

# BizFed

SEPTEMBER/OCTOBER 2006

Legg Mason's

## Chip Mason

Preparing for  
What's to Come

Designing the  
Ethical  
Curriculum

Unlocking  
the Power of  
Collaboration



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SEPTEMBER/OCTOBER 2006

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Cover photo: Robert Severi



# From the Editors

## Ethics in the Office

**Cheaters never prosper. That's one of the platitudes we learn as children, when our parents and teachers try to inculcate in us a sense of how much we're risking if we steal or lie or copy someone else's homework. Bad things happen to bad people.**

Unfortunately, a few years of real-world experience make it clear that cheaters prosper all the time. Liars get promoted, tax evaders end up rich, murderers vanish, dictators flourish. Sometimes the sad little affirmation that *virtue is its own reward* isn't much consolation.

Nowhere do the rewards of bad behavior seem more obvious and immediate than in the workplace. I've never met anyone who couldn't spend hours describing an unscrupulous manager who had ascended to the executive suite or a conniving co-worker who had sabotaged an office mate. Over the summer, the Web site [workingamerica.org](http://workingamerica.org) ran a "bad boss" contest in which people wrote in about dreadful supervisors they had known. The person who had suffered under the worst boss won a free vacation. Everyone else got to experience the relief of knowing they hadn't suffered alone.

That might not be a good thing. While researching the article "On Course with Ethics" for this issue, I talked to four experts about the ways ethics issues are manifested in the workplace. Robert Giacalone believes that slow but inevitable changes are beginning to humanize the corporation, giving us new standards by which to judge bad bosses and co-workers. And he thinks some of those changes have to start at the business school level, where students learn what makes an ethical leader by today's standards.

In the same article, Linda Treviño predicts that schools will institute honor codes to instill a certain set of behaviors in students, turning them into more moral business leaders. Domènec Melé hopes that business schools will make integrity one of the requirements of admittance into the program. And Georges Enderle gently but implacably points out that an understanding of ethics in the workplace is something that every country, and every culture, must achieve.

Some corporations are already striving to develop a set of ethical guidelines to direct their operations. In this month's "Your Turn," Carl Oliver describes how to bring all employees on board with an ethics plan—and how crucial education is to such an endeavor.

I find myself rooting loudly for codes of honor and a revision of behavioral standards in the office. I'd love to see the day that no Web site would run a "bad boss" contest because the stories would be too boring. I'd be even more impressed if that day arrived because business schools had redefined the concept of ethics in the workplace. [Z](#)



BILL BASCOM

Sharon Shinn

# Headlines

## ■ New Partnerships Promote Mexican Entrepreneurship

With the goal of stimulating business development south of the U.S. border, two U.S. schools are partnering with Mexican institutions to bring funding and education to Mexican entrepreneurs:

■ **Funding.** The Venture Finance Institute of Claremont Graduate University in California is studying the feasibility of establishing a \$50 million venture capital fund called the Mexico Opportunity Fund. Representatives of the school have met with the Mexico-based investment banking firm Fausto Garcia Asociados and other potential investors to discuss the project.

Richard Smith directs the Institute and also is associate dean of Claremont's Peter F. Drucker and Masatoshi Ito Graduate School of Business. Smith notes that small businesses in Mexico are generally

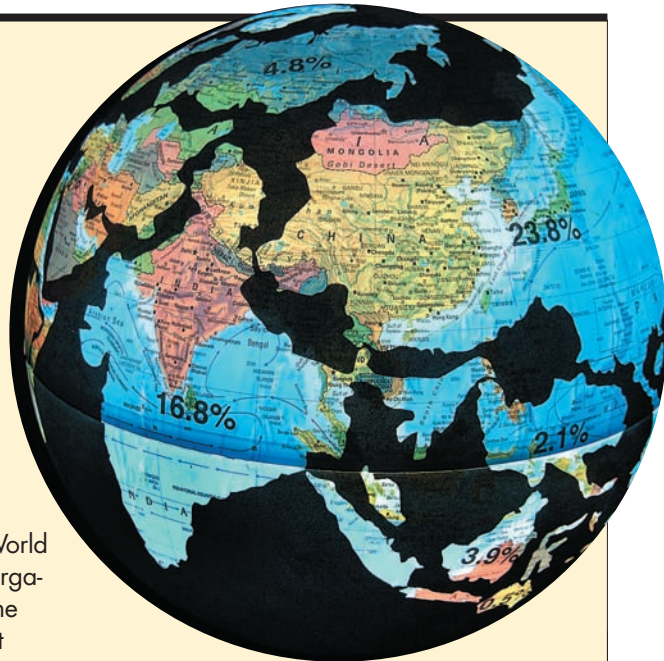
overlooked by larger equity fund managers, although the country offers great promise for venture capitalists.

■ **Education.** Babson College in Wellesley, Massachusetts, and Tec De Monterrey in Mexico have developed the New Business Generation Initiative to nurture successful business ventures in Latin America. Participants will draw on Tec de Monterrey's scientific and engineering programs and Babson's entrepreneurial expertise to develop and launch new businesses.

## The World and Its Resources

If you have a hard time visualizing how world resources are spread around the planet, check out a collection of illuminated globes that demonstrate social and economic challenges in nations around the world. The globes were commissioned by the International Finance Corporation, the private sector arm of the World Bank Group, to mark the organization's 50th birthday. The globes are part of an effort to educate the public about pressing issues facing developing nations and what IFC is doing to address these issues.

The 15 globes were designed and produced by Ingo Günther. They depict social and economic factors such as nations below the poverty line, foreign direct investments among developing countries, and access to drinking water. The globes were displayed at IFC's headquarters in Washington, D.C., in July; now they are traveling to offices around the world. For more information and to view images, visit [www.ifc.org](http://www.ifc.org).



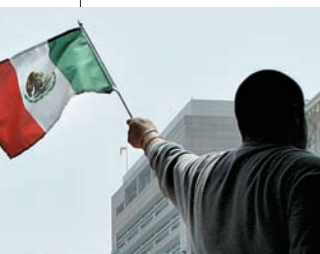
**PEOPLE POWER:** The superimposed scale of regions reflects their relative population size. Numbers printed on the regions denote their percentage of world population (World Bank World Development Indicators 2003).

## ■ On the Border

The economic partnership between Canada and America is profound and long-standing—and will continue to stay healthy if business schools in both countries have anything to say about it. This summer marked the second year that U.S. students crossed the border to learn more about business with their northern neighbor in the weeklong “Canadian Leadership Orientation” program.

“This is a unique opportunity for students to delve into Canadi-

an business practices, our market structures, the strategies of American companies that operate in Canada, and overall political and trade relations between our two countries,” says Micheál Kelly, dean of the University of Ottawa's School of Management and one of the founders of the program. The other founding partners are the Association for Canadian Studies in the U.S. and HEC Montréal. This year, 19 American students from 17 schools participated in the program.



## Stanford B-School Receives \$105 Million

**Philip H. Knight, founder and chairman of Nike Inc.**, will give \$105 million to the Graduate School of Business at Stanford University in California. Knight received his MBA from Stanford in 1962.

A small part of the gift, \$5 million, will be used to match other donors' gifts for faculty endowment. The remaining \$100 million will go toward constructing a new \$275 million campus for the business school, to be named the Knight Management Center. The center, slated to break ground in 2008, will consist of eight buildings set around three quadrangles on the Stanford campus.

The Knight Management Center design will include more flexible classroom space for the greater number of small classes and seminars the school will offer as it implements a sweeping redesign of its MBA curriculum. The new campus is also designed to support more interaction among university faculty and students as it will include facilities for cross-disciplinary classes and lectures. When completed, the center will comprise approximately 340,000 square feet.

## New Center for Governance

**The Yale School of Management in New Haven, Connecticut**, has opened its Yale Center for Corporate Governance and Performance with the receipt of \$20 million in gifts and commitments from individual and corporate donors. The center's director will be Ira M. Millstein, a senior



## Recruiting Creativity

Looking for innovative students to enroll in the business school? You're not alone. The Smurfit School of Business at University College Dublin in Ireland is launching a new MBA scholarship for applicants who can demonstrate a capacity for creativity in business. Prospective candidates will be asked to highlight the best idea they ever had for a business and how it will impact the next generation.



"Creativity in business can be defined as seeing what isn't there and making it happen," says Nick Barniville, director of the MBA program. "We want to see people with ideas for the future coming on to our program, which aims to build the skills and confidence to run these ideas as successful ventures." One MBA candidate will receive the scholarship in September. The financial award of €15,000 (about \$18,800 U.S. dollars) is nearly two thirds of the full MBA tuition fees.

partner at the international law firm Weil, Gotshal & Manges, and senior associate dean for corporate governance at Yale SOM.

Among the donations that made the center possible was \$10 million from alumnus David Nierenberg and his wife, Patricia, which represents the single largest gift in the history of the Yale School of Management. The gift will support the David Nierenberg Fund for Corporate Governance and Performance, and the Theodore Nierenberg Professorship in Corporate Governance.

## Fuqua Seeks Renewal

**Duke University's Fuqua School of Business, Durham, North Carolina**, is doing its part to help the environment. The school has committed to purchasing renewable energy certificates to offset 100 percent of its electricity usage. Renewable energy certificates are credits that individuals or institutions can buy to compensate for the amount of non-renewable, greenhouse gas-emitting fossil fuels—such as coal, oil, and natural gas—used in their vehicles, homes, offices, or other facilities.

Buying the certificates helps subsidize the cost for a wind farm, solar farm, or other renewable energy producer to generate an equivalent amount of clean energy and put it back into the national power grid.

While Fuqua will not actually change its source of electricity, the school's purchase of renewable energy credits, which began over the summer, will help support the use of alternative energy sources in areas where they are more widely available.

Fuqua will purchase its renewable energy certificates through a larger agreement that Duke has established with Sterling Planet, a company that works with businesses to offset their conventional energy use with renewable energy. The purchase was proposed and organized by members of Fuqua's student government and Energy Club.

## Partners in HR Management

**The Society for Human Resource Management (SHRM) and AACSB International** have formed a global alliance to help raise the profile of the study of human resources. The organizations are promoting the idea that such a course of study is an essential strategy for building strong organizations—and that it is best pursued within the context of a collegiate business school.

"HR is a significant part of overall business success, yet it is sometimes overlooked by business schools," says Susan R. Meisinger, president and chief executive officer of SHRM, the world's largest asso-



**“THERE IS A PRESSING NEED FOR HEALTHCARE LEADERS WITH AN IN-DEPTH UNDERSTANDING OF BOTH MEDICAL AND MANAGEMENT ISSUES.”**

—Don Conway, Dartmouth College



ciation devoted to human resource management. To ensure that a relevant selection of HR courses is available to business students, the alliance will encourage business schools to utilize curriculum guidelines and templates prepared by SHRM to support quality and consistency in HR education.

According to John J. Fernandes, president and chief executive officer of AACSB International, “Because managing talent has become so important in today’s modern business environment, there is no doubt that human resource management is most effectively taught as part of the full business school curriculum.”

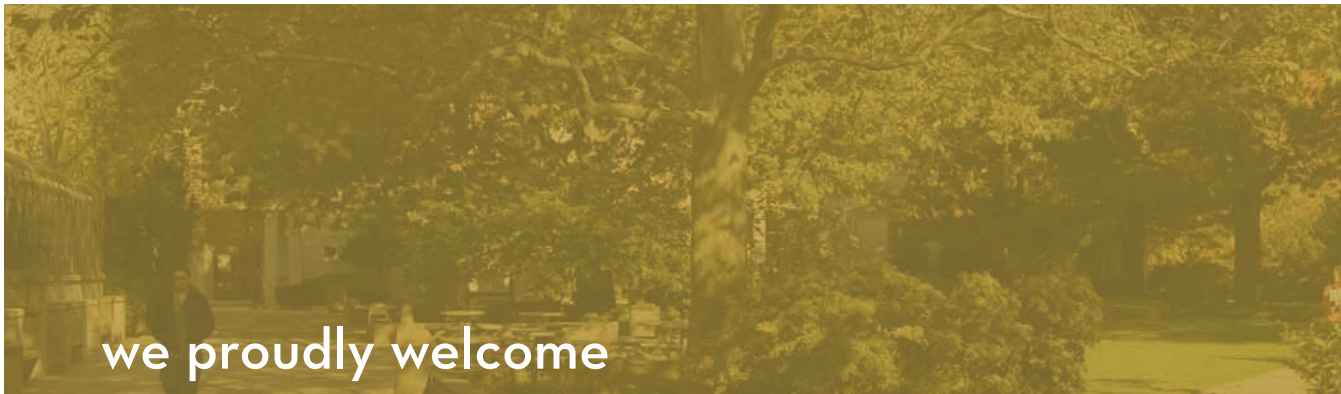
## Joint MD/MBA Programs on the Rise

**Are joint MD/MBA programs the answer to rising healthcare costs?** That question was under review as directors, faculty, students, and alumni of MD/MBA programs joined healthcare professionals at their fourth annual conference this summer at the Tuck School of Business at Dartmouth in Hanover, New Hampshire. Among the corporate representatives in attendance were Sloan-Kettering Cancer Center and Pfizer Global.

According to Tuck, more than 50 schools offer a joint MD/MBA

degree, compared to just 16 a decade ago. Students in such programs are recruited into pharmaceutical sales, consulting firms, and philanthropic organizations.

“There is a pressing need for healthcare leaders with an in-depth understanding of both medical and management issues—leaders equipped to develop innovative solutions to these complex issues,” says Don Conway, co-director of Tuck’s MD/MBA program.



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## SHORT TAKES

### NEW APPOINTMENTS

■ **Ira A. Jackson** has been named the dean of the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University in California. Jackson was most recently the CEO and president of the Arizona State University Foundation. He succeeds Cornelis A. de Kluyver, who will continue as the Masatoshi Ito Professor of Management.

■ **John T. Delaney** has been named dean of the Joseph M. Katz Graduate School of Business and College of Business Administration at the University of Pittsburgh in Pennsylvania. He was most recently associate dean for MBA programs at Michigan State University.

■ **David Audretsch** has been named the Henry W. Bloch/Missouri Endowed Chair in Entrepreneurship and Innovation at the Henry W. Bloch School of Business and Public Administration of the University of Missouri at Kansas City. Audretsch most recently was the Ameritech Chair of Economic Development at Indiana University and director of the Entrepreneurship, Growth and Public Policy Group at the Max Planck Institute in Jena, Germany.

■ **Robert E. Whaley** has been named the Valere Blair Potter Professor of Management at Vanderbilt University's Owen Graduate School of

Management in Nashville, Tennessee. Whaley most recently was the T. Austin Finch Foundation Professor of Business Administration at the Fuqua School of Business at Duke University.

■ **James F. Smith** is joining the faculty at Western Carolina University in Cullowhee, where he will have a joint appointment in the College of Business and the Institute for the Economy and the Future. Smith was most recently director of the Center for Business Forecasting in the Kenan-Flagler Business School at the University of North Carolina-Chapel Hill.

■ **Crocker H. Liu** has been named professor of finance and McCord Chair of Real Estate at Arizona State University's W.P. Carey School of Business in Tempe. He will be the founding director of the new MBA program in real estate that will be offered by Carey this year.

### HONORS AND AWARDS

■ **C. Richard Torrissi**, dean of graduate programs and professor of international business at Suffolk University's Sawyer Business School in Boston, Massachusetts, has been named a Fulbright Scholar. This fall, he will travel to Poland to develop and teach seminars in international business and global strategy and competitiveness. He will be hosted by the the Kozminski School of Economics and Management in Warsaw.

■ **Stephen Gilliland** has been elected a Fellow in the Society for Industrial

### Featuring in more than 20 international management textbooks...

Strategic Management (Pearce & Robinson), Strategic Management (Hill & Jones), Exploring Corporate Strategy (Johnson, Scholes & Whittington), Global Strategic Management (Mellahi, Frynas & Finlay), Strategic Management (Hitt, Ireland & Hoskisson), International Management (Deresky), International Marketing (Ghauri & Cateora), Foundations of Marketing (Beckman & Rigby), Principles of Supply Chain Management (Wisner, Leong & Tan), etc.

### Winners of several prizes in international case writing competitions...

First prize in the Managing Risk Category, EFMD Case Writing Competition 2005; First and second prizes in the Regional Asia-Pacific Case Writing Competition 2004, Management Development Centre, Hong Kong; Second runner-up prizes in the John Molson MBA Case Writing Competitions, 2004 and 2005, Concordia University, Canada; Runner-up prize in the Central and East European Management Development Association 11th Case Writing Competition 2005; Finalist in the 'Dark Side' Case Competition 2004, Wilfrid Laurier University, Canada.

