

# PizEd

MAY / JUNE 2002

## Tom Peters Tells Business Schools: Be Bold, Not Boring

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What Are We Teaching  
The New  
Entrepreneurs?

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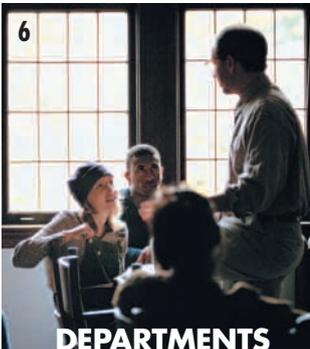
Taking a Hard Look  
at the **Future** of  
Management Education

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Cover photo by Larry Maglott

# From the Editors

## Obsessed by Opportunities

If you're like most people, at some point in your life you've looked at a toaster oven or a cigarette lighter and said, "I could do better than that." Or you've had a terrific idea for a new computer program, a child's game, or a rocket-powered scooter. If you're like most people, you didn't do much more than scrawl your idea on a napkin, joke about it with a friend, and return to the pressing business of your life.

If you're an entrepreneur, however, you pursued that idea and turned it from concept to reality. In fact, you probably have ideas like that every day of your life. "I define entrepreneurial thinking as having an opportunity-obsessed perspective," says Stephen Spinelli of Babson College, a school that focuses on entrepreneurial education. "It can get irritating to people in your private life, but it's something you can't shake out of your head. When you see life from that perspective, instead of seeing problems, you see problem-solving."

Entrepreneurs can be found in the most surprising places. For instance, the College of Music at the University of Colorado Boulder runs an entrepreneurship center designed for musicians. "Very few of those graduates will make a living performing, but many will make a living by getting involved in the music industry in some entrepreneurial capacity," says Timothy Jones of the Louis and Harold Price Foundation, which helps support the center.

Colleges of business, which have increasingly focused on entrepreneurship in the past decade, have grounded their students in every imaginable aspect of new business creation—with the result that we not only have music students opening their own recording studios, but recent MBAs developing businesses that specialize in the control of invasive plants. Is there money to be made by learning how to halt the onslaught of kudzu?

The market will decide. But a recent graduate armed with an understanding of venture capital, product value, and marketing strategies has a pretty good chance of helping the market make up its mind.

Entrepreneurship, in the end, comes down to a marriage of passion and know-how. The business school can supply the nitty-gritty nuts and bolts of new product development and launch. But the entrepreneurs themselves must bring the most important ingredient to the mix—the desire to succeed. They must be able to look at a certain big-leafed vine and see, not a weed that overtakes everything in its path, but the beanstalk that leads Jack to golden riches.

It's not the way most of us think. While entrepreneurs are convincing venture capitalists to invest, we're still doodling on our napkins. But that obsessed inventor won't rest until he's turned his dream into reality—a product or a service that changes one small corner of the world. **Z**



BILL BASCOM

Sharon Shinn

# University of Notre Dame Faculty

## Challenge Management Myths

### Questioning Conventional Wisdom

"The U.S. government took away a company's right to deduct executive pay if it exceeded \$1 million and was not sensitive to company performance," says **Notre Dame Accounting Professor Margaret Shackell-Dowell**, who studied more than 170 Fortune 500 companies.

"However, this 1992 law had unforeseen side effects: companies began to see the \$1 million level as the floor, not the ceiling." Unwittingly, the government set a standard in 1992 by associating a number with executive pay. "One million dollars became a base amount; companies paying executives less than this felt they had to sweeten the deal to compete for executive talent," she says. According to Shackell-Dowell, "Traditional methods of regulating pay – such as pay-for-performance measures – are still the most effective way to regulate executive compensation."



For more information, [www.nd.edu/~ndbizmag](http://www.nd.edu/~ndbizmag)

# Headlines



## Business Students and Society

**How are future business executives learning to lead?** A longitudinal study of international MBA students attempts to answer that question by examining their attitudes on the relationship of business to society. The first results of the report were recently released by The Aspen Institute's Initiative for Social Innovation Through Business (Aspen ISIB), based in New York City.

Nearly 2,200 MBA students from 13 major international business schools were surveyed from summer 1999 through spring 2001, answering questions about how they view the role of the company in society and how their views are shaped by what they learn in business school. Some findings:

- MBA students believe that they could—and would—provide more balanced leadership than business leaders do today by giving greater consideration to social and environmental concerns.

- MBAs shift their priorities during the two years of the business school program, from “customer needs” and “product quality” to “shareholder value.”

