark Ryan also offers insights from a man who was a long-time dean of a Yale residential college.
- 2. Consider starting small.** “Don't bite off too much at once,” advises J.D. Mackin of Central Michigan University. “Go slow and build the program up.”
- 3. Allow enough lead time to plan and launch the program.** Rob Anson of Boise State reduced his course load last fall so he could devote more time to being faculty-in-residence, but he wishes he'd had the extra time earlier, during the planning process. He says, “A huge amount of work is involved in defining the concept, recruiting students, creating posters and letters, and making contacts.”
- 4. Make sure the faculty director is deeply involved.** Says Anson, “This would be a terrible flop if I said, ‘I'm faculty and I'm above doing this administrative stuff. You guys handle it.’ There are so many people who need to come together to organize programs and prepare facilities.”
- 5. Develop trust and open communication among the project partners.** At Oregon State, a team of reps from all the parties involved meets constantly to brainstorm ideas and work out problems. “We cover marketing, policy, everything,” says Ilene Kleinsorge of Oregon State University. “We all need to know what everyone else is doing so we don't send conflicting messages externally or internally.”

says Ilene Kleinsorge, Sara Hart Kimball Dean at Oregon State's College of Business.

Also opening last fall was The COBE Community, a residential college at the College of Business and Economics at Boise State in Idaho. “Boise State is an urban institution, and most students live off-campus,” says Rob Anson, professor of computer information systems and faculty in residence for The COBE Community. “We're trying to create a greater presence for students in residence and build a community any way we can.”

Fortuitously, the university was just finishing up a residence hall and apartment-building campaign that allowed the business school to configure some of the new space to suit its needs. The residential college, which can accommodate 32 students, is located on the fourth floor of Keiser Hall, a new four-year dorm.

At Central Michigan University's College of Business Administration in Mount Pleasant, the Business Residential College celebrated the start of its second year by expanding from two floors to four floors in Carey Hall, an existing dorm. The program started with 40 students; last fall, 60 enrolled. The BRC is currently a two-year program aimed at freshmen and sophomores who have indicated an interest in business, and its goal is to reinforce that interest so the students go on to degrees and careers in business.

“Students who live together, study together, go to class together, and pursue common goals together do better,” says J.D. Mackin, director of the BRC. “During our first semester, the average GPA of our students exceeded that of the general student population of the university.”

Work and Play

For students, the advantages of a residential college are part academic and part social. For instance, at Central Michigan's BRC, freshmen can take two required classes right at the dorm—a life skills course and a business course for freshmen. In addition, when those students take other classes on campus, the BRC often blocks out up to 20 seats in those classrooms so BRC students can maintain their support network within the larger context of the university.

At Oregon State's Weatherford Hall, sophomores, juniors, and seniors who enroll start out as Affiliates. As they show more passion for entrepreneurship, they're eligible to become Associates and then members of Weatherford Academy. At each step more resources are open to them, including better access to the ten incubator spaces. All students will take some of their courses in classrooms at Weatherford Hall and are encouraged to tinker in the machine shop located in the



dorm's basement. "The notion was that ideas don't happen in two-hour increments," says Kleinsorge. "We wanted a place where students could work 24/7 on their ideas."

Despite the academic emphasis, Kleinsorge believes a huge part of the overall experience will be student interactions. "What everyone remembers about college is the social life. But as educators, we never have an opportunity to enhance or enrich the social environment," she says. "The challenge for us is to create such a compelling living environment that people are willing to forgo their need for independent living and their desire to move to apartments or into the Greek system as juniors and seniors." Students have been encouraged to keep photo journals during this first year so successive classes and interested outsiders can quickly see what it's like to live at the residential entrepreneurship college.

Anson also expects Boise State's COBE Community—which will include living quarters, a dedicated classroom, a computer lab, faculty offices, and community lounges—to offer benefits that are as much social as they are educational. First, he must interest students in the whole dorm experience, not an easy sell for a school that is traditionally attended by commuters. It's no surprise that several of the first students to sign up for the COBE Community were foreign students who were already interested in living on campus. But Anson believes the chance to develop a real sense of community will be what ultimately wins over prospective students.

"I've evolved from thinking of it as an academic program to considering it an academic-related program with shared interests," says Anson. "I'll bring in speakers from the community and faculty members in business. A lot of the activities will be recreational. But a lot of students are taking the same courses, so they will have exchanges about the coursework and build bonds that could be really valuable. We'll also have dinners where we'll bring in other faculty and businesspeople and talk about the issues of the day."

Similarly, at Central Michigan's BRC, group activities strengthen student bonds—while also offering an educational component. One year, an excursion to a climbing wall included an entrepreneurial focus about risk. During a bowling outing, Mackin shut off the scoring mechanism to demonstrate the importance of numbers. Most well-received was an etiquette dinner that helped prepare students for the working world.

Student Search

If social life is a key ingredient in the residential college experience, it's essential to search out and admit the right students. At Oregon State, AEP @ Weatherford is filled with a diverse mix of students—engineering majors, business majors, and nonbusiness students interested in entrepreneurship. There's some obvious synergy. "The capstone course in electrical engineering requires seniors to create a prototype for a new technology, and the entrepreneurship minor capstone class requires an integrated business plan," says Kleinsorge. To encourage students to develop both a prototype and a business plan, Hewlett Packard is partnering with the university to sponsor a business plan competition.

Kleinsorge has made a special effort to attract women, who eventually made up about 40 percent of the accepted applicants. She sent letters to 4,000 women asking if they knew that one out of every 11 adult women in the U.S. owns her own business and that a third of all businesses in Oregon are owned by women.

Diversity is key, but so is the commitment to entrepreneurship. "We were really looking for students who self-selected into entrepreneurship and innovation," says Kleinsorge. She discussed the program one day at a meeting of the entrepreneurship club. "Among the students who showed up were some who were already conducting businesses bringing in more than half a million dollars a year," she says.

All three of these schools say they're looking for the better students—those with higher GPAs and standardized test scores as well as a demonstrated interest in business. But good grades aren't all these directors are considering. "I've learned that some students with high ACTs don't do well in the BRC," says Central Michigan's Mackin. "I have a couple students here who earned 4.0s even though they got a 22 on their ACTs."

Kleinsorge agrees. "Often, the most entrepreneurial students are not the best academics," she says. "We want to create a place where the next Bill Gates won't have to leave the university to follow his passion."

The Professor Is In

Not only do students have a chance to develop closer friendships with each other, but they also have an unequalled opportunity to develop strong bonds with the faculty members who live with them at the college or come in for overnight stays. In fact, Anson thinks a primary benefit of Boise State's residential college will be the way it bridges the gap between students and faculty. "It will make them feel comfortable with one another, able to talk and exchange ideas and laugh together," he says. "It will help students manage



“Often, the most entrepreneurial students are not the best academics. We want to create a place where the next Bill Gates won’t have to leave the university to follow his passion.”

—Ilene Kleinsorge, Oregon State University

their careers better, and it will help faculty become more comfortable with who’s in their classrooms.”

The presence of an on-site faculty member gives students a deeper understanding of academic life, says O’Hara of The Collegiate Way. “They see that what they learn in the classroom is not something that stays in the classroom—it comes out and informs their lives,” he says. “I’m a biologist by training. When I’m in a residential college setting with students, I’m always pointing out what plants are in bloom or what birds are singing. Students need to see that we in the academic world have built our learning into the rest of our lives.”

He continues, “It’s easy to see how that would be done in a business context. In a social setting with a business professor, a student could see that while the faculty member listens to the news, reads magazines, and browses on the computer, he is also learning about manufacturing, inventory, stock value, and other business-related issues that students might not think of outside of class. It’s that integration of learning and life that faculty members can model for students just by being present.”