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## SHORT TAKES

and Organizational Psychology (SIOP). Gilliland holds the Arnold Lesk Chair in Leadership and is head of the management and policy department at the University of Arizona's Eller College of Management in Tucson.

### NEW NAMES

■ **The Rochester Institute of Technology** in New York has named its business school the E. Philip Saunders College of Business. The new name honors the founder of TravelCenters of America Inc., who has committed \$13 million to the university's academic business programs.

■ **Villanova University** in Pennsylvania has renamed its College of Commerce and Finance. The school is now called the Villanova School of Business.

### GIFTS AND DONATIONS

■ The Kislak Family Fund has made a \$2 million donation to the Real Estate Institute at Monmouth University in West Long Branch, New Jersey. The institute, which has been renamed the Kislak Real Estate Institute, is part of the School of Business Administration. The gift will enable the school to

develop an undergraduate program in real estate and will also establish an endowment for the institute.

■ J. Gary Shansby has given \$6 million to the **University of Washington Business School** in Seattle: \$1 million to establish the J. Gary Shans-

by Endowed Chair in Marketing Strategy and \$5 million to support the school's construction of a new facility. Shansby, an alumnus of the school, is co-founder and chairman of TSG Consumer Partners. The new building, projected to cost \$120 million, will add 75,000 square feet to the school's total space. Construction is slated to begin in 2008.



■ **Cranfield School of Management** in the U.K. has received a £3 million commitment from alum and businessman Nigel

Doughty to fund the establishment of its International Centre for Corporate Responsibility. The center will consider all aspects of business in society, including corporate social responsibility, corporate governance, sustainability and environmental management, community involvement, and stakeholder activity.

### COLLABORATIONS

■ **Thunderbird**, The Garvin School of International Management in Glendale, Arizona, is seeing the first students graduate from a customized MBA program designed for LG Electronics, an electronics manufacturer based in Seoul, Korea. The students took customized Thunderbird courses at the LG Learning Center in Korea until they arrived at the Glendale campus to complete the final modules.

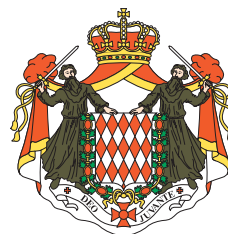
■ The Tanaka Business School of **Imperial College** in London has teamed with the Royal Society to offer a business program for scientists. The

Royal Society annually offers training programs to the leading university researchers known as University Fellows; this is the first year the society is sponsoring a business program. The goal is to help young scientists work more effectively with business and learn to target the market with their research.

■ **ESSEC Business School** in France has launched a Media and Entertainment Chair in partnership with Société Générale Corporate & Investment Banking. The chair will address issues of media convergence, consumer trends, media in emerging technology, and tax codes.

### NEW PROGRAMS

■ The **International University of Monaco** is launching a master of science in the management of luxury goods and services. The school's flagship MBA program is also offering electives that focus on the luxury sector.



■ The John H. Sykes College of Business at the **University of Tampa** is launching a bachelor's degree program in financial services operations and systems. The new program is part of the university's ongoing partnership with Financial Florida, a statewide not-for-profit that seeks to attract nondepository financial services operations.

■ **Lille School of Management** in France is launching three new specialized master's degrees in auditing, finance, and marketing.





## SHORT TAKES

■ **The Ohio State University** in Columbus is offering a new interdisciplinary minor in entrepreneurship. Launched by the Center for Entrepreneurship in the Fisher College of Business, the program will be offered jointly with the colleges of Arts and Sciences; Human Ecology; and Engineering, Food, Agricultural and Environmental Sciences.

■ This fall, the Belk College of Business at the **University of North Carolina** in Charlotte will launch an MBA in sports marketing and management.

■ The department of strategic management and business at **RSM Erasmus University** in Rotterdam, The Netherlands, has launched a part-time executive program in strategic management geared for international participants. Ten flexible modules will cover topics such as international strategy, corporate restructuring, corporate governance, and innovation.

■ **Grenoble Graduate School of Business** in France has established an international master of science in finance. Conducted in English, the program covers financial management, corporate finance, and financial markets.

### OTHER NEWS

■ A new strategic plan for **Audencia Nantes School of Management** in France is helping the school move away from its Grand Ecole format. Audencia has taken responsibility for running two

other schools: Sciencescom, Nantes's communication and media school, which provides a Masters program; and the Ecole Atlantique de Commerce, a business school with a presence both in Nantes and nearby St. Nazaire. The reorganization means that the group can now propose bachelor's, master's, and doctoral programs in line with the Bologna accords on the harmonization of European higher education systems.

■ **Grenoble Ecole de Management** in France has established an office in New Delhi, India, to further its growing presence in the country. The school has recently signed partnerships with the Indian Institute of Foreign Trade and the International Management Institute, which will allow Grenoble students to study for up to a year in India. Also planned are student and faculty exchanges and joint development of executive education programs.



■ **Reims Management School** is capitalizing on its location in the heart of France's Champagne region by creating a Chair of Champagne. The school plans to recruit a professor to head the chair and develop a research laboratory that will focus on issues and challenges facing the champagne industry.

■ The E.J. Ourso College of Business at **Louisiana State University** in Baton Rouge has chosen its site for a new freestanding building for the business school. The new building will be part of an infrastructure overhaul at the university and is considered

a lead project in the school's new Forever LSU capital campaign. The planned 260,000-square-foot facility is expected to cost \$60 million.

■ **ESSEC Business School** in Paris has launched ESSEC Ventures I, a €500,000 seed fund that will be



used to finance startups developed by the ESSEC community. The fund is one way ESSEC hopes

to meet ongoing goals of developing an entrepreneurial culture among its students, supporting startups, and overcoming the lack of financing available in France to companies in the early phases of development. Two enterprises from the ESSEC incubator have already been financed by the seed fund.

■ Two of the programs in the **University of North Florida's** Coggin College of Business have been designated as "flagship" programs for the Jacksonville school. The designation means that Coggin's Transportation & Logistics Program and its International Business Program will be eligible for part of the \$1.25 million set aside by the university to fund flagship projects. In support of the Transportation & Logistics Program, the school will establish a logistics information technology solutions laboratory. The International Business Program will expand study abroad activities and recruit additional faculty. The school will also expand its GlobalMBA program, which currently focuses on Europe, by adding an emphasis on Latin America and Asia. **Z**

# Building on Success

For Legg Mason's CEO **Raymond "Chip" Mason**, business success is about taking chances. But only years of experience, says Mason, will give students the confidence to know which chances are foolhardy and which ones are worth the risk.

by **Tricia Bisoux**

**Raymond "Chip" Mason's shrewd, often unorthodox business deals have built Legg Mason** from a small brokerage firm to a mighty force in finance. His two latest deals—last year's \$3.7 billion "asset swap" with Citigroup and the \$1.39 billion acquisition of the French hedge funds manager Permal—doubled the size of the company's asset management operations to \$868 billion. The firm is now the sixth-largest asset manager in the world.

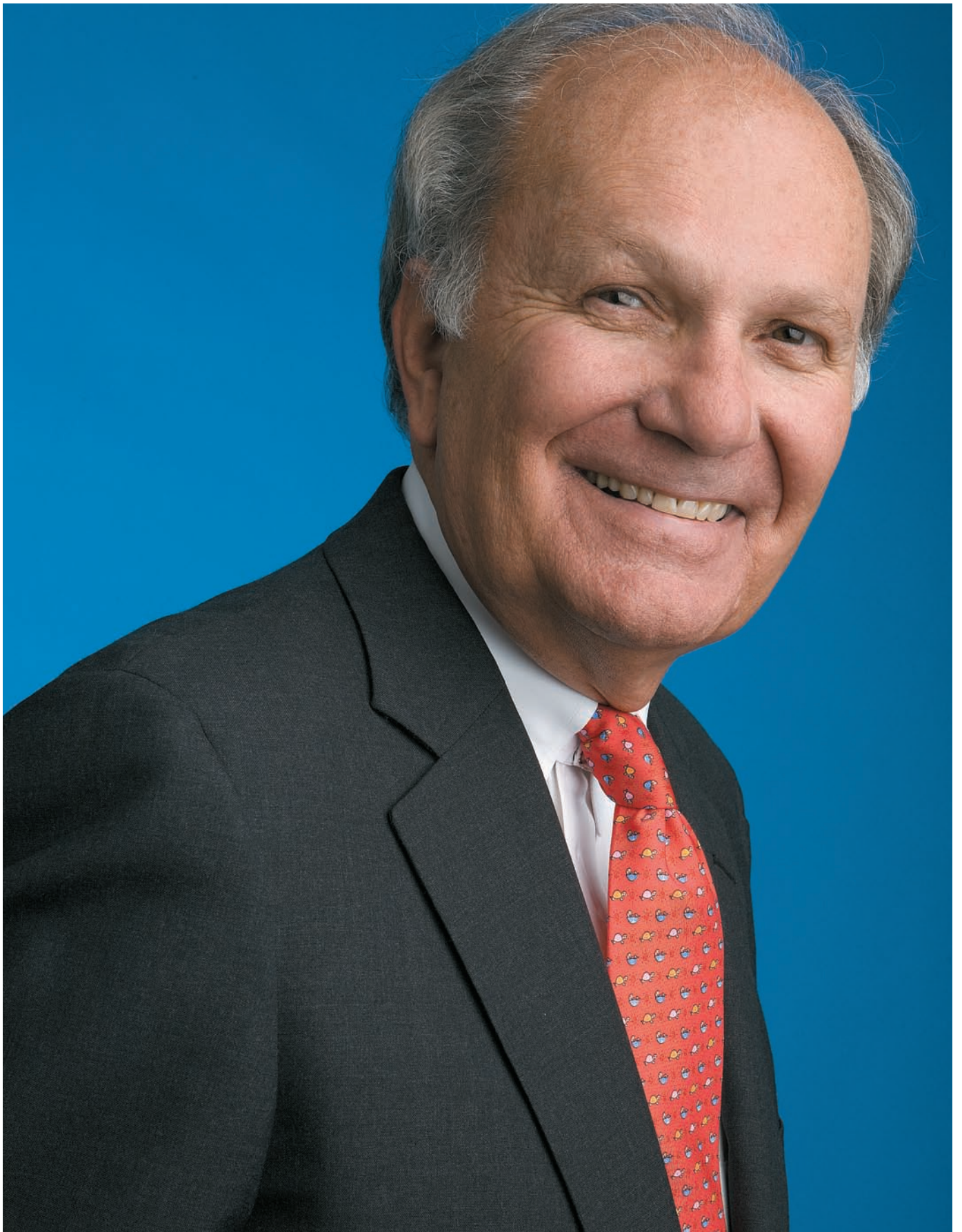
Many analysts view the "Citi swap," in which Citigroup offered its asset management division in exchange for Legg Mason's brokerage business, as an extraordinary event and possible harbinger of changes to come in the finance industry. With the mutual fund scandals of a few years ago still in investors' memories, firms like Legg Mason are choosing to manage mutual funds in-house or sell shares of them—not both. In this climate, says Mason, it made sense to listen to Citigroup's unusual proposal. Ultimately, he says, the swap "was the right thing to do."

As Mason continues to guide the company through the biggest transition in its history, he ironically also prepares it for a future without him as CEO. The company recently chose James Hirschmann as president and Mason's eventual successor. Once the company acclimates to its new identity as a global fund manager, Mason plans to retire knowing that Legg Mason has the right talent and direction for the future.

Mason began his career as a broker in 1959 after earning a bachelor's degree in economics from the College of William and Mary in Williamsburg, Virginia. He worked for his uncle's brokerage firm for three years and then started his own. In 1970, he merged his company with Legg and Company, based in Baltimore, Maryland. He has served as Legg Mason's CEO ever since, building a reputation of impeccable ethical conduct and innovative strategies that have led to steady and substantial growth for his company. In 2004, he was named CBS Marketwatch's CEO of the Year, not only for delivering blockbuster returns for investors, but also for staying far above the fray of the mutual fund scandals.

A staunch supporter of education, Mason chairs the board of trustees at Johns Hopkins University and serves as a trustee on the Johns Hopkins Medicine executive committee. He also serves as a senior advisor to the College of William and Mary's Business School Foundation. He has been a generous supporter of business education, making a \$4 million donation to his alma mater last year. In November 2005, the business school at the College of William and Mary was renamed the Mason School of Business.

Mason emphasizes that a solid education is vital to any manager's success, but it must be accompanied by a steady accumulation of solid experience. After all, the future is coming with a vengeance, he says, and business students must be capable of quick, effective, and creative decision making. More important, he adds, it takes many years and many lessons learned to know which deals to make, what strategies will win, where the ethical lines are drawn—and when it's time to move on.





**The recent \$3.7 billion “Citi swap” has sparked a lot of attention in the press, not only because of its size and rarity, but also because it allowed both Citigroup and Legg Mason to focus on a single business. Why did you think this was a good move?**

It was a difficult decision for me. I wasn't quite sure it was the right thing for the company because of the intensity of it, the size of it, the scope of it. It caused us, essentially, to leave behind the brokerage business. Even though the brokerage was only 25 percent of our business, it still was a longstanding, large part of our business. But I think it was the right decision for the stockholders.

**Because it allowed you to avoid even the appearance of conflicts of interest?**

Much has been written about whether brokerages can sell their products directly without conflicts of interest. Frankly, I really don't think it's that big a deal, but it really doesn't matter what I think. What matters is what shareholders think. The shareholders believe that this arrangement is in their long-term interest, and I do, too.

**The Legg Mason/Citi deal will certainly be studied in business school classrooms. What are the most important things that students should learn from it?**

Well, I think they ought to wait a year before they study the deal, unless they want to do it without any answers. With deals like this, analysts have expectations that are, at least in my opinion, too aggressive. This is an enormous change-over, just from a systems standpoint, and we have to be very careful in terms of what we do, how we do it, and when we do it. This is not a business where we have room for error. It's not enough that we're proven right in a few years; we have to be right one second from now.

In a year, it will be much easier for a business school and its students to begin to understand the complexities of this in a case study. They'll know more about what went on and how it turns out.

**What did it take for you and your managers to make this transaction successful?**

For something like this, we needed people who've been in the business 20 years. It's critically important to have people with the ability to make judgments, sometimes almost on the fly. Without people who are experienced in the business



and who know what the pressure points are, something like this would be incredibly difficult.

**Since the mutual fund scandals, how have you adapted Legg Mason to a climate of increasing transparency?**

We try to make sure everything we do is done in a way that's transparent; but, really, the finance industry is probably the most transparent business that exists. There's no other product you can buy and know the company's profit or markup. You can't buy cars that way, you can't buy food that way. But in this business, you know what you're being charged to the penny.

The thing is, much has been made of the mutual fund scandals; but, in fact, much of what happened in those scandals was not illegal. Fund managers may have been promoting their own interests, but many of them had not broken any laws. Some even stated what they'd done in their prospectuses. Their only mistake was poor judgment.

In most business endeavors, you know when the rules are going to change, and then you can adapt to the new rules. But in this business, the rules are always changing. Finance firms are moving billions of dollars every day; they're moving them in large chunks, across continents. Coping with changing regulations is tough, so we must constantly decide what our disclosure rules must be. We've got to hire a lot of people from the SEC to go into our legal department. We've got to hire the best law firms to comb through areas where there are potential conflicts of interest. We've got to find areas where we could run into trouble without even realizing it.

**“I tell people, ‘I don’t want to see any chalk on your shoes.’**

**That is, if they even think they’re crossing the line—if they even question that something is wrong—they either shouldn’t do it or they should ask somebody about it.”**

**Some might say that the regulations are a necessary evil, to keep people honest.**

Well, there will always be somebody who’ll try to make a dollar dishonestly. But I’ve found that people like that are rare; they stand out, especially in a business like finance, where everything depends on your name, your reputation, and your word. Very few people have intentionally put their reputations at risk. They know that whatever money they’d make through dishonest means, they’ll pay back 25 times over.

**Do you screen for ethics when hiring your employees?**

If we find anything in the backgrounds of our applicants that gives us any question, we don’t hire them. We ask as many questions around ethics issues as we can, to get people of integrity. And, once they’re hired, we preach to them. In talks I make here, I tell people, “I don’t want to see any chalk on your shoes.” That is, if they even think they’re crossing the line—if they even question that something is wrong—they either shouldn’t do it or they should ask somebody about it.

**What do you think business schools should do to make sure their students understand that?**

There’s the age-old saying, “You show me somebody who’s never done anything wrong, and I’ll show you somebody who hasn’t done anything.” That’s very true, but there are people who get chalk on their shoes all the time. There are people who don’t know how far from the line they should stay. Some say, “I’m a foot away, and that’s enough.” Others say, “I’d stay four feet away if I were you.”