- Students believe that during their business careers, they will experience significant stress by having to make decisions that conflict with their values.

- MBAs believe that they can't change company values. If they experience a values conflict, they are more likely to leave than try to change the organization.

- In fact, MBAs aren't sure what “social responsibility” is. Many think it's an internal issue, and that it is the job of the corporation's human resources department to help create a happier and more productive work force.

- MBAs would like their business schools to show them the financial benefits of fulfilling social responsibility—as both an internal and external force. They also would like to see social responsibility incorporated into the core curriculum, rather than being taught as an elective on ethics or corporate philanthropy.

“This is the first time MBA student attitudes have been documented over the course of the MBA program,” says Judith Samuelson, executive director of Aspen ISIB. “And the results tell us that MBA programs do indeed influence students' attitudes toward business and

## AACSB Elects Board Members

AACSB International, St. Louis, Missouri, has announced six new representatives for its Board of Directors.

Although members originally voted to elect Margot Northey of Queen's University, Kingston, Ontario, as vice chair-chair elect, Northey has announced she will retire in June. She has resigned her AACSB position, and in her place, Carolyn Woo, dean of the Mendoza College of Business, University of Notre Dame, Notre Dame, Indiana, has been named.

Serving a three-year term on the Accreditation Council will be Sidney Harris, Georgia State University, Atlanta; and Richard Sorensen, Virginia Polytechnic Institute and State University in Blacksburg. Patricia W. Meyers, University of Redlands in California, has been elected to represent non-accredited member institutions. She also will serve a three-year term.

To serve as representative of non-U.S. educational institutions, Howard Thomas, University of Warwick, Coventry, England, has been elected to serve a two-year term. Jean C. Wyer of PricewaterhouseCoopers, Florham Park, New Jersey, will serve a two-year term as representative of non-educational member institutions. New board members will assume their positions on July 1.



## "A YEAR OR TWO AGO, WHEN THERE WERE MORE JOBS THAN GRADUATES TO GO AROUND, MANY EMPLOYERS MADE SIGNING BONUSES PART OF THEIR RECRUITMENT PACKAGE."

—Camille Luckenbaugh, NACE's employment information manager

society, and that business schools are not adequately preparing students to see the link between the two."

Recent disasters such as the September 11 tragedy and the fall of Enron "have brought societal issues to the fore, making the training of future business leaders in these topics not only timely, but urgent," Samuelson concludes.

### The Job Outlook for Recent Grads

#### The job market for recent

college graduates might be chancy in 2002, with companies projecting that they will hire fewer new grads and fewer companies offering signing bonuses to new hires. Yet students who participated in successful internships at corporations still stand a good chance of being hired at those companies. These are among the conclusions offered in *Job Outlook 2002*, an annual report compiled by the National Association of Colleges and Employers (NACE), Bethlehem, Pennsylvania.

According to employers responding to the survey, companies expect to hire approximately 20 percent fewer new college graduates in 2001–2002 than they did in 2000–2001. Employers were surveyed in July and December of 2001 to get their projections. The majority of employers in the Northeast, Midwest, and South planned to stick to hiring projections they made in mid-year. In the West, however, nearly half of responding employers said they expected to further reduce their college hiring pro-

jections. The organizations most positive about the idea of hiring new graduates this year were government and nonprofit entities.

College graduates who do get job offers might have to be content with the basic salary. A year ago, 55.3 percent of employers responding to the NACE survey said they planned to offer signing bonuses to their new hires. This year, only 36.7 percent of respondents

planned to offer such incentives. "A year or two ago, when there were more jobs than graduates to go around, many employers made signing bonuses part of their recruitment package,"

says Camille Luckenbaugh, NACE's employment information manager.

The biggest change, again, is in the West. Last year, 62.2 percent planned to offer signing bonuses to new graduates; this year, that number dropped to 25 percent. New grads are also unlikely to receive signing bonuses from computer software development companies and engineering/surveying firms. They're more likely to get a cash incentive from federal agencies and financial services firms.

The picture isn't entirely bleak, however. The survey also reveals that students who have interned at companies are often considered good prospects for hiring—because companies themselves view internships as an effective way to recruit. In fact, given a list of 18 college recruiting methods, employers ranked internships highest. They considered other top methods to be employee refer-

als, career and job fairs, on-campus recruiting, and job postings on their own Web sites.

Internship programs are valued most because "they provide both the organization and the student an opportunity to test the waters," says Marilyn F. Mackes, NACE executive director. "When employers convert interns to full-time employees, they already know what kinds of workers they're getting: if they fit the company culture, if they can do the job, and if they have realistic salary and benefits expectations."