Sometimes the resident faculty members lead classes with students; other times they sponsor social events. For instance, says Kleinsorge, the entrepreneurship professor at Weatherford Hall is likely to plan a monthly tea for residents and invite outside businesspeople to interact with students. She also expects short-term guests to stay at the hall for a night or a week. “They’re likely to come in, present a class, have dinner with a select group of students, and then maybe go to breakfast with students in the academy,” she says. Other guests may include local entrepreneurs and business professionals, such as representatives from law firms and technology companies that have already agreed to send in personnel on a rotating basis.

Even at a school like Central Michigan, where the director of the Business Residential College doesn’t live at the dorm, the faculty supervisor is deeply involved with the students. Mackin has taken the residents on various expeditions and spends about 20 hours a week simply being available to students. “You have to be in a position where students will come talk to you,” he says. “You can get a lot more done just by talking than you can by holding a formal meeting. I’m spending more time this year just walking up and down the halls.”

While the benefits of a faculty-in-residence might be immeasurable for students, it sounds like a huge sacrifice for the faculty member. O’Hara admits that living in a student dorm isn’t going to appeal to every professor. “You do hear the objection that no one will want to live on campus—but you only need a very few who want to do it,” he says. “When people raise that issue, I tell them, ‘Well, Harvard and Yale seem to be able to find faculty to live on campus,

and I can’t imagine their faculty are any less self-important than anybody on your campus.’”

For those faculty members who are charmed by the idea of the residential college, the lure is the chance to make a profound impact on a select group of students—while enjoying free housing at the same time. Anson, for example, has taught at Boise State for 14 years; his wife, Cindy, has been there two years longer, working in various departments from the provost’s office to student advising. The couple had planned to sell their home and downsize anyway, so they were intrigued by the opportunity to move to the residential college. Most residential colleges are looking for a faculty member who will stay for a few years, to give the program stability. And some like it so much, they essentially end up in lifetime appointments.

Trouble Spots

While some faculty may be enthralled with the idea of a residential college, says O’Hara, the university must invest a great deal of planning and financial resources before it can bring the concept to life. One key obstacle is that a residential college system requires decentralization of housing and dining operations. “I think decentralization is an advantage, but in practice it can be a bumpy thing,” O’Hara says. “The same thing is true of the physical plant—there will be issues about the grounds and the property. Maintenance and groundskeeping functions would need to be incorporated into the decentralized structure, and that takes some adjustments.”

Another potential problem is that the extra effort for the university is not usually offset with higher fees. For instance, at Central Michigan, the Business Residential College costs the school somewhat more than an ordinary dorm; however, students are not charged more to enroll. Mackin acknowledges that, with many schools facing financial hardships, a university can’t establish a program like this without being able to absorb the extra costs.

Similarly, students who enroll in the entrepreneurship program at Weatherford currently don’t pay extra for the privilege, partly because the hall is older and doesn’t command premium prices, and partly because there’s a freeze on resource fees. Kleinsorge foresees a day when students might pay more to cover costs of the informal curriculum, but, until then, funds must come from elsewhere. The \$20 million required to launch the program at Oregon State was secured through a lead gift, revenue bonds, and other fund-raising efforts. A portion of that went to renovate Weatherford Hall, a historic campus building that enjoyed a long history but had fallen into disrepair. Funds have also been used to pay faculty and staff and develop curricular support.

Resident Entrepreneur

Entrepreneurship is the obsession of Babson College undergraduates who live in E-Tower, a specialty dorm at the Wellesley, Massachusetts, school. The 21 students, many of whom began their own businesses in high school, run their ventures from the residence, which provides all the necessary business tools. There's a central office with business machines, a common living room for meetings, a whiteboard for recording brainstorming ideas—and incessant interaction with other entrepreneurs.

Sunday night at E-Tower is "Pitch An Idea Night," during which residents brainstorm until they reach 100 ideas on the whiteboard. Then one brave soul must pitch a product or idea on the spot.

"We're like a round-the-clock idea machine," says Tyler Saldutti, a sophomore who runs a casual clothing line as well as a real estate investment firm. "Our high level of energy benefits each student's business concept. We feed problems and solutions off one another."

E-Tower residents also work with several on-campus organizations, such as the Arthur M. Blank Center for Entrepreneurship, to further integrate entrepreneurship with their educational experience. But the main focus is getting a business up and running. Current ventures being run from E-Tower include a DJ service, a garden art retail business, and a firm that supplies city footage to television and movie studios. (See a complete list at etower.org.)

"We all have personal skill strengths," says senior Priya Khetarpal, who manufactures and retails apple chips. When she needs help with her Web site, she might track down Lee and Lucas Brown, whose Web-based company creates digital portfolios. Or she might ask for advice from Lin Miao, who operates a Web site marketing firm.

"We're a pretty well-rounded team," says Saldutti, "But we are *all* type As!"



it, as they might be. Science students might be motivated by curiosity and be oblivious to whether there are practical applications to what they do.

"I think it's important to encounter all those diverse temperaments, especially for students going into a career in management," O'Hara continues. "They should meet people who will be like their employees—some energetic and some lazy, some honest and some dishonest, some clever and creative, some rulebound and plodding. Understanding the full richness of human behavior is very valuable."

Potential for Success

Directors will have a better chance of gauging what has worked and what hasn't once themed residential colleges have been up and running for a few years. At Oregon State, Kleinsorge is openly ambitious for the future. She expects that her residential college program ultimately will include marketing and legal components, as well as a venture fund. She also expects that one day executive education programs will be offered at Weatherford Hall during the summer months.

She admits the residential college project is huge, but she adds, "I think it's the wave of the future. All states are challenged by shrinking support dollars, and they have to find alternate revenue streams to support public education. That requires collaboration, as opposed to competition."

Kleinsorge hopes that, within a year, "success stories" will emerge to prove the project is worth the investment. "Success will be a number of businesses that have started at Oregon State and show a direct link to our program," she says.

For Mackin, the goal is a little more modest but just as heartfelt. He believes that students who go through Central Michigan's BRC experience will be more committed to business—and, if they choose not to pursue a business degree, that's OK, too. "We can't say, 'Well, that person isn't going to go to business school so, boy, did we screw up.' I think if the student becomes more knowledgeable about his needs—if, in fact, he decides he doesn't want to major in business—then we've been very successful on behalf of the overall university. On the other hand, those who decide to commit to business will be strongly committed with a greater motivation to perform."

Business schools are always seeking new ways to awaken students to the possibilities of careers in business. A residential college offers them every chance to discuss and absorb theories of management and entrepreneurship while integrating business practices into their daily routines. Not only are students preparing themselves for successful careers, they are preparing themselves for meaningful lives as well. **Z**

Treating Students Like Customers

How can schools develop the best relationships with their students?

Think of them as customers to be managed—for a very long time.

by David Bejou

illustration by Hadley Hooper

It's widely believed that it's more cost-efficient for a merchant to keep a current customer than to attract a new one.

This theory holds true for educational institutions, as well. It's more effective for schools to keep current students enrolled in programs and retain them as alumni than to recruit new students and new supporters for the school.

While some administrators find it difficult to accept the idea of students as consumers, in reality, that's what they are. In today's competitive marketplace, schools are sellers offering courses, a degree, and a rich alumni life. Students are buyers who register for courses, apply for graduation, and make donations as alumni. The longer these ongoing transactions are satisfactory to both parties, the longer the relationship will endure, to the benefit of everyone.

How can schools prolong these relationships indefinitely? One extremely useful technique schools can use is one many corporations already have adopted: customer relationship management (CRM).