But they shouldn’t come that close. Students shouldn’t even work at a company walking that line. The company students are in, and the company they keep, becomes extremely important to their long-term good. Business schools should let students know that if they get caught at the wrong company doing the wrong things, their careers will suffer and they will personally suffer. Students need to have confidence in the companies they’re working for. In turn, companies must be more and more concerned about their employees’ personal ethics. The more often that’s said, the better.

**Your management style seems to reflect your trust in most people’s ability to make the right decisions.**

**When Legg Mason acquires a new business, for example, it normally allows it to maintain its name and independence. You give managers pretty free rein in decision making. Why have you taken this decentralized approach?**

It may have been more accidental than planned. It started in the mid-1990s when we realized that, by looking for the best businesses to bring into Legg Mason, we had created something unique. But with each acquisition, we discovered that we got substantial resistance if we tried to merge that business into our operations—we risked losing the best people. However, if we let each new acquisition continue to operate as its own unit, where the people still had a big say, we had virtually no loss.

In general, asset management companies typically try to combine all their businesses into one. As a result, a company is often constantly fighting problems that it didn’t have before an acquisition. For instance, at one point we were going to try to market for all of our companies jointly; but we immediately had problems. The people who were receiving a lot of business were tickled and thought that marketing was doing a great job. But the people who weren’t getting new assets were convinced that the marketing people didn’t like them or understand their product. So, we started letting certain managers market on their own, and their attitudes changed overnight. Once decisions were under their control, it was their fault if something didn’t work. That was one of those trial-and-error experiments that proved to work.

**Through Legg Mason’s acquisitions, you’ve gained many managers who are legendary, including Bill Miller, the only manager whose fund has beat the S&P 500 for 14 years running. Was that acquisition of talent also accidental, or was it another part of your strategy?**

Once we started acquiring businesses, we knew we also were acquiring legendary capability. We were developing into a very big firm; and, once Bill Miller came on, we had the “Bill Miller” style. But Bill had gone away from deep value, so we went out and bought a deep-value manager. Then, we had no qualitative capability, so we got a qualitative manager. Then, we got Bruce Sherman at Private Capital, who was considered one of the best in the private-client business. Once we figured out exactly what we were doing, we deliberately sought the best managers in their fields. We tried to balance what we had.

In that way, we developed a series of managers who all had different styles, so they seldom competed with each other. They actually talked to each other. Because we let their companies continue to work independently, they felt they were still in their old units. The positive competitive spirit, the *esprit de corps*, and the drive to prove they could succeed all stayed there. It solved a lot of issues.

## “Whenever I see people with a number of moves on their resumes, immediately red flags go up. How long will they stay?”

### **You also view globalization as an integral part of Legg Mason’s strategy, and you’ve noted that Brazil is an especially important market for your future plans. Why?**

Today, South America is like the U.S. was 30 years ago—the banks do everything. There are no conflicts of interest. But we think that these things will change over time, and we need to be anchored in that market.

If you look at the future of the world right now, you look at China, then India, and then Brazil. They are the three most logical countries in the world that have the capability, the resources, the population, and the land mass to become the next world powers.

### **Do you see areas such as Africa at the end of this development?**

One of the keys to making a country’s economy work is to have a stable government. The problem in areas like Africa is the instability of various governments. As the governments get more stable—and South Africa, which seems to be prospering, may be the first—more investment will go to Africa. Parts of that continent have incredible natural resources.

But it comes back to the rules. Without stable governments, there won’t be long-term development because companies are afraid of the rules. China is currently coping with that issue. In China, certain areas have no laws. Or, if there are laws, officials can change them anytime they want to. Businesses don’t want to see that. Most businesses are saying, “Show me the line, tell me what the rule is, and I’ll comply with it. But don’t make it gray.”

### **Do you think business students are graduating with sufficient understanding of the complexities of the global economy?**

Business schools are doing more and more to place students into the world that exists now, but there’s only so much they can do. Business schools have to teach the fundamentals, but it’s difficult for a business school to take a student much farther than that. Once students have learned the basics, then they have to enter the workforce and learn the business. Even then, it will take a good ten years before they’ll know enough about the business for a company to let them be the ultimate decision makers.

### **I know that you’re looking to your own retirement in the next couple years, with Jim Hirschmann soon to take over as CEO. When a CEO has been with a company since its inception, shaping it over decades, many worry about what happens to that company when its CEO**

### **steps down. How have you planned for Legg Mason’s continued success when you’re no longer leading it?**

The top people here have been here for a while, and they’ve been running parts of the firm for some time. They have a strong knowledge of the company, what we do, and how we do it. They know that we’ll be dealing with governments all over the world, with pension funds all over the world. In our current status, we’re as global as anybody.

Jim’s knowledge of the global side of the business is 20 times greater than mine. He has lived it; he travels the world. You know, I go to New York every six or seven days, but that’s how often Jim goes to Hong Kong or Singapore! Jim represents the new kind of manager who truly understands what globalization is about in the asset management business. A CEO today has to be prepared to live that kind of a life. And a CEO who’s retiring has to find someone with the skills to handle the challenges that are coming.

### **Do you know you can move on when the company has evolved beyond you?**

If the company’s going to move forward, you have to. With the Citi deal, for instance, more than once I just walked away thinking, “I’m not going to do this.” For me, going through this swap, at this stage of my career, was not a good idea.

But the fact was, the deal had great potential; I had to pay attention to it. It solved a lot of issues at one time. I had to think, “If I want to set the company up for the future, where is it going to go?” It needs to be dealing with markets all over the world, and it needs to be recognized as a world leader. We had to have the horses to win. We had to have the systems, compliance, and legal infrastructures to make the company work all over the world. I knew we could build the company by degrees over five or six years. Or we could take the opportunity with Citi. With this deal, that part of the plan was already done.

### **You’ve been with the same company throughout your career, through all of its incarnations. Most students today will be at several companies over the course of their careers.**

They shouldn’t be. They should try to get into one company and stay there.

### **That’s an unusual view, given the rate of change in today’s market.**

You know, people almost always hurt themselves with too many moves. They’re usually going after more money. But after they make, say, four moves, they look back and see



“Frank Jones” who stayed put at their original company. And then they find out that Frank Jones is now ahead of them. He’s been there a long time, he knows everybody, and he has become a reliable source for the company.

**It comes back to staying long enough to know the business.**


Whenever I see people with a number of moves on their resumes, immediately red flags go up. How long will they stay? Companies know that new people have to be retrained and retriggered. They have to be introduced to everybody; they have to learn the system. Companies want people who are loyal, who work hard, and who have honesty, integrity, and intelligence. They want people who’ll stick with them, who’ve been there since Day One. It’s amazing the trust a person can build up with a company over time.

If you see people who’ve been with a lot of companies, who are opportunistic, there’s a question mark there. You may hire them, but you do look at them with a sharper eye than you

do other applicants. It doesn’t mean that people shouldn’t make any changes, but they shouldn’t make many. When they change jobs too often, they only hurt themselves.

**What do you think is most essential for business schools to teach students today?**

Some may disagree with me, but I’ve always thought that a knowledge of economics broadens a person’s thinking. Students need to know how general econometric trends operate. I think there’s not enough of that in business schools.

Otherwise, business schools do a pretty good job. In finance, they’ve become more global, more concerned with transferring assets across borders. They’ll need to continue looking at that global environment. As we envision what’s coming in the next 20 or 30 years, companies and investors won’t care what country they’re in. They’ll say, “I’ll obey that country’s laws, but it doesn’t matter to me where I am.” As we advance toward that, it’s going to change a lot of what we do. 



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# On **Course** With **Ethics**

Four experts discuss why it's critical to cover ethics in the classroom — and they offer a range of ways to do so.

by **Sharon Shinn**

**T**emple University's Robert Giacalone closes every e-mail with a quote from Martin Luther King: "Our scientific power has outrun our spiritual power. We have guided missiles and misguided men."

Setting up "guidance systems" for business leaders has become a passion for Giacalone, who runs the school's Center for Ethics and Organizational Integrity. But he is far from being the only management educator who is obsessed with the topic of ethics and how it percolates through every aspect of society—nor is he the only one who believes business schools can help ethical leaders develop their moral compasses.

Giacalone and three professors who hold ethics chairs at major universities recently shared their insights about how schools might approach ethics in the classroom and what kind of long-term effect these efforts might have. Their ideas vary widely, from operating the business school under an honor code to integrating an ethical component into typical case study discussions. One point is unanimous: They believe that business schools have a clear responsibility to create ethical guidance systems that will help graduates stay on course.





As more and more employees with post-materialist values enter the workforce, employers who fail to consider the changing ethical standards that accompany these values will suffer the consequences of their choices.

## New Ethics in the Office

### Robert A. Giacalone

Acting Director, Center for Ethics and Organizational Integrity  
Fox School of Business and Management  
Temple University  
Philadelphia, Pennsylvania



Most of the ethics violations that catch the public attention these days are related to loss of money, loss of power, and loss of esteem. When a society considers ethics violations only in materialistic terms, the response is to create laws like Sarbanes-Oxley, which are designed to protect against financial misconduct.

Unfortunately, that's not the whole story. There is evidence that, around the globe, people are becoming relatively less interested in materialistic values and more interested in an emerging set of post-materialistic values. I say *relatively*, because there's no expectation that people are going to live in mud houses and give up their cars. But people whose basic security needs have been met are shifting their attention to post-materialistic values that revolve around community connectedness, interpersonal relationships, quality of life, and family.

The numbers of people adopting these values are staggering. In 1970, for every four materialists, there was one post-materialist; by the mid-1990s, the ratio was four to three. These values are changing in industrialized countries throughout the world.

As one might imagine, post-materialistic people are interested in working at companies whose values match their own. They want to know if their organization is socially responsible and ecologically sound. They're interested in issues of community well-being. In my work with companies, I have heard stories about senior-level executives who won't accept positions if the job will require them to spend too much time away from their families. I know of companies that are losing well-paid employees because workers are more interested in quality of life than money. It isn't just that these individuals have different values than traditional materialist employees, but that they increasingly are redefining their values preferences in moral terms.

As more post-materialists join the workforce, we will see

a change in what's considered ethically acceptable behavior in the workplace—a shift toward concern with unethical actions that harm people in nonfinancial ways. One current example is the increased interest in bullying. There have always been mean kids on the playground and abusive bosses in the corner office, so why is there an interest in the topic now? There's been no change in the law—what has changed is people's sensitivity. We also see more companies wrestling with environmental issues or making provisions for employees who need child care or elder care services. As time goes on, companies that ignore these issues will be

seen as ethically cavalier or socially irresponsible.

At the moment, we as a society haven't quite sensitized organizations to these types of ethics violations. Years ago, in a similar fashion, society slowly became aware of the mistreatment of women and minorities. Long before any laws were instituted, people had a sense that such mistreatment was occurring. The first step toward correcting a problem is for a significant percentage of the population to agree that one exists.

Very few business schools are teaching their students about these post-materialistic values, yet I think it's important that we train business students to consider them. In my classes, I'm enlarging the scope of ethical concerns to include issues that have little financial implication. I talk about trends in society that business has instigated and ask students about the impact of these trends on people. I have students look at what is and isn't acceptable in the workplace, including issues of supervisor abuse and long hours. Many students are familiar with these issues from their own life experiences, but never considered them from an ethical stance. More and more are beginning to understand that issues such as quality of work life are not simply about profitability, but about human dignity and ethics.

Students need to see that the competitive edge will go to the first companies to figure out how to deal with these new kinds of ethical issues. From a practical standpoint, managers are going to have to rethink their definitions of what is ethical in the workplace. Of course, no one is asking companies to ignore those ethical issues with financial implications. But as more and more employees with post-materialist values enter the workforce, employers who fail to consider the changing ethical standards that accompany these values will suffer the consequences of their choices.

Most of my American students used to believe in the information provided by companies and the government. Only recently have they begun to question it.

## Other People's Ethics

### Georges Enderle

Arthur and Mary O'Neil Professor of International Business Ethics  
Mendoza College of Business  
University of Notre Dame  
Notre Dame, Indiana



zations exposed to increasing competition. But a sense of community still remained, influenced by Confucian and socialist ethics. This attitude did not permit the tough and cold-hearted downsizing sometimes practiced by Western countries with more individualistic cultures and better established social security systems.

As a part of discussing the responsibilities of companies in society, I had both my Chinese and U.S. students read Milton Friedman's famous article, "The Social Responsibility of Business Is to Increase Its Profit" (1970). I then had them

Many years ago, when I was a research fellow at the University of St. Gallen in Switzerland, I took a business ethics trip to the U.S. When I returned to Switzerland, I told a colleague that in the U.S., ethics had become a serious subject in business schools, supported by textbooks, case studies, journals, endowed chairs, and an active professional association. He replied, "Of course, the Americans need business ethics!"

Some years later, when I lived in the U.S., I took an appointment teaching business ethics in Shanghai. When I described my experiences to an American colleague, his quick answer was, "Of course, the Chinese need business ethics."

These kinds of reactions reflect a widespread, though rarely articulated, assumption that the level of morality in a foreign country must be lower than the morality level at home. Consequently, people in other countries need ethics much more than we do in our own country. Having spent many years teaching business ethics in China and the U.S., I have reached the conclusion that we all need ethics training.

A colleague, a student, and I developed a case study about the corporate responsibilities of a Chinese state-owned enterprise (SOE) that needed to downsize to increase efficiency. Although my MBA students in Shanghai clearly understood the need for improving productivity—two-thirds of them had worked in SOEs themselves—they were extremely reluctant to lay off workers. Instead, they tried to restructure the organization, set up relatively autonomous operation units, and keep the workers on the books. My American MBA students, however, were much quicker to fire people.

How can we understand this difference? Chinese students were aware of the harsh consequences of layoffs because there was no established safety net that could support jobless people. Certainly, the SOEs were no longer the organizations that used to provide not only work and the "iron rice bowl," but also social services such as kindergarten, hospitals, and support for the elderly. In the course of China's economic reform, SOEs had transformed into more economic organi-

write a fictitious letter to him, expressing their agreement or disagreement with his view. American students, particularly after the Enron scandal, had difficulty accepting Friedman's exclusive focus on profit, even though Friedman maintains that such profit-making must abide by the "rules of the game" in business. They still expected companies to take on leadership roles, especially in terms of environmental responsibility.

In contrast, a surprisingly high number of Chinese students—though not a majority—liked Friedman's call for separating business and government. They believed government was still interfering too much with business. On the other hand, they were willing to have government take a strong position in some areas, such as environmental protection.

An unforgettable experience was teaching business ethics in Shanghai during the SARS epidemic in spring 2003. Students and faculty realized how much we depend on a healthy environment for the most basic function of our lives. We also needed the government to inform us about the health risk in a comprehensive and timely fashion. This real-life lesson reflected our class readings about Amartya Sen's capability approach, which requires "transparency guarantees" so individuals can make informed decisions. Students in China expected transparency guarantees from their government and were suspicious of the ways information was being provided.

By contrast, most of my American students *used* to believe in the information provided by companies and the government. Only recently have they begun to question it, disturbed by the recent accounting scandals and the government's misinformation about the war in Iraq. As a result, teaching students to discern truthful and reliable information has become a major responsibility in business education, be it in China or in the West.

We may ask, "Where is the greatest need for truth in business? What country needs to focus on business ethics?" I believe none of us can point anywhere else. All of us have plenty of work to do at home.

Honor codes allow students and employees to cultivate their values, develop their integrity, and pursue their goals in an environment that frees them to do their best.

## The Honorable Student

### Linda Treviño

Professor of Organizational Behavior  
Franklin H. Cook Fellow in Business Ethics  
Smeal College of Business Administration  
Pennsylvania State University  
University Park, Pennsylvania



Some business schools are adding courses designed to instill ethics in their students, but a complementary way to reinforce learning about behavioral standards would be to institute an honor code. Honor codes allow students to learn ethical behavior by living it every day.

Honor codes provide students with a definition of acceptable and unacceptable behavior and the knowledge of the consequences if their behavior fails to meet those standards. Honor codes also parallel the codes of conduct that are in place at many corporations and, thus, prepare students to work in such companies. Employees follow the dictates of ethics or compliance programs, sign commitment statements, attend ethics training, and are held responsible for their behavior.

Honor codes and ethical codes of conduct have many benefits, but one is paramount: They allow students and employees to cultivate their values, develop their integrity, and pursue their goals in an environment that frees them to do their best.