The job outlook survey is an annual forecast of the hiring intentions of employers as they relate to new college graduates. For this year's report, NACE surveyed 1,803 members; 25 percent responded. For more information on NACE or *Job Outlook 2002*, see [www.nacweb.org](http://www.nacweb.org).

### Rawls College of Business Inaugurated

#### Texas Tech's College of Business Administration

in Lubbock was formally renamed the Jerry S. Rawls College of Business Administration in February during a two-day naming ceremony. The event also celebrated the \$25 million cash donation Rawls made to the school. The school's Board of Regents approved the renaming last year, but the change was only recently made official.

Rawls' donation included \$10 million to establish five endowed chairs within the college. The first chair in business has gone to Shelby D. Hunt, who carries the university's Horn Professor designation. As for the rest of the donation, \$7 million will be allotted to graduate scholarships; \$3 million to faculty and staff career development; \$3 million to



academic support; and \$2 million to technical equipment.

Rawls is president and CEO of Finisar Corporation, Sunnyvale, California. Finisar is a technology leader for fiber optic subsystems and network performance test systems. Rawls earned a BS in mechanical engineering from Texas Tech and an MS from the Krannert Graduate School of Management at Purdue.

## University of Oregon Grows a Green New Business School

**Business students at the Eugene campus of University of Oregon** soon will learn first-hand the benefits of using sustainable resources. The Lillis Business Complex, future home of the school's Charles H. Lundquist College of Business, will slash power bills, offer an environmentally friendly design, and serve as a case study in sustainability for thousands of students. Ground-breaking begins this spring, and the building is ex-

pected to be open to students for the 2003–2004 school year.

“Our curriculum reflects the values of the Pacific Northwest business community,” says Phil Romero, dean of the LCB. “One of the strongest of those values is the recognition of the preciousness of our natural environment, and the need to husband resources.”

Energy-efficient features in the new 145,000-square-foot building will harness prevailing breezes for cooling and the sun for heat, light, and electricity. The structure will be 50 percent more energy-efficient than state code requires. The four-story design includes a large glass atrium, which incorporates built-in photovoltaic cells to collect solar energy. These cells combine with others on the roof and in skylights to generate a projected 35 kilowatts of renewable energy. Classrooms and offices are positioned so that they can be used virtually year-round without electric lighting. Sunshades and light shelves regulate heat gain and glare.

An extensive ventilation system and extra thermal mass in the building's concrete structure enable it to retain more heat on cold days and stay cool naturally through most hot days. The building will conserve water through low-flow fixtures and an “eco-roof,” which puts rain water to use growing beneficial vegetation, rather than allowing it simply to run off. The building also will contain largely “green” components such as materials salvaged from the existing site, certified hardwoods, and other sustainable resources.

The design, created by architects from SRG Partnership, PC, in Portland, also incorporates state-of-the-art technical and communications capabilities, as well as learning centers for each academic department. Designers had to respect existing walkways, trees, and an adjacent historic precinct, while connecting nearby buildings to the new facility.

The green nature of the Lillis Business Complex fits the University of Oregon's long-standing commitment to environmental responsibility, demonstrated by its recycling program, paper use reduction policies, and energy-conservation retrofit projects. In 2000, the university's Sustainable Development Plan required that design principles such as those expressed in the Lillis complex be applied to all new building projects.

“The Lillis project demonstrates how sustainability can be integrated into a design without compromising the intended functions or costing significantly more. In fact, the various sustainable measures will enhance the comfort and beauty of the building and result in substantial operating cost savings,” says Christine Taylor Thompson, an associate in the UO Office of University Planning.



## New Partnership to Serve Nonprofits

The Yale School of Management, New Haven, Connecticut, has launched an initiative called The Yale SOM-Goldman Sachs Foundation Partnership on Nonprofit Ventures. It will be funded through combined grants totaling \$4.5 million made by The Goldman Sachs Foundation and The Pew Charitable Trusts. The partnership, which will launch a pioneering business plan competition for nonprofits, grew out of the three partners' growing concern that nonprofits increasingly find the need to enter the marketplace to generate new revenues beyond their philanthropic activities.

The Pew Charitable Trusts is contributing \$3 million over three years. The Goldman Sachs Foundation is investing \$1.5 million, as well as in-kind services, over a two-year period.