Managing Through Relationships

CRM is a relatively new field that follows the relationship-selling trajectory between customers and merchants. In this model, both buyers and sellers exhibit specific behavior patterns as they establish, maintain, and enhance a mutually profitable, long-term relationship. The CRM model is drawn from research in interpersonal relationships, family and marriage relationships, marketing, sales and sales management, and services marketing. According to the model, all of these relationships, both personal and professional, go through four stages: exploration, expansion, commitment, and dissolution.

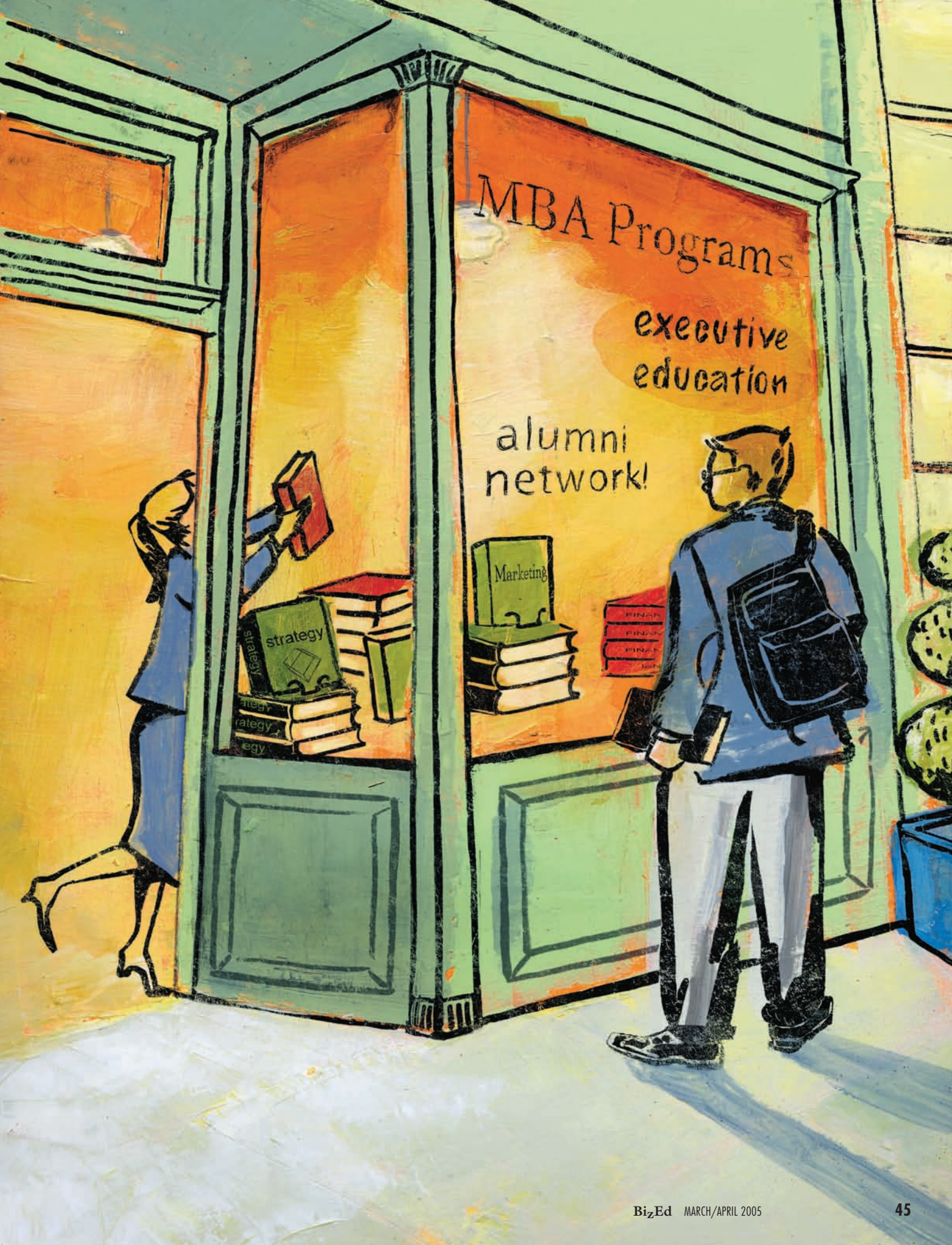
Stage 1: Exploration. At the beginning, a successful encounter

between buyer and seller results in a mutual perception of potential benefits. First, the buyer and seller exchange information. Attraction is encouraged, promises are made, and rewards are offered. The seller raises expectations as it promotes the quality of the product or service. If both perceive that a relationship could be equitable and neither perceives the other as opportunistic, a "sale" takes place. The relationship is forged; from this point, it can either continue or dissolve.

Stage 2: Expansion. As the relationship is established, confidence is raised and an ethical orientation is established. Buyer and seller overcome obstacles and build trust. If the seller's actions improve the quality of the relationship, the relationship can expand—that is, it can produce additional sales or referrals to new customers.

Stage 3: Commitment. This stage is marked by a cycle of increasing satisfaction and building loyalty. The seller encourages positive word-of-mouth so that the buyer promotes the seller to others. Meanwhile, both sides perceive new benefits and rewards, which are much higher than the perceived rewards of switching to a new relationship.

Stage 4: Continuation or Dissolution. At the end of Stage 3, the buyer can choose whether to continue the relationship or end it. The buyer compares original expectations to the current reality and considers past experience with this seller. If the buyer chooses to continue, the pattern of expansion and commitment is repeated. However, if the seller has failed to maintain satisfaction, the buyer's loyalty may have been so eroded that the perceived benefits of continuing the relationship appear lower than the perceived benefits of investigating a



MBA Programs

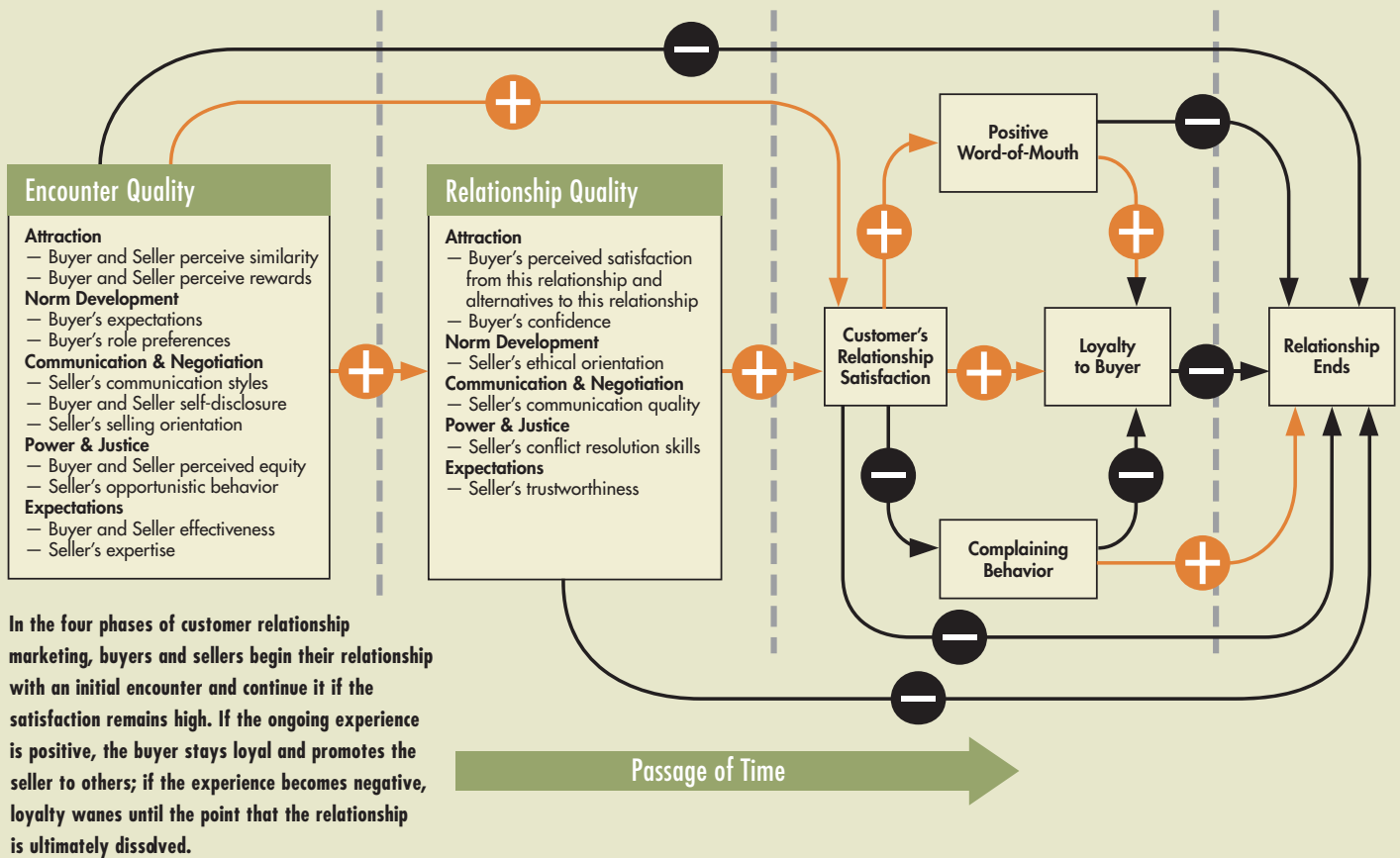
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Source: "Relationship selling trajectories: a conceptual model and empirical investigation," by David Bejou (1994), published dissertation, University of Memphis.