To institute an honor code, a business school might start with a document that states aspirations, principles, and standards of conduct for academic integrity. Included are goals for creating a community of trust, as well as creating an environment where cheating and plagiarizing are not tolerated. The document might also address behavior outside of the classroom, such as how students are expected to behave during the job recruitment process.

Students might be required to sign these documents as a condition of attending the school. It might be particularly effective if they commit to an honor code in a public forum. Literature on behavioral commitment indicates that performing any act in a public way has a profound impact on a person's psychological commitment.

Once a school implements an honor code, it should offer students orientation programs that outline acceptable behav-

ior. Most companies with a code of conduct also offer annual ethics training. It's unfair to expect people to conform to a code of conduct without telling them expressly what conduct is required.

Another component of most honor codes is the peer reporting requirement, which demands that participants report code violations by their fellow students. Peer reporting is very difficult for students, but it's an essential part of an effective honor code because it makes students responsible for code implementation.

Students who do violate the code are subject to a judiciary process, which is generally run by the students themselves. Students investigate the violation, while giving accused students the opportunity to present their side of the story. Then they decide on the sanction.

In the workplace, someone who is found to have violated the code of conduct will likely be disciplined or even fired. At schools, the approach varies with the institution. Some schools have a single sanction policy—expulsion for any code violation. Other schools use a range of sanctions from grade changes to suspension or expulsion. Still others have more of a rehabilitative orientation. Sanctions also generally can be appealed to a higher authority.

It's important for students to understand how to operate under an ethical standard of conduct, because a growing number of companies are instituting such behavioral codes. In 2005, the National Business Ethics Survey reported on a number of gauges of ethical standards in American work organizations. The survey found that formal ethics and compliance programs have become more prevalent over time, with 86 percent of respondents saying that their organization has written standards of ethical business conduct.

Evidence shows that—both for students in an honor code environment and employees working under an ethics code that is part of a broader ethical culture—the experience is overwhelmingly positive. Individuals learn what it means to live in a community of trust where values and standards are upheld. They often make comments like, “This gives me a renewed sense of what is possible. It allows me to believe that humans are basically good.”

In so much of the literature about teaching ethics, the focus is on forcing people to conform to certain standards. What is often overlooked is the aspirational element of an ethics program or an honor code—which allows both students and employees to perform at their highest levels.



Given that almost every business decision affects people, every decision has an ethical dimension. Therefore, ethics should be covered in practically every course.

## The Character of a Leader

### Domènec Melé

Chair Economics and Ethics  
IESE Business School  
University of Navarra  
Barcelona, Spain



Ethical business leaders are defined by their characters, which are revealed by the positive moral habits they develop during their lifetimes. These virtues have an obvious place in the corporate environment. A manager with courage, for instance, will make and implement hard choices. A just manager will treat all people fairly. A manager with practical wisdom will make thoughtful decisions.

Other positive virtues are also critical for ethical managers. Integrity promotes credibility. Humility leads a manager to listen to others and, hence, detect errors in their earliest stages. Moderation fosters personal harmony and prevents excesses such as rage in the workplace.

Classic management theorists such as Mary Parker Follett and Chester Barnard placed great importance on the moral integrity of managers. A few more recent management experts also stress integrity. For instance, in his book *Good to Great*, the author Jim Collins shows clearly the important role played by leadership virtues he categorizes as “professional will” and “humility.”

However, nowadays an opposing view is just as prevalent in many places. Many believe the primary role of managers is to adapt their organizations to social pressures and continually maximize shareholder value. In addition, some mainstream managerial theorists—such as those who subscribe to transactional cost theory and agency theory—position managers as completely egoistic beings who need strong incentives for aligning their interests with those of the shareholders. They argue that this is the only way to stop managers from behaving opportunistically. But this position is under increasing criticism from other scholars.

Many believe that virtuous managers will do what they consider best not only for shareholders, but also for other stakeholders and the organization overall—whether or not they are under tight control and incentives exist for them to do so. Obviously, it would be naïve to assume that all managers are virtuous and that there is no need for appropriate controls and incentives; but it is also unrealistic to believe that managers are

completely egoistic individuals. If businesses operate under this last assumption, managers will suffer pressures to act only in favor of short-term shareholder interests. The hypothesis of opportunistic behavior easily becomes a self-fulfilling prophecy.

Consequently, integrity, courage, humility, and other virtues are important qualities in a manager and should be considered and evaluated as part of recruitment, selection, and promotion processes. Similarly, when business schools are deciding which students to accept, they should consider factors other than GMAT scores and other cognitive

and skill criteria. After all, schools are training students to become executives. The managerial aptitude of executives depends not only on their skill, intelligence, and experiences, but also on their characters.

I think that business education should foster moral character development in students, or at least avoid its erosion. Case studies should allow for the discussion of character and the consequences of unethical behavior. Unfortunately, cases often are written only for the purpose of strategic analysis. Students are not encouraged to consider other important aspects of business decisions, such as the effect on human relations, the generation or destruction of social capital, and the impact on the physical environment.


In the effort to create more ethical managers, courses on business ethics or corporate social responsibilities offer good starting points. They encourage students to reflect on the purpose of business in society, for instance, or the difference between subjective or social values and human or ethical values. They also make students consider ethical rationality as opposed to instrumental rationality. But such standalone classes are not enough. Given that almost every business decision affects people, every decision has an ethical dimension. Therefore, ethics should be covered in practically every course.

Some faculty try to introduce ethics in courses such as marketing, corporate finance, general management, and industrial relations by showing the limits of certain management and organizational theories and their ethical consequences. These professors also promote student awareness of ethical issues and encourage moral reasoning among students—not just economic and politic reasoning.

Not all faculty stress to their students the role that virtues play in the lives of business managers. Yet I believe more faculty need to follow this path if we want to increase the ethical standards of our business students and, by extension, our business leaders.

## A Critical Topic

The subject of ethics is hardly new, yet recent management scandals have made it a particularly urgent one for business schools to teach. AACSB International's revised accreditation standards require business schools to address ethics in their curricula, although schools have the freedom to decide exactly how the subject should be addressed. Yet it is clear, as demonstrated by recent world events, that the topic is essential for today's business leaders.

As the rest of the world shows increasing interest in issues of corporate social responsibility, the role of business in society, and what constitutes true leadership, today's CEOs are being forced to reconsider their roles as well. It is no longer enough to run a company; stakeholders are demanding that a company be run *well*. It takes an ethical leader to carry out such a task, and business schools can provide the guidance that will produce the leaders that the modern business climate demands. 

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# A Recipe for **Collaborative** Research

Mixing faculty across disciplines may be the formula for research that's more relevant and ready-made for real-world business.

By **Susan Adams,**  
**Nathan Carter,**  
**Charles Hadlock,**  
**Dominique Haughton,**  
and **George Sirbu**

**Business schools have strayed from their purpose—to provide companies** with the graduates and the research to solve real-world problems. This is a refrain frequently voiced by high-profile educators ranging from Warren Bennis to Jeffrey Pfeffer to Lex Donaldson. These educators each may trace the problem to different sources, but they agree on one important point: Collaboration among many disciplines may well be part of the solution.

As we often find when we examine businesses in all industries, the most difficult problems are interdisciplinary in nature. They come with no ready-made answers and encompass not just traditional business subjects like accounting, marketing, or finance, but also those such as psychology, graphic design, and science. To solve these problems, a company requires a team of specialists from multiple disciplines, which few consulting organizations are equipped to supply. The few consultancies that have the resources to offer multidisciplinary teams charge a premium for their services.

So, if companies value interdisciplinary problem-solving so highly, why don't business schools place more emphasis on promoting it among their own students and faculty? Why not provide companies with the cross-disciplinary solutions they need to succeed?

That's the question we asked in 2001, when administrators at Bentley College in Waltham, Massachusetts, launched an initiative to encourage collaborative research that cuts across traditional departmental boundaries. Their aim was to encourage faculty in the business school and across the arts and sciences departments to share knowledge and work together on pressing business problems. To track the results of the initiative, we formed Bentley's Social Networks Analysis Project, or the SNAP team, which comprised faculty from the management and mathematics departments. We tracked how many collaborations our faculty made across disciplines, inside and outside the business school. Our aim was to boost the number of interdisciplinary connections and to create a truly collaborative arena where faculty and students learned to work well on interdisciplinary teams.







## Interdisciplinary research better reflects the realities of modern businesses, where people from different specialties **cooperate** with each other, rather than compete.

### Breaking Down Silos

We knew we had some work to do. Many of our faculty were accustomed to working within their traditional silo subjects, or at least primarily within the business school itself. In fact, in the 2000–2001 academic year, we counted only four connections between business school faculty and faculty in other departments.

In 2001, our administration decided to provide internal funding, through a call for Requests for Proposals (RFPs), to interdisciplinary projects related to the school's strategic initiatives. It was estimated that each project would cost between \$30,000 and \$80,000 per year for an average duration of two to three years, although proposals that fell outside that range were also considered.

During the three-month period between the issuance of the RFP and the proposal due date, the administration encouraged extensive discussion, not only among faculty seeking collaborative opportunities, but also between proposal teams and those making the final selections. This discussion provided further opportunities for teams to refine their structures, introduce faculty with overlapping interests, and choose a project leader. Well-established researchers were encouraged to assume roles of leadership. We knew that such discussion would be a vital step in the process and would better ensure that team members and their objectives were well-matched.

In the inaugural year of this initiative, ten proposals were submitted, of which three were selected for full funding. Several others received limited funding to launch pilot projects. Projects launched as a result of Bentley's interdisciplinary RFP program have been wide-ranging, delving into multidisciplinary research areas such as the following:

- Data analytics in marketing and foreign direct investment, which led to collaboration among faculty from the economics, international studies, marketing, and mathematics departments.

- Information availability and visibility through networks of interconnected firms, which linked faculty from accountancy, behavioral and political sciences, computer information systems, management, and marketing.

- Women in leadership, which linked faculty from economics, English, management, and philosophy.

- Enterprise risk management, which brought together faculty from accountancy, behavioral sciences, computer information systems, economics, finance, law, management, marketing, mathematical sciences, financial planning, and taxation.

- Ethics and social responsibility, which involved faculty from accountancy, behavioral and political sciences, management, and philosophy.

In the 2003–2004 academic year, we counted 16 interdisciplinary connections, inside and outside the business school—a 400 percent increase. In addition, the number of inter-

disciplinary publications within the university—which included journal articles with at least two authors from different departments—rose from seven to 36. Even better, the increase in interdisciplinary publications outpaced the increase in the number of publications overall, rising from 3.61 percent to 13.79 percent.

Much of this activity can be attributed to the creation of the first official interdisciplinary research team at Bentley, DART (Data Analytics Research Team), one of the successful initiatives in the RFP program. It was co-founded in 2001 by a marketing professor and a statistician and currently consists of these founding members as well as a computer scientist, an economist, and a geographer. The team has published five papers in

refereed journals and has several other projects under way. The team takes advantage of its strong analytic capacity in areas of interest to team members, such as database marketing, foreign direct investment, and studies of the digital divide.

This increase in interdisciplinary research better reflects the realities of modern businesses, where people from different specialties cooperate with each other, rather than compete. In this framework, people understand the importance of building a network of colleagues and potential clients, so that they can better understand differing points of view. They understand that employees or consultants who retreat into their own isolated disciplines, except in very specialized environments, will often fail in their objectives—to solve problems for their companies and their clients.



## Using RFPs to Create Faculty Connections

Knowledge creation is the foundation of the research mission of many business schools and often depends on the number and quality of faculty interactions across disciplinary lines. Taking the following steps to create an environment that encourages and nurtures these connections can increase the likelihood of productive knowledge creation by research teams:

■ **First, provide the necessary opportunity and motivation.**

A Request for Proposal program like the one at Bentley College is one way to bring the potential of interdisciplinary research to the attention of faculty.

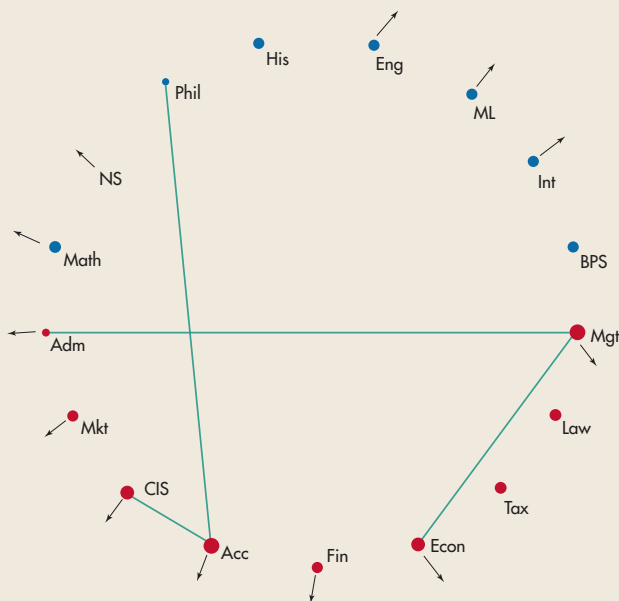
■ **Help faculty find appropriate research partners.** For example, Bentley College has created a research database where faculty can find like-minded scholars and create teams for interdisciplinary projects.

■ **Keep it flexible—and voluntary.** Teams work well together only if each member trusts in both the competence and good will of his teammates. Such trust is best formed when team

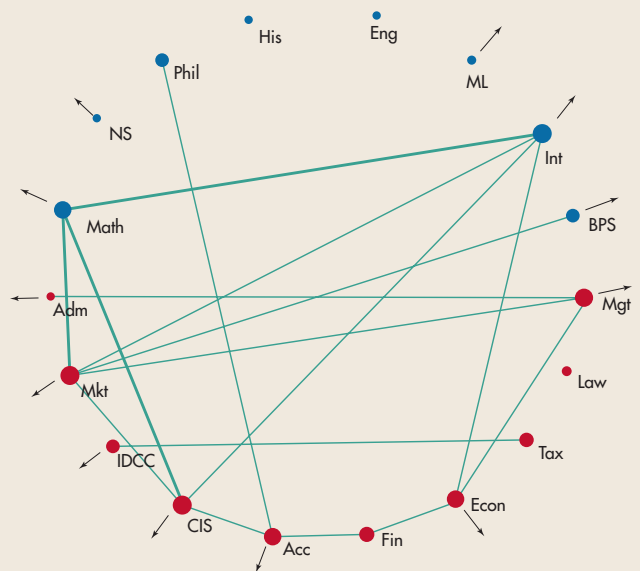
participation is completely voluntary. For instance, although members of RFP-supported teams at Bentley are expected to complete their funded projects, each team is informally and voluntarily formed. Most research is conducted by informal groups where people are free to join or depart at will. In such a flexible environment, where pressure and competition among teammates is low, trust is likely to be high.

■ **Publicize success.** Some faculty may fear straying from their own disciplines to work with those from other departments. But as they learn of the recognition and prestige other RFP recipients have received for their work, they will be more encouraged to create proposals of their own.

An RFP program can provide faculty with just what's needed to increase interdisciplinary research—motivation, time, and funding. With these three factors in place, many business school faculty will take advantage of the opportunity—and boost a school's knowledge creation as a result.



In the 2000–2001 academic year, before Bentley College's Request for Proposal program to encourage cross-disciplinary publications, there was minimal interaction between business faculty (red dots) and faculty from other departments, including arts and sciences (blue dots).



In the 2003–2004 academic year, after the Request for Proposal program was launched, cross collaborations flourished, including not only collaborations within the business school, but also between the business school and the philosophy, mathematics, and computer sciences departments.



Many corporate leaders have realized that **very few** business problems are confined to the traditional business school disciplines. Most also encompass issues of mathematics, engineering, design, psychology, sociology, and even philosophy.

### Faculty Take the Lead

As our RFP program has evolved, it also has created a level of faculty “middle management” within the school. That is, many faculty have acted upon their own initiatives to establish research centers in specific areas of institutional interest. Today, these faculty even hold their own internal RFP competitions for various projects within the scope of their research centers. They also link with other centers, jointly funding collaborative projects.

We are fortunate that the layout of Bentley College’s physical campus facilitates our interdisciplinary collaborations. Although it has separate departments with separate deans, all departments are located near one another. In many cases, they are intermingled in the same buildings and hallways. Such proximity encourages faculty to meet informally and builds a culture that shuns traditional, isolated “silo” behavior. In fact, when the faculty and staff dining room was renovated recently, faculty insisted on a community table, which is now regularly populated by a wide variety of professors, young and old, from all disciplines. Still, even business schools that may be more physically separated from other university departments can, and probably should, take advantage of the variety of skills and perspectives that faculty from other disciplines have to offer.