Yale SOM professor Sharon M. Oster, a leading authority on competitive strategy and nonprofit management, will direct the new partnership with deputy dean Stanley J. Garstka. A new course on nonprofit venturing will be offered to Yale MBA students, and they will have opportunities to become involved in writing cases and researching issues involving nonprofit institutions.

In May 2002, the partnership will launch the National Business Plan Competition for Nonprofit Organizations, the first of its kind worldwide, offering consulting input from a variety of experts at every stage of the business plan development. Four grand-prize winners will each receive \$100,000, and four semi-finalists will receive \$25,000 to launch the winning business ventures.



## INSEAD to Study Family Firms

The Tetra Laval Group, headquartered in Lausanne, Switzerland, and INSEAD of Fontainebleau, France, recently announced the creation of a project-based

research fund to focus on the most prevalent form of enterprise in the world today: family-controlled firms. The collaboration will enable INSEAD to foster research in areas such as prevalence, performance, and generational change. The school also will examine the governance of family firms and its implications for human resource management, exploring how the family affects business decisions, culture, and human resource practices.

Commenting on the initiative, Finn Rausing, Tetra Laval Board member and INSEAD alumnus, said: "A key success factor for all companies is the ability to attract qualified people. Through our sponsorship of this fund, our ambition is to make family businesses more attractive to students and, at the same time, help them to gain experience and knowledge from the academic world."

INSEAD's Ludo Van der Heyden, The Wendel/CGIP Chaired Professor for the Large Family Firm, added: "A family business represents a different kind of capitalism, far removed from the anonymity of the market. It's another way of conceiving and conducting business—and a way to contribute to society."

## Smeal Receives Substantial Gifts

The Smeal College of Business Administration at The Pennsylvania State University recently received two substantial gifts, one of \$3 million and one of \$1 million. Alumnus William A. Donan donated the \$1 million to endow a professorship to promote racial diversity. The William A. Donan Professorship in Business Administration will be given to qualified candidates whose ethnic or cultural background contribute to the overall diversity of the faculty. Donan has also established a minority MBA fellowship and an undergraduate scholarship.

The \$3 million was a leadership gift from the Richard King Mellon Foundation of Pittsburgh, given to help construct a new home for Smeal at the school's University Park campus. The new building will contain classrooms, labs, specialized learning areas, program spaces, and faculty and leadership offices. Penn State's

five-year capital improvement plan calls for a \$60 million business building, financed by \$35 million in university funds and \$25 million in private support. Completion is scheduled by the fall of 2005.

"The new building will mesh the physical space with new business models to stimulate entrepreneurial thinking, encourage students to strategize on a global scale, facilitate team-based and hands-on learning, and allow communication through digital networks," said Judy Olian, dean of The Smeal College. "And by bringing more of our programs together, the facility will also foster a strong sense of community."

According to Olian, undergraduate classes for business students currently are spread across a half-dozen campus buildings, and the existing business administration building will have difficulty keeping pace with rapid developments in technology as they affect business. Among the features planned for the new building are classrooms, specialized instruc-

tional studios, research laboratories, team study rooms, an auditorium, and interview rooms. At an estimated 210,000 square feet, the business building is projected to be the largest academic building on the University Park campus and part of

one of the largest business school complexes in the nation.

In other news, Smeal has announced that it will launch an Executive MBA program this fall, to be delivered in Philadelphia over alternating weekends. Participating exec-

utives will be able to earn their MBAs in 22 months while attending classes at the Gregg Conference Center in Bryn Mawr. Smeal's faculty will travel from University Park to Philadelphia to conduct the classes.

## INNOVATIONS

### An MBA for Veterinary Students

A degree in business can help almost anybody improve performance on the job—a concept proved by the growing number of schools offering degrees that combine business studies with some other discipline. At Colorado State University in Fort Collins, a new degree may be one of the most unusual marriages yet: The College of Veterinary Medicine and Biomedical Sciences and the College of Business have launched a program combining the Doctor of Veterinary Medicine and MBA degrees.

Beginning in fall 2002, the veterinary college will accept five students into the combined DVM/MBA program. Admission to the veterinary medicine program will be guaranteed, but the first year in vet school will be delayed until students complete the first year in the MBA program. Students will take their remaining MBA classes during the first two years of the veterinary program. The program will take five years to complete, whereas the professional veterinary medicine program takes four. The Evening MBA Program, which will serve as a basis for the combined course of study, is designed as a 22-month, 36-credit program.