new one. At this point, the buyer switches to a different seller, and the relationship is dissolved.

The chart above shows how various factors can cause the buyer's satisfaction with the seller to increase or decrease. If the quality of the initial encounter is good, and the ongoing relationship is strong, satisfaction and loyalty remain high. But over time, negative experiences can cause dissatisfaction and the eventual end of the relationship.

CRM at the B-School

When universities apply these theories of customer relationship marketing to various administrative situations, the results can be profound. Virginia State University's School of Business is currently using principles of CRM in its student recruitment efforts, as well as in an initiative to reorganize the structure of school committees. Applying theories of CRM to student relationships has helped the school keep students involved from recruitment to post-graduation. The four phases of CRM are adapted only slightly when applied to students:

Exploration Stage: Recruitment. In Stage 1, the school targets prospective students through various communication methods such as e-mail and direct mail. With these messages, the school promotes the benefits and rewards of its programs by making promises, raising expectations, and stoking interest. The exploration stage concludes when a student submits an application for admission and is accepted.

Expansion Stage: Enrollment Management. In Stage 2, the school actively advises and orients new students, helping them register for classes, plan their course loads for their first two years,

obtain financial aid, find appropriate housing, and develop peer groups through social opportunities. At this point, the school also focuses on developing and rewarding faculty, keeping them actively engaged with student retention and holding them accountable for students. The expansion stage repeats itself each time a student registers for classes.

Commitment Stage: Retention and Progression. In Stage 3, the school works to ensure students' commitment to the institution. Faculty and administrators continuously mentor all students, making sure they are registered for the proper third- and fourth-year programs, providing them meaningful experiences such as internships, and promoting joint projects with faculty. If a business school properly manages this phase, it will carry the student through a degree program and into alumni activities and development.

Dissolution/Continuation Stage: Post-Graduation. During Stage 4, the school should make an excellent career placement office one of its top priorities. The graduation ceremony should affirm for students that they made the right choice in attending this institution, while also providing them with meaningful recognition for their years of hard work. As students transition from graduates to alumni, the school must maintain contact by continuously improving alumni relations through activities, recognition, and incentives. For a business school, the goal is to prolong the "continuation" phase of Stage 4 as long as possible.

It's important to note that buyers and sellers can move through the expansion and commitment phases on an iterative basis, as long as negative experiences do not lead to dis-

Customer relationship marketing creates the perfect relationship between the seller and the buyers—between the school and its students.

solution in the fourth phase. In fact, the trajectory of personal involvement and satisfaction over time should continue upward, until the commitment phase peaks in Stage 3. At that point, if the seller can maintain the buyer's satisfaction, it can delay any decline of the relationship for an indefinite time.

For an institution, what's required is taking meaningful action to maintain high satisfaction over the lifetime of each student and alumnus. The relationship can continue to expand as students or alumni seek additional services, such as a graduate program, continuing education, or participation in university events. Commitment also can continue to grow as students choose to come back to the university for services they could very well obtain from others, and as they offer donations and other support to the school.

CRM Committees

CRM techniques are not only useful in student relations; they also can be used to restructure the management team at a university. In July 2003, Virginia State University began to re-engineer its School of Business, moving from organizational and functional perspectives to the CRM model.

Under this new model, faculty committees fall into one of four groups, each one corresponding to a phase of customer relationship marketing. This new structure demonstrates that most of the school's time and energy is spent on Stages 2 and 3—periods during which the school needs to invest a great deal in both students and faculty. As a result, the committees involved in those phases now absorb the lion's share of the school's financial and human resources. When CRM is applied to a school's organizational structure, it can help administrators more properly allocate funds. At VSU, the categories work like this:

Stage 1: Recruitment. Served solely by the recruitment committee, this phase covers the time when the school markets itself to students and their families.

Stage 2: Student and Faculty Development. Four committees—the student services committee, the faculty composition and development committee, the curriculum committee, and the instructional resources and technology committee—provide services directly to students and professors.

Stage 3: Retention and Progression Management. Three committees—retention, intellectual contributions, and recognition—provide support for successful program delivery.

Stage 4: Graduation, Placement, and Alumni Affairs. The school works to launch students into careers or graduate school, while maintaining positive relationships and fostering post-graduate loyalty. Two committees—the career planning/placement/life transition committee and the alumni relations

and development committee—support this phase.


As faculty members become more familiar with the new committee system, links between groups will grow stronger. Responsibility for students will pass from committee to committee as students move through their own relationship trajectories. The expectation is that both students and school will benefit from this sense of interconnectedness, and students are likely to have longer relationships with the school.

The new committee structure also is expected to benefit the School of Business as it pursues AACSB accreditation, since the committees reflect and support AACSB accreditation standards. For example, the faculty composition and development committee assesses faculty resources, recommends essential faculty recruitments, and develops programs to ensure that faculty maintain their skills while they uphold their teaching, research, and service responsibilities. Crucial changes implemented so far have included significantly higher performance standards for faculty and department chairs, expansion in research and professional development funds, equipment and infrastructure upgrades, and comprehensive accountability reporting.

Accreditation standards have been cross-referenced to committees, which administrators believe will help the school to meet all AACSB requirements and maintain accountability. Specific human resources have been applied to each major element of the organization, ensuring broad, interdisciplinary participation. Likewise, the committee structure ensures that all faculty members have focused roles in their committee service.

Long-Term Model

The CRM model helps business schools manage their relationships with students from the day they first inquire about a program to the day they make their last donations. It helps the school adapt its relationships with individuals over time—meeting their needs first when they're students, then when they're alumni.

Customer relationship marketing ensures that business schools build a loyal base of committed alumni who fondly remember their time at the institution and who recommend the school to friends and family. In short, it creates the perfect relationship between the seller and the buyers—between the school and its students. 

David Bejou is professor of marketing and dean of the School of Business at Virginia State University in Petersburg. He is also founder and editor of the *Journal of Relationship Marketing* and senior editor for Relationship Marketing Books.