Perhaps the most important result of our RFP program is that our research faculty are having fun! Through their internal and external collaborations, they are learning new techniques and alternative perspectives for examining business issues. For example, one research team, comprising four individuals from economics, finance, management, and mathematics, is investigating the gender gap in executive compensation using theories from labor economics and management. Team members are conducting their research via traditional analytical methods and new advanced statistical software to identify and account for complex interactions. In the process, the team members enhance their own skills through exposure to faculty with expertise very different from their own.

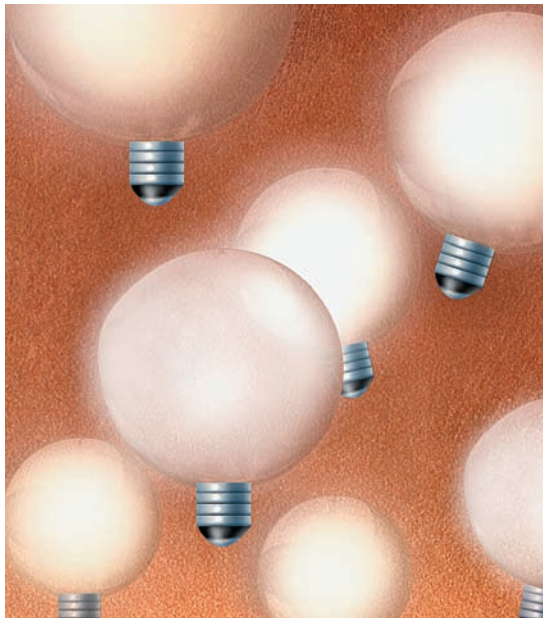
### The Cross-Disciplinary Advantage

It’s true that, to some extent, collaboration on a college campus is inevitable. We realize that some of the collaborative efforts described here probably would have taken place even without the motivation of the RFP initiative. Many, however, would never have been conceived without it. Through the initiative, Bentley College has been able to change the dynamic within our faculty into one that runs counter to the “silo effect.”

Our new cross-disciplinary approach to research has given the business community an improved perception of what our faculty and school have to offer. As a result of increased recognition and funding, Bentley faculty have achieved greater visibility in the business community, receiving invitations for faculty to speak to a wide range of groups, from financial executives to women’s leadership associations. These projects have, in essence, provided the business community with a resource that was desperately needed—a business school that takes a cross-functional approach to problem-solving.

Today, many corporate leaders have realized that very few business problems are confined to the traditional business school disciplines. Most, in fact, also encompass issues of mathematics, engineering, design, psychology, sociology, and even philosophy. As a result, we can no longer limit our thinking, or our research, to

business disciplines alone. Crossing disciplinary boundaries for research projects doesn’t just benefit academic journals—it makes professors more valuable to their schools and helps them provide a richer, more expanded perspective to their students. Perhaps more important, an interdisciplinary approach to research provides more creative, thorough, and readily applicable solutions for the increasingly complex problems of real-world businesses. 



Susan M. Adams is an associate professor of management; Charles Hadlock and Dominique Haughton are professors of mathematical sciences; and Nathan Carter and George Sirbu are assistant professors of mathematical sciences at Bentley College in Waltham, Massachusetts. They all are members of Bentley’s Social Networks Analysis Project.

# On **M**Board **A**

Students at Wharton spend a school year serving on **nonprofit** boards, bolstering their MBA training with insights into the not-for-profit world.

by **Nien-hê Hsieh**  
and **Sadaf Kazmi**

While business student Chris Donohue was serving on the board for the nonprofit Empowerment Group, the organization received two substantial grants. The Empowerment Group is an organization that accelerates growth in distressed urban communities by promoting local entrepreneurship, and these grants allowed it to dramatically expand its training programs. Donohue, an MBA student at the Wharton School at the University of Pennsylvania in Philadelphia, was serving on the group's board of directors as part of a new program at Wharton.

He was asked to analyze the results of the Empowerment Group's training programs in terms of performance costs, graduation rates of participants, and numbers of new businesses opened as a result of the programs. Instead, Donohue suggested an alternative approach—evaluate participants' performance three years *after* they completed their training with the Empowerment Group. As an MBA student, Donohue was able to offer the organization's board members a new perspective and encourage them to look past shortsighted metrics to a more long-term view of success.

"My ability to look at the organization's mission through a long-term lens helped the board think about the ultimate goals of the program and how to achieve them," he says. In return, Donohue received a valuable educational experience that he never would have received in the classroom.

As members of the group that launched Wharton's Nonprofit Board Leadership Program (NPBLP) in 2005, we have heard many similar stories that illustrate how much business students can offer—and how much they can learn—when they serve as visiting board members for nonprofit organizations. Donohue was one of ten students who participated in that first year. Many other Wharton students served on committees for fund raising, strategic planning, and marketing of the program. Prior to authoring this article, Sadaf Kazmi served as student advisor of the program, and Nien-hê Hsieh became faculty advisor.





We, as well as all of the student participants, are committed to the NPBLP's three primary goals: to engage Wharton MBAs in the nonprofit community, to instill in them a lifelong interest in community service, and to enrich their leadership development. So far, we believe the program has achieved its objectives while letting students experience the joys and difficulties of serving on a nonprofit's board of directors. More important, participating students have developed a new set of business skills to serve them well once they embark on their careers.

### Setting the Parameters

Before launching the NPBLP, we studied similar programs at schools around the U.S. to learn how they were organized. We knew we had to answer five key questions:

■ **How should the program be administered?** At many schools, the board fellowship program is administered by a university center or initiative, but we wanted the NPBLP to be a student-run organization. Wharton has a strong tradition of encouraging students to initiate and drive their own programs with the support of the MBA administration, and we wanted to keep the NPBLP within that tradition. We also had limited funding, which meant we would be unable to pay for a support staff to develop and maintain relationships with local nonprofits.

Therefore, we reached out to several local organizations, including the Nonprofit Center at LaSalle University. The Nonprofit Center operates BoardCorps, a program that trains individuals to be effective nonprofit board members and then matches them with appropriate organizations. We saw that this program could serve as a model for us, and we knew that we could take advantage of LaSalle's strong community presence in Philadelphia. In addition, the Nonprofit Center was willing to work with our student group to create a new model at a reduced consulting rate and with a quick turnaround time.

■ **How should the program be funded?** Many student groups work with Wharton External Affairs to solicit funding from individuals and corporations, but we weren't sure donors would be interested in such a new program. Instead, for the first year of the program, we secured a small amount of seed funding through the Wharton Graduate Association, which administers all MBA clubs and activities.

■ **Should the program be extracurricular or for-credit?** Most similar programs around the country are extracurricular, although some are tied to academic activities. We decided against a for-credit program. We didn't want boards to have to define consultant-like projects for participating students or prepare

formal, detailed evaluations of their work, because we were afraid such requirements would limit the number of boards willing to take on students. We also felt an extracurricular program would offer students and nonprofits more flexibility.

■ **How long should the program be, and who should participate?** For our first year, we decided to start with only ten students who would serve on selected boards from September through May. Since most Wharton MBA students participate in summer internships outside of Philadelphia, this timeline allowed us accommodate their travel schedules, particularly for those who took internship positions abroad.

We also decided to open the program to second-year MBA students only, although students were recruited during their first year. This gave students an opportunity to determine whether they realistically could make the substantial time commitment required.

■ **What role should NPBLP students play on their boards?** We decided that Wharton program participants should function as "visiting board members," rather than full members. That meant they would be able to serve on committees, participate

## Models for Nonprofit Board Programs

Before launching Wharton's Nonprofit Board Leadership Program (NPBLP), we studied similar programs at other top schools. Research was conducted by the Social Impact Management Initiative, an umbrella organization run by Wharton MBA students. While the programs mentioned here represent just a sampling of such programs, we found considerable diversity among them, particularly in the three general areas of administration, cohort size, and for-credit or not-for-credit status.

■ **Size and duration:** The Haas Board Fellows Program at the University of California-Berkeley involves about 50 students over an eight-month period. The Board Fellows Program at the Stanford University Graduate School of Business also runs for eight months and involves more than 80 students and 60 organizations.

Most programs are smaller. About 30 students participate in the programs at the Tuck School of Business at Dartmouth, the Fuqua School at Duke University, the Kellogg School at Northwestern University, and the University of Michigan. Georgetown University's McDonough School pairs ten students with ten organizations in its Board Fel-

# “If you don’t ‘get’ the mission, you won’t understand the organization or be able to lead it effectively.”

—Bryce Goodwin, MBA student

in discussions, and work on projects, but wouldn’t be allowed to vote on board issues. In addition, as visiting board members, they would be relieved of the legal responsibilities that a regular board member undertakes. And they wouldn’t be required to make financial gifts, as most full-fledged members are.

## Training and Preparation

Fifty-one students applied for ten spots in the inaugural NPBLP. We evaluated applicants on three measures: their history of commitment to and interest in nonprofits; their ability to articulate, in a short statement, why they wanted to participate; and the diversity of their backgrounds.

In April 2005, our chosen participants attended a kickoff training session conducted by LaSalle’s Nonprofit Center. The session gave participants a chance to meet each other, introduced them to their responsibilities as visiting board members, and helped set their expectations for the experience. The training session helped students understand the mission-critical nature of nonprofits, according to MBA student Bryce Goodwin. “If you don’t ‘get’ the mission,

lows Program. In addition, some programs extend beyond the school year. For instance, Tuck’s program involves a 15-month term of service.

■ **Administration:** At a number of schools, the board fellowship program is supported by an initiative or a university center—which might not even have nonprofit management as its primary focus. The University of Michigan’s program is supported by the Nonprofit and Public Management Center. Tuck’s program is supported by the Allwin Initiative for Corporate Citizenship, and Fuqua’s program is supported by the Center for the Advancement of Social Entrepreneurship.

■ **Credit:** Not all board fellowship programs are extra-curricular. For instance, at Kellogg, students first must take a board governance class, then a yearlong seminar on advanced board governance. Both courses are for credit.

These programs, along with the NPBLP at Wharton, can serve as starting points for any school considering launching similar relationships with nonprofits at their own schools. Establishing such a program takes a great deal of planning, a wide network of community contacts, dedicated students, and a passion for the nonprofit world. Nonetheless, students who participate learn very quickly how to apply their skills in the real world—and how those skills can make a difference.

you won’t understand the organization or be able to lead it effectively,” he says.

At the kickoff session, participants also learned more about how they would be paired with a nonprofit. First, students were asked to specify issues that they were most passionate about, so they could be placed on a board that coincided with their interests. We also let them know we would place each student with an organization that fit certain criteria: a minimum size, a minimum budget, a stable board, and an existing committee structure. Our aim was to avoid situations where Wharton students were placed on boards in extreme flux, where most of their time would be spent trying to define basic organizational structure. Another consideration was purely logistical—we had to take into account the organization’s location, since most of our students did not have cars.

Using all this information and considering the hundreds of local organizations in its network, personnel at LaSalle’s Nonprofit Center spent the summer conducting interviews with all participants and matching each participant to two or three suitable organizations. Once students selected their organizations and met the executive directors, they took responsibility for setting up times to meet board members and attend meetings.

## Terms of Service

When students returned to school in the fall, they began their board service. They quickly began to see how their educational experiences at Wharton could pay off in the boardroom.

Goodwin, for instance, found himself utilizing completely different skills than he had for other classroom projects. “When the Mazzone Center, a local health center, started the process of hiring a CFO, I jumped at the chance to help,” says Goodwin. “I wanted to use all the concepts I’d learned in my finance classes. But the most interesting thing I contributed was my hard-earned knowledge of the interview process, because I had been on so many interviews for a full-time job after graduation.”

Another student, Nicole Casciello, drew on what she’d learned in her marketing and management classes to aid the fundraising efforts of the Alice Paul Institute, which promotes women’s leadership and equality. It was clear to Casciello that the institute’s best strategy was “getting its name into the mainstream.” She not only suggested options such as developing PR, advertising, and word-of-mouth campaigns, but also helped board members develop a marketing brochure to promote site rentals for weddings, meetings, and other events as a way to raise additional funds.

## Nonprofit board service offers students a chance to develop skills that will be directly transferable to the **for-profit** world.



The time commitment for students' board participation, over and above their school assignments, was substantial. During their board terms, students averaged about two hours per month at board meetings. Most also spent between two and ten hours a month doing research, considering strategy, or developing materials to take to meetings. A few also spent another two to three hours participating in committee meetings. Even so, students noted that the additional skills and knowledge that they gained from their boardroom experience was well worth the extra time and effort.

### Improving the Experience

To make the students' time on nonprofit boards even more valuable, the NPBLP held additional training sessions during each academic quarter. These sessions provided a forum for participants to brainstorm solutions to problems they were facing on their individual boards. Session content was largely driven by input from participants, who asked questions about decision making, finances, board transition, and fund raising.

These sessions also featured speakers from inside and outside the university who had expertise in leadership and nonprofits. Wharton's Leadership Program, for example, led a training session on group decision making. In addition, faculty from Penn's School of Social Policy and Practice, which had recently launched a new master's program in nonprofit management, provided additional resources.

Finally, the NPBLP executive board established a formal feedback mechanism through which organizations could evaluate the performances of the Wharton students. Each

participant was paired with a mentor who served as the student's primary contact and evaluated the student's work on the board. LaSalle's Nonprofit Center solicited feedback from these members as the program progressed, which helped provide a sense of accountability for program participants.

### Plans for the Future

Interest in the NPBLP was high during its pilot year. For the 2006–2007 academic year, we want to build on this interest to ensure the long-term success of the program. We plan to host more events that will allow participants to bond so they feel comfortable going to each other with issues they face on their boards.

We also hope to move the entire NPBLP program in-house, so that all training and relationships with nonprofits will be managed directly through Wharton, while tapping into the expertise of the broader Penn faculty and staff. While the program will continue to be student-run, we will look at how we might restructure the organization. We also are working with the Wharton MBA administration to find external funding to finance the expansion, hoping to interest corporate and alumni donors in the program.

We feel certain this program will continue to engage students. Nonprofit board service offers students a way to give back to the community while contributing to their personal definitions of success. In addition, such service lets them participate in the broader dialogue regarding the role of business in society as they consider topics such as corporate philanthropy, corporate social responsibility, sustainable business, and social impact management. Given the size and complexity of many nonprofit organizations, nonprofit board service also offers students a chance to develop skills that that will be directly transferable to the for-profit world.

Programs like Wharton's NPBLP also provide a benefit to nonprofits, who have some concerns about whether the pipeline will deliver sufficient numbers of qualified board members and leaders. This concern has been intensified because many of today's nonprofit leaders are baby boomers who are preparing to retire. If business schools encourage their MBA students to serve on nonprofit boards, they can play a central role in preparing the next generation of leaders who will organize the nonprofit community. [Z](#)

Nien-hê Hsieh is an assistant professor in the Legal Studies and Business Ethics Department at the Wharton School, University of Pennsylvania; he serves as the faculty advisor to the NPBLP. Sadaf Kazmi is an MBA/JD candidate at the Wharton School and the University of Pennsylvania Law School; she serves as the director of the NPBLP.



# Growth and Consequences

As AACSB International continues its global expansion, the organization keeps its focus on accreditation while increasing its emphasis on thought leadership

by Arthur Kraft

**L**ike any thriving multinational organization, AACSB International has undergone considerable change in recent years. Although we have reached a period of relative stability, we are continuing to grow, and growth always brings fresh challenges.

As the 2006–2007 chair of the board of directors, I see five key areas of focus in the upcoming year: continuing our concentration on accreditation, expanding our global reach, developing our thought leadership, putting added emphasis on learning outcomes, and meeting the needs of our members. As chair, I hope to give special attention to the first three areas.

## **Our Primary Focus**

Not only is accreditation our core product, it represents the fundamental contribution we make to the excellence and advancement of management education. AACSB continues to pursue the lofty goal of recruiting the best business schools in the world—the top 10 percent—through targeted development efforts.

In the past five years, we've seen a 16 percent increase in accreditation for schools in the U.S., and a spectacular *300 percent* increase in accreditation of schools outside the U.S. As of May 2006, AACSB has accredited 527 institutions in 30 countries, including 442 in the United States and 85 from outside the U.S. In addition, 169 schools—five from outside the U.S.—have received accounting accreditation.

This growth in the number of accredited schools places an added responsibility on AACSB members. We are fast approaching the time when we will require more than 100 teams to conduct maintenance of accreditation visits, which occur every five years. Since we need a minimum of two members on each peer review team, I foresee a point when the required number of volunteers could exceed 50 percent of the deans at accredited schools.