One of the catalysts for this educational initiative was a 1999 study



of the veterinary medical profession. Commissioned by the American Veterinary Medical Association and the American Animal Hospital Association, the study revealed that, “although the scientific and clinical skills of the profession remain very high, veterinarians lack some of the skills and aptitudes that result in economic success.”

Conducted by KPMG LLP Economic Consulting Services, the survey also highlighted the results of a series of focus groups featuring practicing veterinarians. Although owning a private practice is still seen as the standard for success, most participants said that nothing in their veterinary medical education prepared them for the management requirements of private practice. Nor, most agreed, had they received enough communication, management, and other skills necessary for non-private practice.

Vets who have undertaken busi-

ness education on their own can testify to the advantages of receiving an MBA. For instance, Randy Willer, who started his Veterinary Specialists of Northern Colorado in Fort Collins five years ago, enrolled in the Colorado State MBA program last fall. The program taught him business strategies, leadership, life strategies, and team dynamics, he says. He adds, “Our profession is a business, too. Each day we interact with staff, clients, lawyers, vendors, bankers, and city and state government agents. We need to be good managers and good members of the business community, as well as good representatives of our profession.”

Jeff Zaruby, an equine veterinarian and veterinary consultant who is also currently enrolled in the MBA program at Colorado State, approves of the new combined approach. “Rather than compressing two programs into one four-year program, and thereby diluting both, a student can focus on fulfilling those first-year business requirements uninterrupted,” says Zaruby. “Students are going to emerge with an even better set of career options.”

For more information about the combined DVM/MBA program, visit [http://www.cvmb.colostate.edu/cvmb/MBA\\_DVM\\_Special\\_Opportunity\\_Program.htm](http://www.cvmb.colostate.edu/cvmb/MBA_DVM_Special_Opportunity_Program.htm) or [www.biz.colostate.edu/grad](http://www.biz.colostate.edu/grad).



## U of C Draws Younger Crowd

In an effort to draw younger students to its MBA program, the University of Chicago Graduate School of Business has unveiled a new program that encourages undergraduates at the University of Chicago to apply for admission. The typical student in the entering MBA class of 2001 was 29 and had five years of full-time work experience.

Under the new program, applicants in their fourth year of study at the University of Chicago who meet the admissions requirements of the GSB will be granted conditional admissions to the full-time MBA program. In addition, they will receive an automatic deferral of at least one year but not more than three years. During the deferral period, students will be expected to maintain appropriate employment.

“Younger students who have completed the rigors of the University of Chicago undergraduate program; who are smart, broadly read, skilled thinkers, writers, and problem solvers; and who have appropriate work experience can enrich the classroom experience for

everyone,” says Ann L. McGill, deputy dean for the full-time MBA program. “This program is one of the first steps we are taking to attract more students in their mid-20s.”

## Doctoral Program Added to UTSA

A doctoral degree program in business administration has just been approved for the College of Business Administration at the University of Texas at San Antonio. Areas of concentration for the new program will be accounting, finance, information technology, and management and organization studies.

“Nationwide, business schools are facing a severe shortage of faculty,” says Donde Ashmos, associate dean of graduate studies and research. “UTSA’s College of Business is poised to help fill those vacancies and ultimately help diversify the faculty of business schools throughout the country.”

The program is expected to grow to 47 doctoral students by its fifth year and produce five graduates annually. Recruiting for the new program has already begun, and classes are scheduled to begin this fall. Eleven new faculty members were hired last fall, and eight more will be added before next fall.

## GWIB Moves to Rice

The headquarters of the Graduate Women in Business has moved to the Jones Graduate School of Management at Rice University, Houston, Texas, from the Darden Graduate School of Business Administration at the University of Virginia in Charlottesville, Virginia. GWIB president Lisa Kudchadker plans to sharpen the organization’s focus by concentrating on mentoring, networking, and growing the organization.

“We’ll reach out to schools with too few women to create chapters and offer them individual member-

ship,” says Kudchadker. “We’ll also create a best practices guide to help establish new chapters. And we’re looking for partnerships among other women’s organizations like the Houston Women’s Forum and Women in Communications.”

The organization plans two major conferences for the year—one last month and the national conference scheduled for September. For more details, contact [lisak@rice.edu](mailto:lisak@rice.edu).

## Art Underscores Teamwork at HEC

Art, finance, and business education united when banking giant Deutsche Bank brought some of its 50,000 pieces of artwork to the HEC School of Management on the outskirts of Paris this spring. The canvases and photographs were exhibited at the school as part of an initiative to underline the importance of cooperation to future managers.