Technology

"There's something about the way the hand and mind work together that allows students to internalize difficult information."

—Charles Grisham, University of Virginia

Tablet PCs Find Home in Higher Ed

Since 2002, when Microsoft founder Bill Gates touted it as "the future" of computing, the tablet PC has had a bumpy ride. Slow to catch on, tablet PCs have yet to break annual global sales of 500,000; by comparison, 189 million PCs sold in 2004, according to Gartner Research. Many people are impressed by the tablet PC's ability to function like a pen and paper—users can enter text and drawings directly onscreen with a stylus. But they've been less impressed with what tablet PCs have lacked: keyboard, on-board disk drive, and affordable price points. Often costing \$2,000 or more, tablet PCs haven't been able to compete with the steadily falling prices of laptops.

This could change in 2005, say market analysts. Computer makers like Gateway, HP, and Toshiba are launching next-generation tablets with keyboard and disk drives on-board. In addition, the newest tablet PCs are convertible: They can open in a clamshell fashion to work like a laptop, but also have monitors that swivel and fold back on the base to function like a writing pad.



First-year business student Erin Schumacher uses her Gateway M275 tablet PC in class at the University of Vermont.

Bill Gates isn't the only fan. Tablet PCs have developed a small, yet devoted following. In 2002, for example, students and faculty at the McCallum Graduate School of Business at Bentley College in Waltham, Massachusetts, conducted a school-funded study in which they asked 250 college students across the U.S. to use tablet PCs, acquired from 12 different companies, for a semester.

Bentley faculty and administrators also tested the devices. At the end of the semester, users completed a survey about what they thought of the devices. Forty-four percent indicated they would be interested in purchasing a tablet PC, while 29 percent said they would be "very likely" to purchase one.

With two years of slow sales behind them, computer makers are once again putting tablet PCs in the hands of students and faculty to build buzz and boost market share. Last year, Microsoft and Thomson Learning worked with the University of Virginia in Charlottesville to donate tablets to 400 biochemistry, psychology, and statistics students in its College of Arts and Sciences. In another collaboration, Gateway teamed with the University of Vermont's School of Business in Burlington to provide tablet PCs to 180 first-year undergraduate business students at a price point comparable to that of the average laptop.

Erin Schumacher, a business student at the University of Vermont, has been using her Gateway M275 tablet since last August. For her, it has become an indispensable educational tool. "I use it as a personal computer and for note taking in my business and economics classes," says Schumacher. "I have all my notes in one place, and I can easily go back to check my notes from last semester without having to find a separate notebook." Writing onscreen is "the same as writing on a piece of paper," she adds.

Faculty are also taking advantage of the benefits the new technology brings to the classroom. They can write a note or draw a picture on the tablet PC and beam it wirelessly to a projector for display, from any point

Google Gets Bloggy

For the last 18 months, Google Weblog has offered its company community access to an internal Weblog system. With the popularity of creating Weblog diaries and communication, or "blogs," on the rise in the corporate sector, Google is now considering offering its blogging feature to business, according to IDG News Service.

Jason Goldman, product manager for the company's Blogger in Google (BIG), told IDG that Google employees had been using the tool for everything from posting meeting notes to sharing code and diagnostics, to simply keeping personal diaries. "It really helps grow the intranet and the internal base of documents," says Goldman.

With so many blogging tools on the market, analysts believe Google will be extremely cautious about throwing its own hat into that particular ring. However, with more businesses using blogging to facilitate communication and information-sharing within their ranks, it's clear that more software companies will be watching the trend with interest.

DATABIT

The global business community estimates that network attacks and spam account for 45 percent of worker downtime and cost companies more than \$150 billion a year.

in the room. The devices also eliminate two primary distractions that laptops bring to the classroom—the “click-clacking” sound of students typing and the visual barriers that open laptops create between students and instructor.

Moreover, students enjoy the convertibility of the devices so much that they use the computers in class more often—and learn the material more comprehensively, says Jim Kraushaar, an associate professor in business technology at the University of Vermont. “We found that students with conventional laptops often only bring them to classes where a laptop is required,” he says. “Students with convertibles, however, use them much more often to take notes and write diagrams in more of their classes.” Kraushaar adds that having the ability to respond to a question with diagrams and pictures, rather than text alone, is an invaluable learning tool.

“The tablet encourages me to create more graphic explanations in the classroom,” Kraushaar says. “When both students and faculty are using this technology, that graphical element helps them learn, perhaps not more, but better.”

The handwriting feature of the tablet PCs is one of its important benefits, agrees Charles Grisham, chief technology officer for the University of Virginia’s College of Arts and Sciences. “Over the last 20 or 30 years, we’ve gotten away from using our hands to record information,” says Grisham. “Yet, there’s something about the way the hand and mind work together that allows students to internalize difficult information.” When students record information in their own handwriting, they often learn more effectively, Grisham adds. Tablet technology then allows them to file, access,

manipulate, and share their written notes more easily than they could

with an old-fashioned pen and paper.

Tablet PCs are already taking hold in the healthcare industry, where note taking and digital record keeping are crucial. It only stands to reason that tablets would also find a strong foothold in higher education, says Ted Ladd, a spokesman for Gateway.

“Students appreciate their pen-and-paper capabilities, and faculty can annotate on top of anything, from video to PowerPoint presentations. The operating system also has voice recognition, so students can record lectures and convert them to text,” says Ladd. “We don’t want to give up on the notebook in the short term, but we want to help people make a smooth transition from the notebook to the tablet PC. In the next two or three years, tablet PCs will be the way to go.”

TOOLS OF THE TRADE

New Curriculum Targets Business IT

The IT Governance Institute (ITGI) of Rolling Meadows, Illinois—the research arm of the Information Systems Audit and Control Association (ISACA)—has released a set of educational materials designed to teach students the intricacies of Control Objectives for Information and related Technology (COBIT). COBIT, an international governance and control framework, is designed to help business understand and manage the risks of information management and technology. Material from the new curriculum, COBIT in Academia, can be integrated into curricula for courses on information systems man-

agement, information security management, information systems auditing, and accounting.

COBIT in Academia is available free to academics at www.isaca.org/cobitinacademia, in exchange for their completing a brief questionnaire, agreeing to inform ITGI of their evaluation of the materials, and pledging to use the material for teaching purposes only. The download includes:

■ **The Student Book**, which explains the content and application of COBIT protocols.

■ **The COBIT Presentation Package**, an 80-slide PowerPoint presentation that illustrates COBIT’s core elements.

■ **COBIT Case Study**: This extended case study includes student questions and teaching notes designed to encourage students to apply COBIT knowledge to a real-world situation.

■ **COBIT Caselets**, three short case studies with teaching notes.

Professors can use the entire set of materials or extract specific elements to supplement their own teaching examples.

Also available is the ISACA Model Curriculum. The curriculum, which is free to academics at www.isaca.org/modelcurricula, is designed to help professors better teach to students best practices in the audit and control profession.



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New Virtual Home for Eller College

The University of Arizona's Eller College of Management has launched a new Web site at www.eller.arizona.edu. The site is designed to showcase the business school's programs, departments, and research efforts to its audience of prospective and current students, alumni, business partners, faculty and staff, media, and the general public. The site was designed by an internal team led by Eller's Web program manager, Simmons Buntin. The 25-member team included representatives from all of Eller's departments.

The site's new look and organization streamlines more than 2,000 pages of content and extends Eller's new brand-building campaign. Users can search for faculty by areas of expertise and read their latest research, or read student profiles and Weblogs. A specific link, "Technology & Innovations," also leads users directly to

information about Eller's IT programs. Such new links, along with the site's visual appearance and strategic messaging, are designed to convey the school's brand as a leader in accelerating innovation and technology, says Ken Smith, who served as Eller College's interim dean until Paul Portney was named its dean in January.