It's no secret that the time commitment is substantial, especially when other factors are considered: initial visits, accounting accreditation reviews, pre-accreditation mentor assignments, and sixth-year reviews. Keep in mind that many deans also take on other duties, such as participating on task forces and volunteering for committee assignments. We are grateful to the deans who have volunteered so much of their time already.

I know that some members may hesitate to volunteer because they're not certain they know how to serve on a peer review team. It *is* a learning process, but help is available. Online peer review training is of-





ferred through the AACSB Web site, [www.aacsb.edu](http://www.aacsb.edu). In addition, peer review training programs are conducted at numerous accreditation events. It is my hope that, in the coming year, more members will decide to investigate these training options and volunteer to serve.

Schools that successfully make it through the accreditation process will reap many rewards. Many members have told us that the actual process of preparing the school for accreditation can be extremely beneficial, as it compels faculty and administrators to examine the curriculum and improve the program. Schools that achieve accreditation can claim they are among “the best business schools in the world,” as our new accreditation logo and tagline point out.

Accredited schools are invited to promote their achievement to all stakeholders by using the new logo and tagline on their Web sites and in recruiting materials. They can also take advantage of recently created brochures that explain what accreditation is and why it’s valuable. Accredited schools also will benefit from our ongoing campaign to promote the Value of Accreditation. As part of this campaign, AACSB has placed promotional exhibits at a number of conferences. We participated in the 2005 annual meeting of the National Association for College Admission Counseling to encourage school counselors to emphasize the importance of accreditation when students are selecting a college or university. We’re also discussing alliances with groups such as the Society for Human Resources Management.

In addition, we’re working to enhance educational programs that support accreditation and the review process. For instance, we want to develop an accreditation Web portal so that each school can access its exclusive information. We also plan to increase the number of peer reviewers deployed on visits. In general, we’ve committed ourselves to continuous improvement in accreditation services and support as just one way to better serve our members.

### **AACSB Around the World**

Like accreditation, globalization is a pervasive element in AACSB operations. One important area of globalization is our lineup of conferences and seminars, which have become steadily more international in terms of location, theme, speakers, and attendees. Our goal for the 2006–2007 year is to plan at least two major conferences and up to five seminars outside the U.S. In fact, our 2006 International Conference and Annual meeting was held in Paris in con-

junction with the European Foundation for Management Development and drew members from around the world.

The association’s emphasis on globalization also is reflected in the changing makeup of the board, which, since 1999, has always included at least one international member. In 2004, the bylaws were revised to require that the board increase its global representation by one member every year from 2005–2006 through 2009–2010.

By that year, seven out of 30 members will be from outside the U.S. The number is likely to be even higher if chairs choose to fill their allotted two appointments with international members. For the 2006–2007 year, we are almost at that ratio already, because six of our 27 seats—or 22 percent of the board—will be from outside the U.S.

AACSB is pursuing internationalization in other ways as well. We have joined forces with EFMD to launch the Global Foundation for Management Education. Among other initiatives, the foundation has produced the new *Global Guide to Management Education*, a profile of management education in 42 countries. AACSB’s flagship publication, *BizEd*, continues to offer international coverage. Recent articles have featured business leaders from the U.K. and Korea, and international sources and contributors are part of every issue. We also demonstrate our commitment to globalization by initiatives such as:

- **Directing a global network of volunteers.** A growing number of international members participate in peer review teams, act as speakers and facilitators at seminars and conferences, and serve on committees and task forces. This year, the four major accreditation committees will have two chairs and two vice-chairs from outside of the United States.

- **Assembling an international staff.** Members of the AACSB staff have international experience that spans nearly all regions of the world, from Europe to Asia to the Americas. In addition, their language skills include Italian, Dutch, Spanish, Portuguese, Japanese, Chinese, and French.

- **Conducting a survey of international schools.** This year, AACSB launched the Globalized Business School Questionnaire to add more global and regional content to our database about management education. The survey generated responses from more than 80 schools outside the United States.

Like business schools themselves, AACSB has integrated globalization into its basic operations. In the coming months, we will continue our efforts to serve the entire international community of management education.





Many members have told us that the actual **process** of preparing the school for accreditation can be extremely beneficial, as it compels faculty and administrators to examine the curriculum and improve the program.

### Thought Leadership

As focused as we are on globalization and accreditation, AACSB is equally committed to thought leadership. One of our most influential groups is the Committee on Issues in Management Education (CIME), which is charged with identifying the most important issues facing our industry.

Formed in 2002, CIME is composed of board members and led by the vice-chair chair-elect to the board of directors. Many of the issues that CIME addresses have first been raised by members at regional meetings and other venues. CIME prioritizes concerns and develops appropriate strategies. Often CIME establishes task forces that act as “think tanks” on certain topics.

Three key task forces emerged in the past year: the Alliance for Management Education (AME), the Impact of Research, and Peace Through Commerce. The AME task force, which brought together corpo-

rations and business schools to work on common goals, focused on strategies to prepare the next generation of business leaders while identifying the challenges businesses face today. The Peace task force examined the link between business and peace and what business schools can do to strengthen that link. The Research task force, which is ongoing, is considering ways to enhance the visibility of academic research and identify relevant targets for research.

Once a task force issues its report to the board, a champion is often appointed to work with a small group to further review the topic and implement the recommendations of the report. Sometimes a resource center is created on the AACSB Web site.

The task forces also usually prepare analytical reports on the crucial issues they have studied. These reports have included “Management Education at Risk” in 2002, “Sustaining Scholarship



### Meet Arthur Kraft

The year 2006 is proving to be a time of many new responsibilities for Arthur Kraft. Not only did he become chair of the board of directors at AACSB International in July, but in January he assumed the deanship of the George L. Argyros School of Business and Economics at Chapman University in Orange, California, where he is also the Robert J. and Carolyn A. Waltos Jr. Chair in Business and Economics.

The role of dean is a familiar one to Kraft. In the past 20 years he has served as dean at West Virginia University's College of Business and Economics, Rutgers' School of Business, Georgia Tech's College of Management, and DePaul University's College of Commerce and Kellstadt Graduate School of Business. Sprinkled among those appointments were stints as professor of finance, professor of management, and director of doctoral programs.

Kraft also has held visiting professorships at the University of Colorado, George Mason University, and ICN—the Graduate School of Business in Nancy, France.

To each position, he's brought his skills at organization and his belief in the importance of deep commitment to an organization. “You must become involved,” he says. “Don't hold back because you're uncertain about what it takes to serve.”

Kraft launched his business school career after receiving his MA and Ph.D. in economics from the State University of New York at Buffalo. He also is a magna cum laude graduate of St. Bonaventure University with a bachelor of science in mathematics.

Not surprisingly, given his zeal for service, Kraft has been a long-standing supporter of AACSB International. He has served as chair of the Committee on Issues in Management Education, as a member of the Executive Committee and the Nominating Committee, and as a board member of the Global Foundation for Management Education. He recently completed a three-year term as the first Chair of the Pre-Accreditation Committee. He has also served in many other capacities: on peer review teams, on the Blue Ribbon Committee on Accreditation Quality, and on the Business Accreditation Committee. In addition, he is involved with EQUIS accreditation through the European Foundation for Management Development.

“I served on my first peer review team visit in November 1977,” he says. “That was when I truly understood the importance of accreditation. I would wish for other members to have the same experience—so they not only understand how powerful accreditation can be, but so that they also realize how valuable their own participation is in the overall process.”

## Like business schools themselves, AACSB has integrated **globalization** into its basic operations.

### Snapshot of the Argyros School

Chapman University was established in 1861 by the Christian Church (Disciples of Christ) and has been located on its current campus in Orange, California, since 1954. While it retains its ties with its founding denomination, today Chapman is a secular university with an ecumenical spirit. The university enrolls more than 5,700 students in eight colleges: the Argyros School of Business and Economics; the Dodge School of Film and Media Arts; the Wilkinson School of Arts and Letters; the Schools of Law, Communications Arts, Music, and Education; and University College.

The business school was founded in 1975 with a straightforward mission: to develop business leaders who blend “sound economic reasoning and a global perspective with the qualities of individual initiative, accountability, effective communication, and integrity.” The school was named for alumnus George Argyros, who served on the university’s board of trustees for 26 years.

Today, the Argyros School employs 33 full-time faculty and claims an enrollment of 721 students, with 163 in the graduate school. Undergraduates pursue degrees in accounting, business administration, and economics. Graduate students can select a part-time MBA, a full-time MBA, or an executive MBA. The graduate program is supported by the Career Management Center.

The Argyros School currently offers its students international study opportunities with internships in the U.K.,

Australia, and New Zealand. The EMBA program offers international residency in Beijing, Hong Kong, Saigon, and cities in Mexico.

Students interested in a practical demonstration of the financial market can embark on “A Walk Down Wall Street,” a domestic study tour that brings them to New York City for one week. There, they visit the New York Stock Exchange, the New York Mercantile Exchange, and the Federal Reserve Bank of New York. They also have a chance to conduct interviews with representatives of investment banks, money managers, and mutual fund companies.

More locally, the school continues to develop its partnership with the business community by working closely with the Board of Counselors, an elite group involved in developing and executing the vision of the school. Active participation and support from the community is encouraged through the Corporate Partners Program.

Four research centers reflect the school’s main focuses: the A. Gary Anderson Center for Economic Research, the Ralph W. Leatherby Center for Entrepreneurship and Business Ethics, the Walter Schmid Center for International Business, and the Roger C. Hobbs Institute for Real Estate, Law and Environmental Studies. In addition, the Hoag Center for Real Estate and Finance is under development; and a proposed Center for Corporate Governance may soon be in the works. A selection of endowed chairs—most going to professors in economics, finance, and international business—reinforces the notion that this is a school seriously devoted to the economic impact of business education.


in Business Schools” in 2003, “Learning Outcomes Assessment” and “Ethics Education in Business Schools” in 2004, and “Value of Management Education” and “The Business School Rankings Dilemma” in 2005. This year we have added “A World of Good: Business, Business Schools, and Peace” from the Peace Through Commerce task force. AME’s report will be published later this summer. CIME will continue to address critical issues in the management education field as they arise.

#### The Mission of the Future

Whenever anyone asks me what my vision is for the future of AACSB, all I have to do is refer them to our mission statement: “AACSB International advances quality management education worldwide through accreditation and thought leadership.”

One of Peter Drucker’s themes was “management by objectives,” which he described as “targeting what you want to do and putting people and systems in place to achieve it.” That is AACSB’s philosophy exactly. Our mission is our objective.

We’re in a great position for achieving our mission. We have a dynamic board, an involved and committed membership, and a great staff. We believe we know what the membership wants and what we need to do to meet the needs of the membership. We have the people and the systems to achieve those goals.

I am honored to serve as the chair of the board. With your continued support and involvement—your willingness to help us stay focused on doing the right things and doing them right—I believe this will be another great year for AACSB. 

## Examining the 'Learning Mix'

The Information Age has done many things for business, but there's one thing it has done to business: deluged it with an unending stream of data. Executives in all industries are feeling the weight of the vast amounts of information their companies generate. They are struggling with the same questions: How can we manage our information effectively? How can we convert that information into knowledge we can use?

In their paper, "Knowledge Management: A Learning Mix Perspective," Bertrand Moingeon and Alexandre Perrin developed a model that companies can use to become true "learning organizations" that take the greatest advantage of their own internal knowledge stores. Moingeon is a professor of strategic management and associate dean for executive education at HEC Paris. Perrin is a doc-



toral student at the University of Nice Sophia Antipolis. Perrin is also an affiliated member of GRACO, a research group that is focused on organizational learning and based at the ESADE Business School in Barcelona, Spain.

The idea of the "learning organization" emerged in the early 1990s, they explain, as analysts began to realize that the way a company manages its knowledge can influence how well it develops its strengths.

"In the mid-1990s, many companies decided to implement knowledge management initiatives," Moingeon says. "Most of them



adopted what we identify as an IT-driven strategy, in which they created databases of best practices. But the IT solutions didn't fulfill expectations. The technology enabled the exchange of information, but also created confusion between 'information' and 'knowledge.'"

Moingeon and Perrin argue that few analysts have created a working model that shows *how* companies can clear up that confusion and create effective knowledge management strategies. "Knowledge management is more than a decade old," says Perrin. "However, there has been little rigorous empirical research in the field."

The pair wanted to provide a working model that companies can use to manage knowledge comprehensively and effectively. The researchers first reviewed research on organizational learning conducted over the last 30 years, studying the work of a variety of theorists. They then conducted ten interviews with knowledge management experts; from 2002 to 2005, they also conducted fieldwork at a variety of companies. From that work, the pair developed a model they call the "Learning Mix," which comprises four primary components of a company:

- *Information technology*, which refers to the tools a company uses to organize information.
- *Learning structure*, which refers to its ability to convert this information to knowledge.
- *Knowledge portfolio*, which describes the knowledge a company already possesses and the knowledge it can acquire.
- *Learning identity*, which shows how the entirety of a company's knowledge makes it different from other companies.

Too many companies do not take into account all four areas of the mix, says Moingeon. For instance, a company may depend heavily on technology to manage information, but fail to designate processes or personnel to update, manage, and



## “BACKDATING STOCK OPTIONS SO THAT EXECUTIVES ARE ALREADY IN-THE-MONEY AND DISGUIISING THE PRACTICE CAN BE COMPARED TO LETTING EXECUTIVES BET ON A GAME WHERE THEY ALREADY KNOW THE FINAL SCORE.”

—Randall Heron, Indiana University



use it. Or, it may have established a learning structure, but fail to evaluate its knowledge portfolio quantitatively and qualitatively or discover how that portfolio differentiates it from competitors. By integrating all four areas, however, companies can build a complete picture of what they know, how they know it, and how it can help them succeed.

The researchers' paper also includes a detailed case study on how the Lafarge Group, a construction materials company based in France, developed its own knowledge management strategy and used the Learning Mix as a diagnostic tool. Although Lafarge's strategy is unique to its own operations, Moingeon and Perrin argue that any company can use the Learning Mix model to create their own "communities of practice," which has become an increasingly popular idea in the knowledge management field. The term describes how the members of a firm's community actively share their knowledge, both from the top-down and from the bottom-up.

Perrin paraphrases researcher Leif Edvinsson to describe his and Moingeon's approach to their research. "Like Edvinsson, we strongly believe that people learn as long as they live, whereas companies live as long as they learn," Perrin says. "We hope that our research will provide some food for thought, as well as some actionable knowledge for companies striving to design and implement knowledge management strategies."

To read "Knowledge Management: A Learning Mix Perspective" in its entirety, visit [www.hec.fr/hec/fr/professeurs\\_recherche/upload/cahiers/CR836.pdf](http://www.hec.fr/hec/fr/professeurs_recherche/upload/cahiers/CR836.pdf).

### ■ B-School Professors Uncover Fraud

**Many management professors want their** research to have an impact on business, but few can claim that their research resulted in a federal investigation. Randall Heron, an associate professor of finance at Indiana University's Kelley School of Business in Indianapolis, and Erik Lie, associate professor of finance at the University of Iowa's Tippie College of Business in Iowa City, recently conducted a study that did just that.

In a study slated to appear in the *Journal of Financial Economics*, Heron and Lie examined the stock price behavior that surrounded the issuance of executive stock option grants both before and after the Sarbanes-Oxley Act of 2002 went into effect. In addition to its other requirements, Sarbanes-Oxley (SOX) also changed the reporting requirements for stock options. Prior to the regulatory change, options given to executives did not have to be reported until 45 days after the close of the company's fiscal year. Since the implementation of SOX, options must be reported to the Securities and Exchange Commission (SEC) within two days of the grant decision.

Heron and Lie discovered that a typical stock price pattern disap-

peared just after the act was put into effect. They explain that the market usually sees significant stock price declines leading up to executive option grants; those declines are then followed by significant stock price increases. This pattern, say the researchers, encourages many companies to backdate their stock options so that executives can purchase stock at a lower price and then realize the benefits of the stock's subsequent rise.

After SOX, no such pattern appeared for firms that filed their option grants with the SEC within one day of the grant decision. At the same time, the researchers also found that roughly one-fifth of the option grants made since the regulatory change were not reported to the SEC within the two-day requirement. Those late filings caught the researchers' attention.

On average, these late filers saw the value of their stock decline by more than 3 percent in the 30 days prior to their option grants, and rise more than 7 percent in the 30 days following the declared option grant date. The re-emergence of the familiar and favorable stock price pattern for late filers suggested to Heron and Lie that, even after SOX, many companies continued the practice of backdating option grant dates for executives to boost the value of their stock options.