The exhibition’s theme of “Teamwork” was interpreted through pieces produced by two or more artists. The exhibition was opened in the presence of HEC’s dean, Bernard Ramanantsoa, and the director of Deutsche Bank’s art collection, Friedhelm Hütte.

## SHORT TAKES

■ Six schools received first-time accreditation from **AACSB International** in January, and twelve achieved reaccreditation. The six newly accredited schools are: Belmont University, Nashville, Tennessee; Cranfield University, Cranfield, England; Marist College, Poughkeepsie, New York; Ouachita Baptist University, Arkadelphia, Arkansas; Plattsburgh State University of New York; and Texas Southern University, Houston. Reaccredited institutions are: Arkansas State University in State University; Boise State University in Idaho; California State University in Long Beach; Cornell University, Ithaca, New York; James Madison University, Harrisonburg, Virginia; Marquette University, Milwaukee, Wisconsin; University of Mississippi in University; Texas A&M University in Commerce; Villanova University, Villanova, Pennsylvania; Wake Forest University-Babcock, Winston-Salem, North Carolina; Wake Forest University-Calloway, Winston-Salem, North Carolina; and the University of Wisconsin in Madison.

■ The inaugural 2002 National Case Competition was hosted in February by the John Molson School of Business at **Concordia University** in Montreal. Twelve undergraduate teams from across Canada competed, taking real business challenges faced by Canadian companies and preparing and presenting solutions within three hours. The winners of the national competition were four undergraduates from the Queens School of Business at Queen's University, Kingston, Ontario.

■ The Wharton School of the **University of Pennsylvania** in Philadelphia has announced the creation of the Lawrence S. Bloomberg Fellowship. Endowed by Lawrence S. Bloomberg, the \$250,000 Bloomberg Fellowship specifically provides financial support to Canadian MBA students at the Wharton School. Bloomberg is a director of and advisor to the National Bank of Canada.

■ **Duke University's** Fuqua School of Business, Durham, North Carolina, is launching Personal Learning Systems, a one-to-one executive learning and coaching service. As part of the new service, Duke Corporate Education has formed a joint-venture partnership with Marshall Goldsmith and James A. Belasco, California-based consultants with extensive experience in executive coaching.

■ Students from eight leading MBA schools examined the marketing of HIV/AIDS drugs in South Africa at the 12th annual Babcock MBA Marketing Case Competition, held this winter at **Wake Forest University's** Babcock Graduate School of Management in Winston-Salem, North Carolina. Harvard University's team won the top prize of \$5,000 in response to a marketing case provided by the event sponsor, pharmaceuticals company GlaxoSmithKline. The teams had 36 hours to develop a marketing plan for the company. The University of Texas at Austin placed second in the competition and received \$3,000; the third-place prize of \$2,000 went to the University of California at Berkeley.

■ In other news out of Wake Forest, the school has announced that it will receive a \$2 million gift from **Wachovia Corp.**, a financial services institution concentrated on the East Coast, to endow the Wachovia Scholars Program. The program will furnish scholarships and career assistance to MBA students to create a more diverse student body. The program also will provide up to six scholarships for underrepresented full-time MBA students and will cover up to 100 percent of tuition, books, and room and board expenses. The first scholarships will be given to students entering the MBA program this fall.

■ James M. Danko, associate dean of strategy and operations at the Tuck School of Business at **Dartmouth College**, Hanover, New Hampshire, has been named president of the MBA Roundtable, a management education organization concerned with advancing MBA curricular content, delivery, and innovation.

■ Richard T. Watson has been named to the newly endowed J. Rex Fuqua Distinguished Chair for Internet Strategy in the **University of Georgia's** Terry College of Business. Watson is a member of the school's department of management information systems and serves as director of Terry's Center for Information Systems Leadership.

■ The School of Business at the **College of William & Mary**, Williamsburg, Virginia, has joined forces with American Management Systems, an international business and informa-

## Loyola University Chicago Graduate School of Business

# Learn at a Premier University in a World-Class City



Left: Loyola's 25 East Pearson building (white windowed building at l.), which houses the Graduate School of Business, is just steps from Chicago's Magnificent Mile (at r.).

Ranked in the top 10 percent of MBA programs nationwide by The Princeton Review and 12th in the nation for part-time MBA students by U.S. News & World Report, Loyola's Graduate School of Business is a recognized leader.