"As students research business schools, the Web is the first place they look," says Smith, who adds that Eller's Web design team wanted to ensure the site communicated the school's primary message and brand quickly, clearly, effectively. "We believe our new Web presence will help



enhance our reputation with prospective students, faculty, and our peer institutions."

Improving Cybersecurity on Campus

This past January, George Mason University in Fairfax, Virginia, fell victim to a threat that faces all higher education institutions: computer hackers. Although it is believed these hackers had interests other than stealing data, they still had access to the Social Security numbers of more than 32,000 students, faculty, and staff.

School administrators told *Computerworld* that, before the attack, they had believed the school's systems were "secure and safeguarded." Their experience illustrates that any college or university computer system is a potential—and even probable—target for hackers.

To help higher education institutions better prepare themselves against such attacks, two nonprofit

Technology

organizations have partnered to offer them more tools to use for cybersecurity. EDUCAUSE, which is dedicated to advancing the effective use of information technology in higher education, is now working directly with the Center for International Security (CIS), which helps organizations manage IT risks. As a result of the partnership, each EDUCAUSE institutional member receives a free license to redistribute CIS benchmarks and software tools on college- and university-owned systems. In addition, members can redistribute these tools to students, faculty, and employees for use on their own computers.

The EDUCAUSE/CIS partnership has three primary goals:

- To encourage the adoption and deployment of widely accepted technical control standards, or benchmarks, for system security configuration in colleges and universities.

- To establish technical control baselines that an institution's software and hardware suppliers can program into their systems as default security configurations.

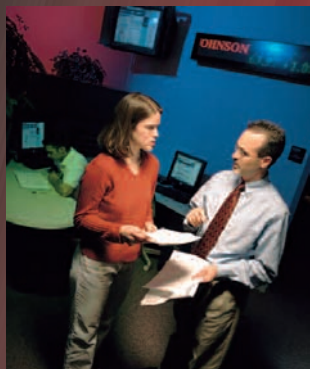
- To expand the participation of EDUCAUSE member institutions in the CIS consensus-development process to ensure that the unique security needs of colleges and universities are met.

This new partnership is one of several initiatives undertaken by the EDUCAUSE/Internet2 Computer and Network Security Task Force, which are aimed at advancing best security practices in higher education. CIS benchmarks, for instance, offer universities tools to evaluate and enhance their own protection against external attacks.

It's important to address the unique security needs of the educational community because it includes so many discrete computer users, says Craig Kreitner, president and CEO of CIS. "This agreement," according to Kreitner, "represents an important step toward making the Internet a safer place."

For more information on this partnership and CIS benchmarking tools, visit www.educause.edu/CISDownloadFiles/2634. For information on the EDUCAUSE/Internet2 Computer and Network Security Task Force, visit www.educause.edu/security.

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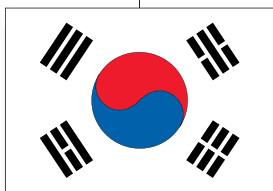
■ GETTING ON THE GRID

IBM recently collaborated with a number of global research organizations to launch a global computing grid project called the World Community Grid. The project invites PC users worldwide—in their home and work environments—to install a 1.5 megabyte software program that brings their systems onto a common grid network. As a result, their unused computing capacity can be utilized by researchers from around the world. Using the extra computing power, researchers will work on everything from Alzheimer's research to improving forecasting methods for natural disasters, say project representatives.

CyLab Targets Security Research

Carnegie Mellon University of Pittsburgh, Pennsylvania, has partnered with the Korea Information Security Agency (KISA) to create a collaborative research lab dedicated to security technologies. Carnegie Mellon was already home to CyLab, a university-wide, multidisciplinary initiative committed to secure computing. Current CyLab projects include creating computers that can heal themselves from attacks and smart cell phones that also serve as password-protected universal remote control devices.

KISA has pledged \$6 million over the next three years to establish two CyLab Korea locations, one on the Carnegie Mellon campus and one in Seoul. The mission of the two labs is to develop research designed to mini-



mize threats such as viruses and hackers, says Hyong Kim, an electrical and computer engineering professor at Carnegie Mellon and director of CyLab Korea.

“The main thrust of this agreement is to continue to work with our Korean colleagues to create a next-generation intelligent system that will develop ways to monitor, detect, and prevent sabotage of data and networks by viruses, worms, and malicious attacks,” Kim says.

Carnegie Mellon also recently received a \$6.4 million grant over the next five years from the United States’ National Science Foundation to create a new center, Security Through Interaction Modeling, to explore ways to improve computer defenses, at CyLab. The University of California, San Diego, also received a similar NSF grant for projects focused on building secure computer systems.

BIO-PASSPORTS ON HOLD

The European Union has asked the United States for a delay in the implementation of biometric passports. Each passport will contain a computer chip encoded with uniquely identifying information, such as a digital image of the passport holder’s face or fingerprint, and allow EU citizens to travel to the United States without visas. Although the EU asked the U.S. for a two-year delay, the U.S. Congress gave the governing body until October 26 this year to issue biometric passports.



E-PAPER BY 2010?

Seiko Epson Corp. predicts that it may have its flexible display technologies—or electronic paper—ready for commercial markets by 2010.

Some of its potential uses? E-books and e-newspapers that perform like their paper counterparts but that can receive new text via download, and television screens that can be rolled off the wall. By the end of the decade, the company hopes to develop a standard 8.5" x 11" sheet of e-paper that is 0.2 millimeters thick and can resist damage for a month or more. The company projects that each sheet will cost about \$100. **Z**



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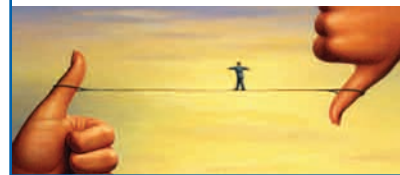
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Your Turn

by Munir Quddus

Wal-Mart: Teaching the Whole Story

Is Wal-Mart a gigantic success story or an Enron waiting to detonate? It could be both or neither, which is what makes Wal-Mart perhaps the most prominent, most fascinating—and most contradictory—case study that has confronted business educators in a long time.

With Wal-Mart, however, business educators face a common limitation, one they share with the media and stock analysts. Too often, we take a one-dimensional view of corporate behavior. We label corporations as either “failures” or “success stories,” as either heroes or villains, depending on their most recent financial, ethical, and social behavior. Companies that make the “best” lists—best to work for, best for women—are good. Those that succumb to ethical scandals, bankruptcy, or other such corporate ills are bad. We present our students with case studies so that they can learn the conditions under which a company succeeds or fails. It’s often just not that simple.

As a result, we sometimes get it wrong. Enron, once adored as the paradigm of good corporate citizenship and strategy, is now the poster child of corrupt corporations. Dow Corning was once seen as having the best business ethics programs in corporate America. Nevertheless, its seemingly infallible program failed to protect the company when problems with its breast implants surfaced in the mid-1990s, leading to a class action lawsuit and settlement that may reach \$4.27 billion. As business educators, we are often forced to

change viewpoints retroactively, when a good company turns bad, or vice versa. Rarely do we have—or take—the opportunity to look at both sides at the same time.

This illustrates the need for an important change in the way we teach. We must show business students that a company can be *both* good and bad. It’s imperative that students learn to look at companies through two lenses at once. With a company like Wal-Mart, we have the



perfect opportunity. We can extract a course’s worth of lessons from Wal-Mart’s colossal success and well-publicized flaws to show our students that a company’s character can’t always be painted in black-and-white terms.