The practice of backdating is not illegal, the researchers explain, but companies must include the spread between the declined price and the increased price in their financial reports. Reporting that spread usually lowers the company's reported earnings. Investigators suspect that some of the companies that missed the two-day window did so to shield

## SIGGELKOW AND LEVINTHAL ARE NOW WORKING ON SIMULATION MODELS TO UNDERSTAND THE EFFECT THAT THE INTERDEPENDENT DESIGN OF AN ORGANIZATION HAS ON ITS PERFORMANCE.

corporate income from taxation.

“The SEC has taken the position that this erroneous reporting represents financial fraud and is investigating numerous companies who will likely be forced to restate their earnings, in addition to possibly paying penalties,” says Heron. “Stock options are supposed to provide incentives for executives to work to improve the firm’s future performance. However, backdating stock options so that they are already in-the-money and disguising the practice can be compared to letting executives bet on a game where they already know the final score.”

The investigation, and the role of Heron and Lie in uncovering the fraudulent backdating practices, has been featured in publications ranging from the *Wall Street Journal* to *BusinessWeek*. Some of the late-filing companies that Heron and Lie discovered, along with those companies’ executives, now face fines, repayment of taxes, and other legal actions by lawmakers and the U.S. Internal Revenue Service. The lesson to companies, say these researchers, is that in the post-SOX world, everyone is watching.

### ■ A Company Is the Sum of Its Parts

Two researchers at The Wharton School at the University of Pennsylvania in Philadelphia are working to restore the luster on an old management theory: that, for a company to flourish, its managers must understand it not just as a whole, but as an integration of its interdependent parts. Nicolaj Siggelkow, associate professor of management, and Daniel A. Levinthal, professor of management, want to bring

the “part-whole” vision of the corporation back into favor.

Siggelkow, who began studying this area of research during his undergraduate studies at Stanford University, notes that companies often ignore the unique interdependencies within their operations. Instead, many are so sure that what works for other firms will work for them, they’ll import so-called “best practices” before making sure these practices will actually work within their own network of personnel, departments, and technological systems.

“That’s why so many companies that tried to adopt lean manufacturing techniques foundered. They thought they could import them without having to change other areas in the organization,” says Siggelkow. He adds that companies that copy best practices also risk looking too much like their competitors, which only works to minimize competitive advantage.

Levinthal first became interested in the “part-whole” relationships within firms when he heard a presentation by evolutionary biologist Stuart Kauffman. Kauffman’s work, explains Levinthal, focuses on the relationship between the interdependencies of an organism’s genetic structure and how well that organism functions in the world. “When I heard that, I thought it provided a conceptual apparatus that might apply to business organizations. Corporations have their own part-whole structure that is subject to competitive forces; they

Nicolaj Siggelkow



Daniel A. Levinthal



are engaged in their own adaptive journeys as these parts are juggled by those forces,” he says.

In 2002, the two researchers studied the interdependent design of individual firms such as Vanguard and Liz Claiborne to see how they have evolved over time. More important, the two wanted to see how they reacted to external changes in the market, given their unique set of circumstances, and how the choices they made reflected their organizational designs. They found that

firms that have developed a long track record of success either adapt industry best practices to their interdependent systems or develop their own unique best practices. The two cite Dell Computers and Southwest Airlines as two companies that have taken advantage of *all* their internal competencies, each of which depend on an interconnected set of strategies and decisions to work effectively.

Siggelkow and Levinthal are now working on simulation models to understand the effect that the interdependent design of an organization has on its performance. The researchers’ early simulations show a primary pitfall in one area in particular: innovation. As more companies push for innovation, they’re asking lower-level managers to come up with ideas. But rather than give those managers the autonomy to act on their ideas, they instead ask them to send their ideas up the hierarchical chain, so

that top-level managers can choose the best ones.

“When subordinates are asked to send up proposals, they will automatically edit their ideas,” says Siggelkow. “They’ll send up only the ideas that are good for their teams, and screen out things they don’t like. As a result, the variety of proposals sent to the top is actually *reduced*, rather than increased. The company becomes more inert. It’s counterintuitive.”

Siggelkow and Levinthal now are working on tools that companies can use to improve their understanding of part-whole interactions. These tools include an exercise that requires managers to create a map of their firms’ key activities. “A map like this allows managers to ask themselves, ‘If we want to change this, what will change over here?’” says Siggelkow. “They can begin to gauge the ramifications of each individual change.”

## Involved Stakeholders Mean Business

In July, the activist group People for the Ethical Treatment of Animals (PETA) took a different approach to promoting its cause. Instead of targeting firms that slaughter chickens, PETA bought 150 shares of stock in Domino’s Pizza Inc. Its goal? To use its status as shareholder to compel the company to buy chickens from suppliers that use a slaughtering

## UPCOMING & ONGOING

### ETHICAL DONATION

The Ethics Resource Center (ERC), a nonprofit group in Washington, D.C., has launched a new program called “Donate Your Data.” The program, says ERC president Patricia Harned, invites companies to make an in-kind, tax-deductible donation of their internal ethics and compliance surveys to the ERC. The center will use the data in its ongoing research. “While the data from these surveys are useful for understanding the dynamics of an individual organization,” Harned says, “it also has tremendous potential to benefit the ethics industry as a whole when merged with data from other organizations.” In addition, the data may be used to support the research endeavors of business school faculty and graduate students who are periodically granted limited access to ERC data.

### NAME CHANGE FOR CENTER

The W. P. Carey School of Business at Arizona State University in Tempe recently announced that it would rename its Center for Busi-

ness Research. The new name, the Center for Competitiveness and Prosperity Research (CCPR), better reflects the center’s role as a source of economic and demographic research for the Phoenix metropolitan area and the Arizona region. It offers data on the region’s business conditions, real estate market, labor picture, tourism, and economy. “Competitive regions attract and retain productive workers and businesses,” says Dennis Hoffman, director of the L. William Seidman Research Institute, of which the CCPR is a part. The center’s purpose, he adds, is to examine that competitiveness from the perspective of an individual, a business, a region, and a country.

### THE LATEST ON BOARDS

The Center for Effective Organizations at the University of Southern California’s Marshall School of Business in Los Angeles will partner with Chicago-based executive search and leadership consulting firm Heidrick &

Struggles International to conduct its annual study on corporate boards. Now in its tenth year, the study will examine the practices of the boards of directors of the largest companies in the United States. “It will be interesting to see how quantitative measures of board dynamics and effectiveness are changing as directors become less occupied with compliance and return to their role as sounding boards for management,” says Ted Dysart, managing partner of Heidrick & Struggles Global Board of Directors Practice. Findings will be released in the fall of 2006.

### NEW ALLIANCE

Singapore Management University has partnered with the Wharton Global Family Alliance at the Wharton School of the University of Pennsylvania in Philadelphia. The two institutions will work together to develop research related to family business governance, wealth management, leadership succession, and philanthropy in the global marketplace.





**“GROUP PROTESTS OUTSIDE THE COMPANY HEADQUARTERS ARE ONLY EFFECTIVE FOR SOME COMPANIES. WITH OTHERS, THE BEST WAY TO CHANGE BUSINESS PRACTICES IS BY EXERTING ECONOMIC PRESSURE TO FURTHER SOCIAL GOALS.”**

—Charlene Zietsma

method called “controlled-atmosphere killing,” rather than less humane methods. PETA also has purchased shares in 24 other companies, including Pizza Hut and McDonald’s, for the same reason.

PETA’s strategy represents a new age of stakeholder pressure for companies, says Charlene Zietsma, assistant professor of strategy at the University of Western Ontario’s Ivey School of Business in Canada. Since 1996, Zietsma has been studying the ways that global stakeholders are developing both competitive and collaborative relationships with companies to change the way they do business. Group protests outside the company headquarters are only effective for some companies, she says. With others, the best way to change business practices is by exerting economic pressure to further social goals.

Zietsma has been especially interested in British Columbia’s forestry industry, where Greenpeace and other stakeholders have been campaigning to save old-growth forests. For years, the two sides were at a stalemate, she says. “Both sides were convinced they were virtuous Davids taking on the evil Goliath,” says Zietsma. “They each were at extreme ends of the issue, and neither side understood the other.”

That situation changed, however, when one forestry company conducted focus group research on how the public viewed the issue. “When the company asked, ‘Do you trust forestry companies?’ the people said, ‘No,’” says Zietsma. “When it asked, ‘Do you trust environmentalists?’ they said, ‘No.’ And when it

asked, ‘Do you trust government?’ they said, ‘No.’ When the companies pressed further, they found that the only solutions the public would trust would be something all sides came up with together.”

So, the forestry industry decided to work *with* its critics, rather than against them. Together, they conducted research and developed an ecosystem-based approach to land use. Everyone with an interest in the land—from those in the mining and tourism industries to the environmentalists—identified the most ecologically valuable areas, and then

of the issue, including company leaders, activists, and government officials, to learn more about the process by which they came to an agreement. “To understand each other, they had to sit down together and learn to trust each other,” says Zietsma. “The companies made unilateral offers to get the environmentalists to talk with them.”

This phenomenon has reached beyond the forestry industry. In her latest research, Zietsma is studying how this trend is affecting the salmon farming industry. “We saw this with Nike, when it was

targeted for its suppliers’ labor practices in other countries,” Zietsma says. “We’re seeing the same thing with salmon farming, where activists are pressuring grocery retailers, who are in turn pressuring the salmon farmers to improve their labor and environmental practices. Retailers don’t want to take the heat from activists at the store level.”

The two types of companies most likely to be targeted, Zietsma adds, are retailers, because they’re closest

to consumers, and the leaders in an industry, because they have the power to influence the most people. And because these market-based methods are often successful, more groups are likely to follow PETA’s lead, making it important that *all* companies pay careful attention to what stakeholders have to say. “That’s why Nike and Home Depot have been favorite targets,” Zietsma says. “In response to the pressure, those companies have been able to make all sorts of changes.” **Z**



Charlene Zietsma

agreed to preserve them. As a result, wildlife corridors are protected, but low-value forest is made available to industry. Because all groups agreed on what research should be done, who should do it, and how it should be conducted, says Zietsma, everyone trusted the data.

In the beginning of her research, Zietsma “acted like a historian,” studying media coverage, texts, and speeches about the issues to get a sense of how the conflict had evolved over time. Then, she interviewed 68 people from all sides

# Technology

## ■ Biz Library for the Tech Generation

Printed materials aren't the only literary convention being transformed by the digital revolution. Academic libraries also have come a long way from dusty card catalogs and hand-written checkout cards. Many libraries today are undergoing state-of-the-art digital makeovers, taking advantage of everything from the Internet, to database technologies, to radio frequency identification (RFID), to offer campus communities quicker, more comprehensive access to information.

One \$16 million makeover was recently completed at the business library at Bentley College in Waltham, Massachusetts.

The newly renovated library has doubled its online resources, which include electronic access to more than 70 databases. The library improved its PC access with Internet and power ports located throughout the building. Each study carrel is also equipped with wireless access. The library features a cybercafe, art gallery, research space, offices for doctoral candidates, and individual and collaborative study rooms for students. Nineteen of the 24 study rooms include flat-panel LCD screens to facilitate group work.

The library also is equipped with an RFID library collection management system by 3M. The electronic self-checkout system uses computer RFID tags inside each book that allow library users to check out a stack of books with a single swipe across a detector.



Bentley College's new state-of-the-art business library.

The mission for the renovation was to go beyond the conventions of a traditional academic library, notes Philip Knutel, Bentley's director of academic technology, library and research services, and a principal designer for the project. "We've combined all the

resources of an academic library with the elements that make a commercial bookstore so inviting," he says.

## ■ Fox Helps Philly Go Wireless

**The Fox School of Business at Temple University** in Philadelphia, Pennsylvania, recently worked with that city's government to develop a plan for a citywide wireless network. The team of faculty and students who worked on the project hopes its plan will serve as a model for other cities that want to establish wireless environments.

The team from the Fox School included Munir Mandviwalla,

founding chair of the management information systems department and executive director of the Irwin L. Gross eBusiness Institute; Julie Fesenmaier, associate research director of the Cochran Research Center; Paul Weinberg, senior fel-

## NEWSBYTES

### ■ ONLINE RESOURCES FOR THE DISABLED

Babson College in Wellesley, Massachusetts, has expanded its career services Web site to include a new resource page and online skills-based workshop to help students with disabilities. The site includes links to information regarding employers and legal protections for the disabled, as well as an audio workshop titled "Disclosure and Accommodations," designed to help disabled job applicants approach and inform potential employers.

### ■ CALL FOR SAFER NANOTECH

The Nanoethics Group ([www.nanoethics.org](http://www.nanoethics.org)), a nonprofit based in Santa Barbara, California, is creating a 30-member advisory board made up of industry leaders and academics to examine the ethical and social impact of nanotechnology. What makes nanotechnology so appealing—its ability to produce very strong materials and high computing capacities on an atomically small scale—also presents a potential danger. Little is known about what would happen if a person were to ingest or inhale nanomaterials, or somehow absorb them through the skin, say organization representatives. Officials of the Nanoethics Group say that its goal is to anticipate and respond to any risk the technology may represent.



low of the Irwin L. Gross eBusiness Institute; Abhijit Jain, an MIS doctoral student; and Jeff Smith and Greg Meyers, alumni of the Fox school.

Work on the business plan included conducting a needs assessment and a stakeholder analysis for the city, as well as holding 13

focus groups and a town hall meeting where citizens could add their voices to the project. Plans for the citywide wireless network were presented to the city in February. On Febru-

## DATABIT

Outsourcing to India is having expected effects, including an increase in job creation in that country, especially in the tech sector. For example, according to *Computerworld*, Bangalore-based Infosys Technologies Limited reported adding **14,200 employees** last year, an increase of 40 percent. Hyderabad-based Satyam Computer Services Ltd. added **1,977 employees** in the quarter ending last September, an increase of 23 percent.

ary 29, Philadelphia's mayor, John Street, announced that the city-sponsored nonprofit group Wireless Philadelphia had partnered with Earthlink to create the network.

## TOOLS OF THE TRADE

### IT Groups Give Higher Education 'Open Source' Software Options

In response to the rising cost of maintaining software licenses for higher education, organizations dedicated to the release of "open source" software designed specifically for colleges and universities are gathering momentum. Open source software makes its source code available to the public, so that a community of users can adapt, improve, and advance the software faster than traditional software development. That model, say open source advocates, can help colleges and universities take charge of their own software needs.

Since its launch in January 2004, the Sakai Foundation, formerly the Sakai Project, has worked to develop and distribute an open-source collaboration and learning software program designed for higher education. The foundation involves more than 80 educational partners and 12 commercial affiliates. In July, the Sakai Foundation released the latest version of its software, Sakai 2.2.0, which includes assignment and scheduling, teaching, portfolio publishing, messaging, discussion, and Web editing tools.

The Kualu Foundation, another open source partnership, was launched

in August 2004 as the Kualu Project. It pooled institutional investments from Indiana University, the University of Hawaii, the National Association of College and University Business Officers (NACUBO), and open source software company r-smart group. Their goal was to develop a financial information system for colleges and uni-




versities using the open source model. In March 2005, the project received a \$2.5 million grant from the Andrew W. Mellon Foundation.

In April, the Kualu Foundation released the "test drive" of its Kualu Financial Systems (KFS) software, which is specifically designed for college and university fiscal enterprise management. It is based on the financial system design used for more than a decade at Indiana University. The

initial version of KFS includes base modules that track accounts, general ledger functions, transactions, reporting, and workflow. Additional modules will involve accounts receivable, budgeting, capital assets management, endowment and other functions.

Brad Wheeler is the board chairman of the Kualu Project and a board member of the Sakai Foundation. He also serves as the chief information officer at Indiana University and as an associate professor of information systems at Indiana University's Kelley School of Business in Bloomington. Wheeler notes that the advantage of the open source model is that it allows those who work in higher education to design software specifically suited to their needs, while also maintaining control over its code, its development—and its cost. "Like the Sakai Project, Kualu is aggregating institutional resources to develop and sustain open source software together as we all strive to do more with less," Wheeler says.

For more information on the open source efforts of the Sakai Foundation, visit [www.sakaiproject.org](http://www.sakaiproject.org). For more information on the Kualu Project, visit [www.kualu.org](http://www.kualu.org). 



## Bringing Employees on Board with Ethics

Just as the topic of ethics has become a key subject at many business schools, so too has it become a major focus of many corporations. Recent scandals, ethics violations, and ethics legislation have caused many corporations to rethink their positions on ethics—or at least pay more attention to how those positions are communicated to all of their employees.

As a corporate ethics officer involved in design, delivery, and enhancement of ethics and compliance programs for a large U.S. company, I know how difficult it is to get all employees in a company to pull together in a new direction when it comes to ethics. Yet it's essential that all employees understand the company's desired ethical culture and that they work together to implement it.