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- MS in integrated marketing communications (MSIMC)
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- Dual degrees: MBA/MSISM  
MBA/MSA MBA/MSIMC  
MBA/MS pharmacology  
MBA/MS nursing MBA/JD (juris doctor)

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tion technology consulting firm, to create the American Management Systems Program for the Advancement of Intellectual Capital Management. A key element of the new program will be a seminar series in human capital management that will be offered to School of Business faculty and AMS personnel. AMS announced it would give \$120,000 to the school to support the program.

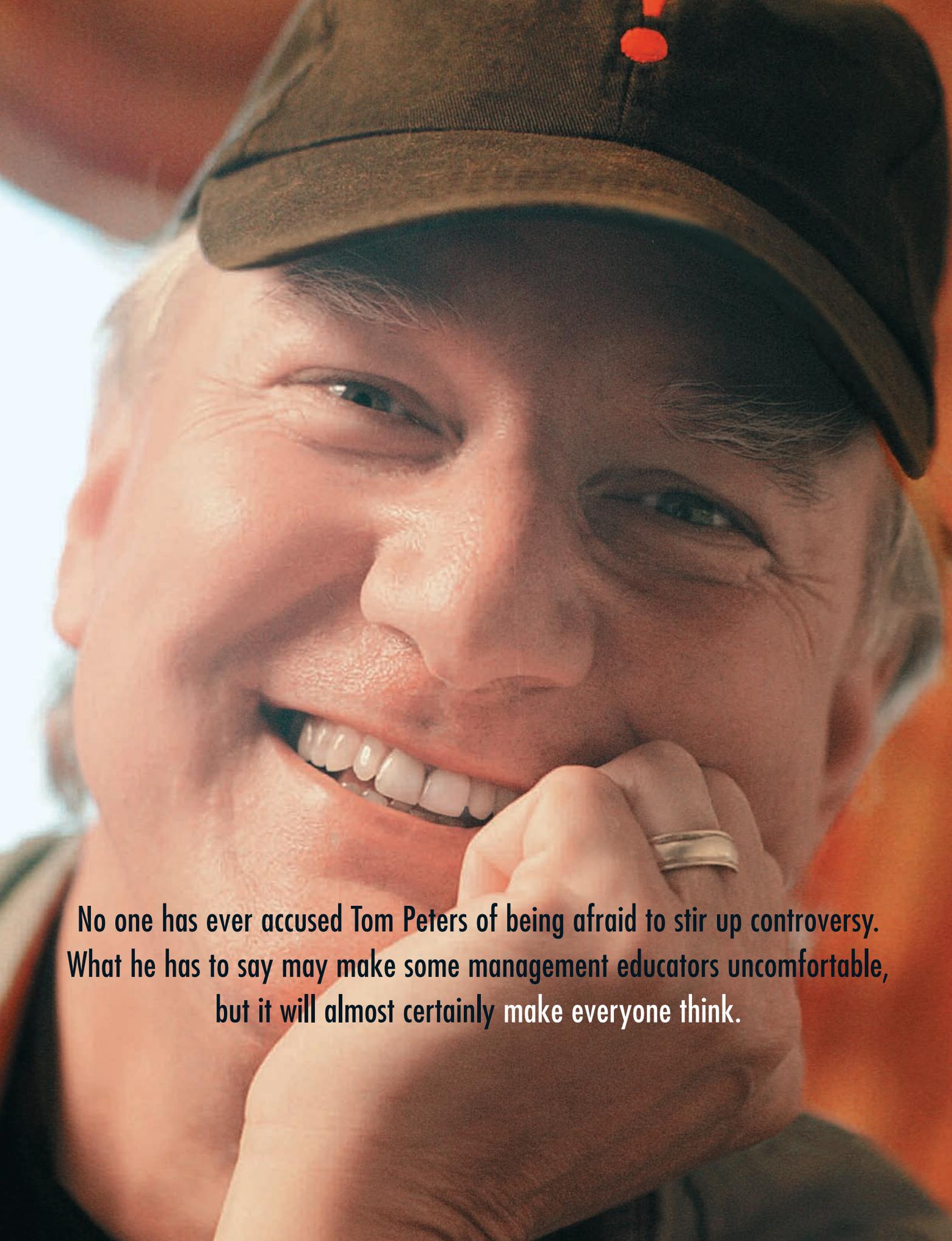
■ This June, the **Boston University** School of Management is launching Summer Intensives as part of its MS.MBA program. The summer program allows students to simultaneously complete two 14-week courses in the first three weeks, offering them 12-hour days that will help prepare them for real-world challenges. The summer program will focus on managing networked systems, systems architecture, and the integration of telecommunications and business networks.