As the largest retailer and company in America, with 20 million people shopping in its 3,500 stores every day, Wal-Mart is a true business titan. The company’s \$256 billion in annual revenue is equivalent to 2.5 percent of the United States’ gross

national product. According to one industry observer, if Wal-Mart were a nation, it would be China’s eighth largest trading partner.

Wal-Mart’s late founder, Sam Walton, had a vision for the company that still resonates positively today. For example, in his autobiography *Sam Walton—Made in America*, Walton included a chapter on “Running a Successful Company: Ten Rules That Worked for Me.” He lists many rules that are considered the gold standard of good business: Exceed customer expectations, control expenses, communicate with employees, keep employees motivated, celebrate successes, and ignore conventional wisdom. Walton also emphasized learning from competitors—he often sneaked into other department stores to discover new ways of approaching retail—and learning from one’s own mistakes. Such apparent wisdom, along with Wal-Mart’s prominence, would make Walton and many of his successors coveted guest speakers for any business school course.

However, success inevitably brings with it more attention from the media, politicians, and academics. In Wal-Mart’s case, that attention has exposed a number of apparent shortcomings. For instance, Wal-Mart is the most sued firm in corporate America—the company is currently defending a class action lawsuit that could eventually involve 1.6 million current and former female employees. In addition, Wal-Mart managers are accused of employing undocumented workers, requiring overtime work without overtime pay, and even locking their night-shift workers inside the store without a means of escape.

Moreover, despite its enormous

successes, Wal-Mart has committed a number of strategic errors—even blunders:

- In its single-minded focus on the customer, it has ignored and even antagonized other stakeholders, including employees, residents, vendors, and neighboring small businesses.

- It has failed to preserve or build significant societal good will. Many smaller communities across the U.S. and overseas are rebelling against the company because they want to preserve their ways of life. To them, Wal-Mart symbolizes urban sprawl, low-paying jobs, and the demise of small business.

- It has generated an imbalanced system of promotions and pay for women and minorities. Although women comprise the majority of employees at the associate level, they are significantly underrepresented in upper management and on the board of directors.

- It has encouraged unbridled growth. Growing too large too fast can be detrimental to the long-term health of any company.

- It has failed to monitor closely enough the activity of its store managers. In fact, some top executives in Wal-Mart have said that the company has grown so fast, management has been unable to focus on personnel matters. One of the most prevalent reasons for Enron's downfall was that top management tolerated—and even cultivated—a culture of unethical behavior. Today's Wal-Mart seems to take a laissez-faire approach with its store managers, letting them run their stores within broad guidelines. Such a lack of accountability has led to much of the uproar the company now must work so hard to counteract.

The negative publicity and horror stories coming out of America's largest company have all but overwhelmed the positive news about the company's considerable success and impact on industry and society. For many, the company can do no right. Even so, we should not allow our students to view Wal-Mart's case through that lens alone.

A number of current books can illustrate for students all sides of the retail giant. In *The Case Against Wal-Mart*, author Al Norton paints the

WAL-MART GIVES US THE PERFECT OPPORTUNITY TO TEACH OUR STUDENTS THE MULTIDIMENSIONAL CHARACTER, NOT JUST OF WAL-MART, BUT OF BUSINESS ITSELF.

company as a clear and present danger to small-town America. Michael Bergdahl, a former Wal-Mart executive, suggests ways for other businesses to survive in a Wal-Mart dominated market in his book *What I Learned from Sam Walton: How to Compete and Thrive in a Wal-Mart World*. And in perhaps the most objective treatment, journalist Bob Ortega explores the company's success and its controversial tactics to stay on top in his book *In Sam We Trust: The Untold Story of Sam Walton and Wal-Mart, the World's Most Powerful Retailer*. On television, journalist David Faber devoted a two-hour CNBC documentary, "The Age

of Wal-Mart: Inside America's Most Powerful Company," to the company's strategy and practices.

As students study these and other resources, it's important for them to remember Sam Walton's original vision, even as the company struggles to maintain it. It's easy to get involved with hype or even take pleasure in spotlighting the blunders of Wal-Mart, while neglecting its achievements. But as business professors, we must treat a complex case like Wal-Mart carefully.

Let's not relegate Wal-Mart to Enron status just yet, or elevate its executives as retailing masterminds. The company is neither wholly angel nor devil. It *is*, however, an example of just how complex corporate growth and management can be. It's a company struggling with its weaknesses and celebrating its successes. It's a company managing a wave of public backlash for its practices while still reaping the financial benefits of its core strategies.

Even now, it has launched a new ad campaign to counteract its image as a small-business killer, painting itself as a champion of the Main Street businesses of small-town America. Will it succeed? Time will tell. But in the meantime, Wal-Mart gives us the perfect opportunity to teach our students the multidimensional character, not just of Wal-Mart, but of business itself. It provides us the perfect example to teach students the difficulty of distinguishing the line between "good," "bad," and "ugly," when it comes to corporate behavior—and the lessons that ambiguity has to offer. **Z**

Munir Quddus is the dean of the College of Business at Prairie View A&M University in Prairie View, Texas.

Bookshelf

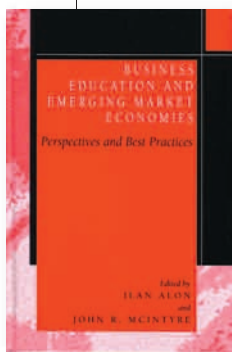
The conventional wisdom of marketing tells brand managers to determine a product's core values and market them relentlessly. But for a brand to develop truly iconic status, consumers must identify it with a particular myth—a place, a time, a story—and that story must be one that addresses some of the highest tensions and uncertainties of the current era. So says Douglas B. Holt in



How Brands Become Icons. He traces the evolution of brands such as Coca-Cola, Corona, Volkswagen, and ESPN, which build profits and customer loyalty by capitalizing on “identity myths” customers believe about their products. For instance, during World War II, Coke positioned itself as the beverage of choice for those working toward the war effort; during the counterculture era of the late '60s, Coke was represented by a multinational group of singers who wanted to “teach the world to sing in perfect harmony.” During the racially charged '70s, a bottle of Coke helped cement a friendship between a black football player and a young white boy in a now-famous television ad. In each instance, the Coke brand “built powerful identity myths that spoke to American ideals,” writes Holt. Such cultural branding, he believes, will have far more impact on a product's success than other models revolving around mind-share, emotional, and “viral” branding. The examples he cites are vivid enough to linger in the

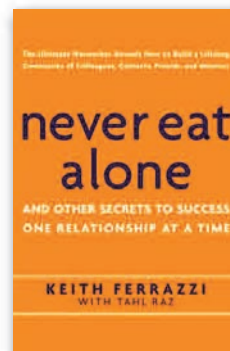
reader's mind long after the book is finished. (Harvard Business School Press, \$29.95)

Management education provides developing countries with desperately needed business expertise that can overhaul private and state-owned enterprises, jump-start national economies, and generally improve quality of life. In *Business Education and Emerging Market Economies*, edited by Ilan Alon and John R. McIntyre, a host of authors examine the “intersection of two streams of research—business education and emerging markets.” The book examines four main topics: developing a knowledge-based economy, innovating curricula and



course content, working with online and hands-on educational models, and setting up strategic international alliances. Some chapters contain analyses of educational models and reforms in specific countries and regions, such as China, the Ukraine, and Latin America; others are case studies of successful programs launched by schools in emerging nations, or by such schools in partnership with institutions in developed countries. The book provides a wealth of information in a well-organized format; articles are complex and scholarly but full of important insights. (Kluwer Academic Publishers, \$100)