My organization has 125,000 employees at more than 1,200 locations in several nations. Getting all of them to think the same way about ethics is akin to getting 125,000 individual rowboats to go in the same direction. To change a company's ethics, managers must touch every employee and get them to *actively row* in the new direction.

In today's Web-based age, companies sometimes attempt to use computers and video equipment to get employees all rowing together. Two companies I know of, both facing serious ethical failures, relied on electronics to disseminate ethics training to all employees. That's fast and low-cost. I know of another

company that required every employee to attend a four-hour lecture. That is moderately fast and moderately expensive. Both approaches are valuable, but they don't do enough.

To get all employees moving in the same ethical direction, managers really must take a two-step approach. They must create an environment in which employees feel comfortable discussing ethics, and they must foster employees' learning about ethics in the workplace. Many employees will come to an organization already having studied ethics at business school, whether as undergrads, MBA candidates, or participants in executive education programs. But it's important that programs at the office reinforce this training so employees become effective, lifelong learners about business ethics.

When my company wanted to revamp its ethics program, we first told managers to ask employees two questions: What values do you bring to work with you from home? And what values do you want this company to be known for? From the resulting discussions emerged widely shared values that the company adopted as its corporate values. Once those values were established, the company scheduled managers for 360-degree evaluation against those values. The goal was to reinforce each manager's existing strengths and provide ideas on how to develop new ones.

The company also produced clear and readable ethics guidelines and distributed them to all employees. The ethics office prepared packets of possible workplace scenarios and distributed these to

managers. During staff meetings, managers led discussions about how to handle various situations in light of the company's ethics policies. Combined, all these activities encouraged an environment where employees could expect to communicate openly and safely with their managers about ethics.

I know these measures definitely have changed the direction in which our employees row. For example, I recently heard five women discuss a scenario in which a male manager jokes with a female employee in terms filled with sexual innuendo. One woman said, "Fifteen years ago, that often happened in this company. Women could keep quiet and keep their jobs, or they could complain and look for new jobs. Things have changed. Now such situations rarely happen. If they do, the woman can complain safely, and the company will take action."

Encouraging open discussion is just one part of the ethical equation. Just as important is the second part: helping employees develop their ethical frameworks and learn to make sound ethical decisions. Often, companies can develop ethics programs with the assistance of local business schools that cover ethics in their own curricula. Disciplines such as business, philosophy, law, history, sociology, psychology, accounting, logic, and organizational systems help illuminate the full spectrum of ethics issues that employees will face. Ultimately employees will develop the skills to recognize an ethics issue, gather information about it, generate options for handling it, execute their decisions, and feel that they have done the right thing.

To be able to handle ethics situations gracefully, individuals must achieve the highest level of learning—what is called the “be able to” level. They must learn ethics in a self-directed and collaborative fashion so they will “be able to” apply their ethics knowledge in real-world situations. My own experience indicates employees develop the “be able to” level for business ethics through study of four broad topics: people, expectations, process, and perspective.

■ **People.** Stanley Milgram’s research shows that virtually all people will violate their personal ethics if they think their job requires them to do so. But David Bersoff’s research shows that the tendency can be countered by management interventions such as humanizing the victim of an ethics violation. For example, employees need to understand who is affected by their decisions and how.

■ **Expectations.** When societal and public policy expectations exist, people are more likely to meet a high level of ethical behavior. For instance, the U.S. Sentencing Guidelines for Organizations presents a basic framework for setting up an ethics policy; employees who work under such a policy know what their company expects of them. Karl Weick and his colleagues also have suggested ideas that might identify hallmarks of organizational cultures that exhibit a high level of ethical reliability.

■ **Process.** This can be defined as all the ways that people and organizations make decisions. If the process has ethical considerations built in, employees are more likely to make ethical decisions.

■ **Perspective.** As employees learn



Carl R. Oliver

**EVEN IF EMPLOYEES DON'T NEED TO BE TAUGHT ETHICAL BEHAVIOR, THEY MAY NEED TO LEARN HOW TO MAKE AN ETHICAL DECISION WHEN MAKING SUCH A DECISION IS NOT EASY.**

more about all of the principles, resources, and issues developed throughout history to think about ethical behavior, they bring that perspective with them to every part of their jobs—and their lives. Many develop a thought process that goes something like this: “Am I doing the right thing? Is the company? The nation? The world?”

I believe that most people are already ethical. Lynn Brewer—a former Enron executive and whistleblower, now an ethics consultant—says that in the companies she visits, 80 percent of the employees are behaving ethically. Where I work, data from the company’s ethics telephone line indicates that virtually all our employees try to do the right thing.

But even if employees don’t need to be taught ethical behavior, they may need to learn how to make an ethical decision when making such a decision is not easy. People do want to learn that skill for three very good reasons:

First, people want to work for a company they can be proud of. They want to learn how to recognize and join ethical companies, and how to recognize and avoid unethical companies.

Second, they want to succeed, not fail. They want to learn how to maximize their success in the workplace and avoid mistakes that would derail their careers.

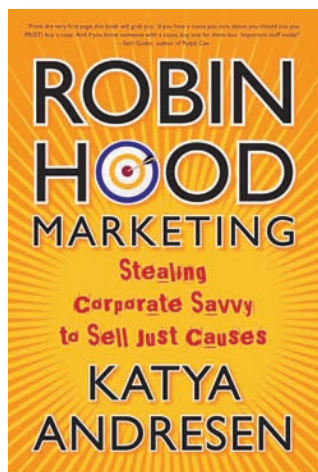
Third, they want to row their boats in a useful direction. They want to make their business lives promote values they hold dear.

Company ethics become stronger when the collective wisdom of employees is enhanced. It is easier for any corporation to build good ethics programs when business schools have already taught their students about ethics and prepared all employees to row together in the same ethical direction. **Z**

Carl R. Oliver is the corporate ethics process administrator for a corporation headquartered in Los Angeles, California. The views expressed are his own and not necessarily those of that corporation.

**"WE WILL SUCCEED IF WE CAN TRANSFORM OURSELVES FROM MISSIONARIES INTO MARKETERS WITH A MISSION."**

—Robin Hood Marketing



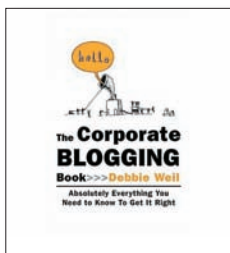
**"People take actions they perceive as fun, easy, popular, and rewarding,"** writes Katya Andresen—and good marketers will find ways to make their products appeal to consumers on those levels. What's interesting is that Andresen isn't talking about getting customers to buy an athletic shoe or a soft drink. In *Robin Hood Marketing*, she's telling directors of charities and nonprofits to use corporate marketing strategies to win converts to social causes. Like corporate CEOs, those running charitable organizations need to learn how to get their messages across by focusing on what the customer wants to hear, not what the organization has to tell. The book is full of pointed advice, terrific examples, and heartfelt conviction. "We will succeed if we can transform ourselves from missionaries into marketers with a mission," Andresen says. (Jossey-Bass, \$24.95)

**CEOs have to focus on their customers and their competitors to make sure they're keeping up with the market—but if they're not careful, they can be ambushed by twists and trends that are reshaping their industries from the fringes.** To discern what's going on outside their direct lines of sight, corporate leaders need *Peripheral Vision*, according to George S. Day and Paul J.H. Schoemaker. To scan for potentially redefining—or damaging—trends, business leaders must know where

and how to look, how to interpret what they find, and how to act on new information. "The problem with signals from the periphery is that they are often faint and ambiguous," warn the authors, who are both affiliated with the Wharton School.

Yet, they also provide useful tools for separating the static from the warning sirens. They suggest ways to harness the Internet, sift through media reports, examine unfamiliar industries, and interact with customers to get a sense of what's coming next and how it can radically change the face of business. (Harvard Business School Press, \$29.95)

**More and more people are posting their thoughts on easily accessible online sites known as Web logs—or blogs—and some of those people work at companies big and small.** In *The Corporate Blogging Book*, Debbie Weil explains what a blog is, how it can benefit an organization, what potential legal risks it presents, and what it might do for an organization once it's launched. She makes a persuasive case for blogging as the new century's best method for staying in touch with customers, both to learn what they want and to shape the news they hear about the organization. Business schools can take away two messages from her brisk and engaging book. On the one hand, it offers a comprehensive overview of an



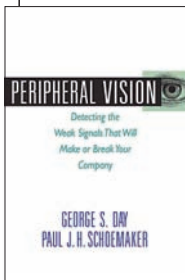
emerging marketing strategy that today's business students need to understand. On the other, it provides schools with dozens of ideas for how to use this new marketing tool to reach their own stakeholders in a fresh new fashion. (Portfolio, \$23.95)

**While it's become popular to refer to the "accounting failures" of the last few**



years, accounting troubles only exacerbated or failed to uncover the real problems that led to the downfall of major companies. "Worldwide, there was something rotten at the core of corporate life," according to Stewart Hamilton and Alicia Micklethwait in *Greed and Corporate Failure*. They deconstruct a number of high-profile and international meltdowns—Barings Bank, Enron, Marconi, Parmalat, Swissair, and more—to come up with their own list of reasons companies fail. It's short: poor strategic decisions; overexpansion; dominant CEOs; greed and hubris; failure of internal controls; and ineffective or "supine" boards of directors. The authors do more than point fingers. After a close look at the ways each of their case study companies was brought down, they suggest tough solutions—and predict where the next round of scandals may occur if the financial world doesn't pay attention. (Palgrave MacMillan, \$42.50)

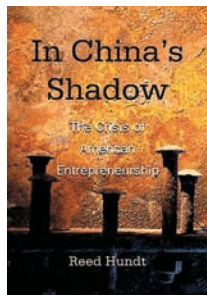
**Most experts predict that, in the 21st century, China will overtake America as the world's foremost economic power, and in his book *In China's Shadow*, Reed Hundt explains how.**





# Bookshelf

He believes that China's culture-shaping architectures—law, technology, and leadership—combine to create an atmosphere highly favorable to entrepreneurship, whereas in America those same architectures no longer foster the fertile entrepreneurial spirit so rampant in the 1990s. As the balance of entrepreneurial activity skews away from the West, Hundt expects that “Chinese and other Eastern firms will make almost everything for nearly everybody in the world”—a concentration of productivity that will have widespread effects on politics and economics around the world. Hundt, with a clear bias toward U.S. entrepreneurship, presents “the need to act, the difficulties of action, the possibilities for action, and the reasons for hope.” (Yale University Press, \$26)



fields. He then shows how “channel stewards” can build and edit a channel value chain so that customers are best served and key members of the supply chain are rewarded. “Stewardship... requires a laserlike focus

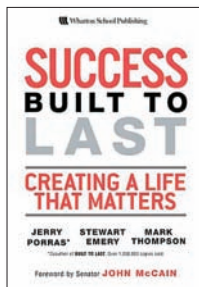
on the customer and a rigorous study of how the various partners contribute to the channel value chain,” Rangan writes. He offers all manner of examples, from the huge auto industry to smaller private enterprises, making the book valuable for readers at all points of the business spectrum. (Harvard Business School Press, \$25)

#### Can love be a competitive advantage?

Absolutely, say Jerry Porras, Stewart Emery and Mark Thompson in *Success Built to Last*.

“Passionate people spend twice as much time thinking about what they’ve accomplished, how doable the task ahead is, and how capable they are of it,” say the authors.

They’ve interviewed hundreds of dedicated, successful individuals from all fields of endeavor—Jimmy Carter, Nelson Mandela, Maya Angelou, Bono, and a host of lesser-known people—to discover what contributes to long-term success and a meaningful life. While the book definitely has inspirational qualities, it also tries to honestly analyze the elements that make up true, lasting success. Love is only part of the equation. (Wharton School Publishing, \$29)



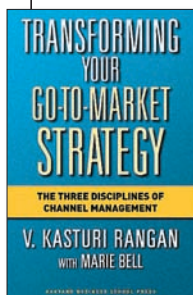
#### Quick Looks

“If you can’t build a business that leads to a better world for all in some small way, then why build a business at all?” That question is at the heart of *True to Yourself* by Mark Albion, a former Harvard Business School professor and co-founder of Net Impact. While Albion clearly believes in running a business according to the values of transparency, sustainability, and responsibility, he also knows that executives have to make a profit, demonstrate competence, and get a product to market or they simply won’t survive. This short book is a primer on how to do business while living in harmony with the world, and it will serve as an excellent guide for anyone trying to run a values-based enterprise. (Berrett-Koehler Publishers, \$12)

Educators who are committed to learning outcomes assessment but bewildered about how to make their classes yield helpful data should be interested in Catherine M. Wehlburg’s *Meaningful Course Revision*. She slowly and clearly walks the reader through ways to mine information from past student coursework and demonstrates how small revisions in existing assignments can provide professors with better gauges of learning. “Changing the activities and design of a course is a great deal of work, and focusing that work so that student learning is the reason for the change is essential,” she writes. The book is full of useful nuggets, as well as old and new ideas, all presented in a sensible format that makes them seem easy to try. (Anker Publishing Company, \$37.95) [Z](#)

Getting a product to market isn’t a simple or straightforward process, and as a company grows, its methods for putting products in consumers’ hands tend to become both more complicated and more resistant to change. That’s bad news for any executive trying to make distribution channels more effective—even a source of competitive advantage.

Fortunately, help is on hand in Harvard professor V. Kasturi Rangan’s *Transforming Your Go-To-Market Strategy*, written with Marie Bell. Rangan dissects the forces that shape channel distribution and illustrates how executives can map out the influences affecting their own



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# Spotlight



MI/MBA graduate Daniel Bowman Simon (in background) stands with children from a remote village in the Philippines. Bowman points out that children are most vulnerable to environmentally unsound practices.

## MBA's with a Mission

The Masters International program combines MBA training with Peace Corps service.

**For business students seeking a sense of purpose** with their MBAs, a program that pairs business training with a philanthropic mission may be an intriguing option. The Masters International Program, which the Peace Corps offers in partnership with nearly 50 U.S. colleges, gives students just that opportunity.

Although the MI program offers concentrations in subjects ranging from entomology to forestry to health, several schools offer degrees with an orientation in business, agribusiness, or economics, including the University of the Pacific in Stockton, California. UP invites interested students to apply to the Pacific MBA and Peace Corps MI programs. Once accepted to both programs, students complete a one-year, full-time course of study on campus. Then, they travel overseas for two-year commitments as Peace Corps volunteers, choosing assignments specifically suited to their management training.

The rigor and intensity of the dual program can be intimidating,

says Chris Lozano, MBA director, student recruitment and admissions, at the University of the Pacific. "The Peace Corps process can be rather grueling," he says. "We've only had a limited number of students who have made it through both the service aspect and the MBA."

One recent MI/MBA graduate, Daniel Bowman Simon, chose the program specifically because of its Peace Corps tie-in. "In developing countries, there are problems everywhere you look," says Simon. "I thought if I got an MBA and learned the skills to find the root causes of complex problems and identify better business solutions, I would be a better Peace Corps volunteer."

Simon's Peace Corps assignment sent him to a village in the Philippines, where fishermen had overfished the ocean and had to find a new livelihood. Villagers turned to loom-weaving, using locally grown raffia fiber, to generate income to support their families. Unfortunately, they were harvesting the raffia faster than it could grow

back; coloring the raffia with dyes that contaminated the groundwater; and dumping their garbage into the ocean and excavated mining areas.

"I explained to them that their garbage would be toxic to their children, which would increase health costs later," says Simon. "I told them that from an economic standpoint, they needed to find new ways to deal with their trash." Simon worked with villagers to reduce the garbage they generated and find more sustainable ways to grow and harvest raffia.

After Simon returned from the Philippines, he received a \$50,000 grant from New York University's Stern School of Business to launch a new company, GaiaSoil. His company converts conventional black-tar roofs to "green roofs," which use rooftop vegetation to reduce water runoff, capture pollution, and lower rising heat in urban areas.

Simon also wants to use the expertise he gained in the MI/MBA program to encourage American businesses to adopt environmentally friendly practices, not just to save money and improve the environment, but also set an example for the rest of the world to follow. "Citizens in developing countries hear about our fancy garbage trucks and expensive landfills, and they want what we have," Simon explains. "They think, 'If America isn't using environmentally sound practices, why should we?' If I can introduce natural solutions to businesses in America, these practices are more likely to be adopted in Third World countries."

For information on the MI Program and a complete list of participating schools, visit [www.peacecorps.gov](http://www.peacecorps.gov) and click on "Grad School" to reach the Masters International Program link. [Z](#)