What does it take to succeed? A combination of the right friends, the right attitude, and a realistic set of goals—and anybody can make the right friends. So says Keith Ferrazzi in *Never Eat Alone*, a charming handbook about how to



use networking to achieve your dreams. Ferrazzi doesn't have any patience with “the

networking jerk,” the soulless gladiator who is always collecting business cards for his Rolodex. The true networker, he says, forges real friendships and exercises generosity, often giving before he expects to receive—and occasionally making the audacious request. Making friends is only part of the equation. Asking them to help you achieve specific goals is the other half, and Ferrazzi emphasizes the necessity of setting up a game plan. “No one becomes an astronaut by accident,” he says, quoting his father. The book is filled with lots of other warm and catchy phrases, such as “A goal is a dream with a deadline.” But that's why the book is inspiring. Deep down, you know Ferrazzi is right when he says, “Business cycles ebb and flow; your friends and trusted associates remain.” (Currency/Doubleday; \$24.95)

In *The One Thing You Need to Know*, Marcus Buckingham offers three pithy, boiled-down insights into the areas of management, leadership, and individual success. They are: *Great managers discover what is unique about each person and capitalize on it. Great leaders discover what is universal and capitalize on it. Individuals who achieve great success discover what they don't like doing and stop doing it.* You could absorb those three insights and walk away having acquired the bottom-line wisdom of his book without taking the time to read it—but that would be a shame,

Bookshelf

because you'd miss out on a truly pleasurable experience. Buckingham, the author of *First, Break All the Rules*, has a relaxed, engaging style that effortlessly combines research results with interview anecdotes and personal observations. He builds the case for each of his conclusions so solidly that the reader has no choice but to nod in agreement. His good humor pops up in constant observations, as when he describes a leader as someone who's optimistic about the future. He writes, "Properly defined, the opposite of a leader isn't a follower. The opposite of a leader is a pessimist." The book is an enjoyable and informative read. (Free Press, \$29.95)

Do moms make better CEOs? Yes, says

Moe Grzelakowski in her provocative book *Mother Leads Best*. She challenges widely held beliefs—like the one that says mothers who take a career break can't get back on the executive fast track—and dissects all the ways motherhood prepares women for leadership. Primarily, she believes that motherhood forces women to become "more balanced and interesting individuals and less rigid than they were before having children." Gone the perfectionist, the micromanager, the workaholic, the dragon lady. Enter the boss who is tough but empathetic, flexible but efficient. Grzelakowski is quick to say that men and childless women can adopt the traits of maternal leadership simply by being aware of them and working to develop them. Intriguingly, she follows six stages of motherhood and discusses what each

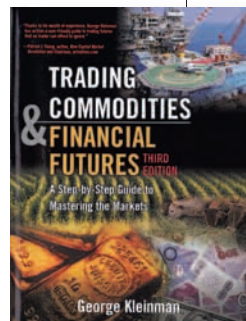


teaches about leadership. Mothers with infants, for instance, learn the value of patience and the need for nurturing; mothers with toddlers become adept at crisis management, multitasking, and spontaneity. Some readers might take issue with her conclusions, but Grzelakowski has high-level anecdotal evidence to back her up. She interviewed 50 top executives who are also mothers and includes their bios in an appendix. The book offers a refreshingly unconventional perspective on women in the workplace, but is it true? Only moms know for sure. (Dearborn Trade Publishing, \$22)

Anyone interested in the vast, complex, crazy, and highly structured world of futures trading could hardly do better than to pick up the third edition of George Kleinman's *Trade*

Commodities and Financial Futures. While Kleinman, a 25-year veteran of commodities trading, has written his book to offer insights to both beginners and veterans, the topic is still complicated enough to trip up truly novice readers. Still, Kleinman's prose is precise and easy to follow, and his fre-

quent anecdotes about actual events on real trading floors give the book a you-are-there immediacy. In his introduction, Kleinman tells would-be traders that, to be successful, they'll need patience, knowledge, guts, and an occasional break from the action. Patience and bravado are qualities readers have to bring with them, but Kleinman does



all he can to share his knowledge. (Prentice Hall, \$39.95)

Young entrepreneurs who have won recognition in the Global Student Entrepreneur Awards competition contribute essays to *Beyond the*



Lemonade Stand, compiled by Michael McMyne and edited by Nicole Amare. In addition to describing their businesses—

and what has driven them to create their businesses—these undergraduate entrepreneurs discuss the overarching theme of ethics and why it is important in their own careers. As befits a global competition, the winners come from around the world, including the U.S., Mexico, Puerto Rico, and Australia. Their businesses are equally diverse: a beauty salon, an organization that coordinates basketball competitions, a clothing manufacturer. The essays offer a fascinating range of lessons learned and wisdom hard-earned. Chiquita

Miller-Nolan notes that she studies "everything and everyone" to see if completely nonrelated industries have something to offer her salon. Ahmad Fouda admits he had to change himself both physically and mentally when he realized he was becoming a role model for other young entrepreneurs. The book is not as slick as many professional business books, but it's completely heartfelt. (St. Louis University, \$19.95) **Z**

Spotlight

I 'Five Years, Five Continents'

Audencia Nantes School of Management
Nantes, France

Jean-Pierre Helfer took his new position as Audencia's dean at an opportune time. When he arrived last September, Audencia had just received its AACSB accreditation. "To arrive at Audencia at just that time was like receiving a gift," Helfer says.

By earning its AACSB accreditation last year and its EQUIS accreditation in 2002, the school has underscored its commitment to its goals, says Helfer. As one of France's Grand Ecoles, Audencia wants to continue to promote best practices in teaching and research, execute the school's focus on corporate social responsibility, and, most important, expand its international presence and partnerships.

As part of its renewed emphasis on corporate responsibility, last spring Audencia became one of the first business schools in France to join the United Nations' Global Compact, a voluntary network of organizations interested in encouraging widespread corporate citizenship.



Audencia's marketing lab IN SITU, which includes an operating shopping environment.

The school also recently launched its Centre for Global Responsibility, which has attracted corporate partners such as Ikea, Danone, and IBM.

Students at Audencia also have the opportunity to participate in three area-specific research labs. LESMA focuses on marketing in the farm produce industry, TESEE.ortem focuses on employee relationships and time management in organizations, and IN SITU is an experimental research lab that studies marketing and consumer behavior. IN SITU includes an operating retail environment where consumers can purchase goods while students and faculty monitor their behavior. For example, when the European Union launched its new currency, the euro, IN SITU researchers studied how shoppers behave when moving from one currency to another.

The lab offers students and faculty a chance to work on real-world studies for companies, from small companies to retail giants such as Wal-Mart.

These new initiatives benefit Audencia's 1,900 students, most of whom are enrolled in its flagship program, the Graduate Programme Ecole Supérieure de Commerce de Nantes (ESCNA). Designed for students in their early 20s who have finished their secondary and preparatory education, ESCNA comprises a semester of core courses followed by three semesters of specialization.

In addition, Audencia offers full-time, part-time, and executive MBA programs, as well as executive education through the Audencia Executive Education Centre and its Euro*MBA. The Euro*MBA, a two-year distance learning program, is offered in conjunction with management institutions in France, Germany, The Netherlands, and Spain.

Now that it has achieved its goal of accreditation, Audencia's next major initiative is to create more international collaborations and significantly expand its global presence. The school recently entered a partnership with Tongji University in Shanghai, China, and plans more agreements with schools in Africa, Latin America, and the U.S.

The rush of globalization in business demands that Audencia continue to develop its cross-cultural identity, Helfer emphasizes. Helfer wants to improve and increase Audencia's presence on five continents to offer a wider range of exchange, travel, and teaching opportunities for students and faculty. "Five years, five continents," says Helfer. "Over the next five years, if I can sign a new agreement with a new school overseas each month, I will be happy." **Z**



Above: Dean Jean-Pierre Helfer. Left: The Audencia Nantes campus.