■ A two-student MBA team from **Purdue University's** Krannert School of Management, West Lafayette, Indiana, won the growth fund competition at the 2002 University of Dayton RISE (Redefining Investment Strategy Education). Competing against 30 teams from three countries, the Krannert students won the competition based on a presentation and the performance of the Krannert Student Managed Investment Fund.

■ The Cox School of Business at **Southern Methodist University**, Dallas, Texas, has announced the Edwin L. Cox Distinguished Scholars Program, created to recognize and attract exceptional MBA candidates. Each fall, up to ten candidates will be recognized as Cox Distinguished Scholars. They will receive full-tuition scholarships and the opportunity to gain greater value from their MBA experience through travel to New York City and Washington, D.C.

■ Michael A. Anikeeff, director of the Alan L. Berman Real Estate Development Institute in the **Johns Hopkins University's** School of Professional Studies in Business and Education, has been selected as one of the first Distinguished Fellows of the National Association of Industrial and Office Properties. The 9,500-member national organization services developers and owners of industrial, office, and related commercial real estate.

■ The Graduate School of Business at **Columbia University**, New York City, and the Haas School of Business at the **University of California, Berkeley**, are joining forces to create an executive MBA program that addresses the needs of both Wall Street and Silicon Valley. The bicoastal curriculum will offer general management courses with electives in areas such as IT strategy and international finance. Participants receive degrees from both schools. **Z**



**No one has ever accused Tom Peters of being afraid to stir up controversy. What he has to say may make some management educators uncomfortable, but it will almost certainly make everyone think.**

# Tom Peters:

by Christy Chapman

# UNCENSORED

photographs by Larry Maglott

**Tom Peters**, a self-described professional loudmouth, has some things to say about business education—which should come as a surprise to no one. For almost 20 years Peters has dedicated himself to inspiring individuals and the organizations that employ them to transform the way they think, work, and live. “Embrace change!” “Work with passion and enthusiasm!” “Wow everyone!” Anyone so devoted to reinventing and reinvigorating the world’s workforce is obviously going to be interested in how that workforce is educated.

It probably won’t be much of a surprise, either, that Peters, a well-known fanatic against the status quo, offers a fairly controversial commentary on the state of management education. Peters’ unconventional perspectives have led *BusinessWeek* to call him business’ “best friend and worst nightmare,” and the same label might apply to his views on management education. While he is one of its biggest fans and advocates, he can also be a harsh critic. Drawing on decades of experience and research, he offers a unique take on what’s right and what’s wrong with business schools and offers ideas on how they might want to reinvent themselves.

## **How well do you think business schools prepare students for management careers?**

I find that to be an incredibly difficult question, especially since I grew up around the Stanford/Harvard/Kellogg mentality. It’s like asking, “How well does the retail sector serve American consumers?” On the one hand you can shop from the Neiman Marcus Christmas catalog and spend \$275,000 on the motorcycle that Hitler rode or some other damn thing. On the other hand, you can go to Wal-Mart and get some pretty good stuff for \$9.95.

## **How does that relate to management education?**

Maybe I’m talking more to myself than to you and to your readers, but I think when you say “management education,” the tendency is to think Harvard/Stanford/Chicago. But

that’s about as intelligent as thinking Tiffany’s or Neiman Marcus instead of Wal-Mart when you say retail. Because management education consists of everything from a 38-year-old going to night school for five years to get an associate’s or a bachelor’s or maybe a master’s degree; to entrepreneurial people at the University of Phoenix providing all sorts of courses to people of all shapes and ages and sizes; to thousands of technical and administrative courses that are available on the Web for free or for \$30,000 a year; as well as to Stanford, Harvard, and MIT.

Also, at the front of the line is the corporate emphasis on management education. Corporations are doing stuff that is so much more interesting than anything Harvard or Stanford is doing, and they’ve been doing so for the last ten or 15 years. I mean, the rapidity with which IBM has moved most of its training online is just breathtaking.

As a result, I would come out pretty much on the positive end of the scale, because I think there is an enormous amount of experimentation going on in terms of delivery channels and so forth.

## **Do you consider that to be one of the strengths of management education?**

The wild and wooly experimentation and the breadth of the programs that are being offered? Absolutely. When I consider what’s really great about management education, the model that comes to my mind is a 34-year-old with an undergraduate degree from wherever, and I care not where, who gets her first supervisory job. She knows that she would like to be a lot better educated; and so she either goes online, or to Golden Gate college, or to one of a hundred or a thousand other educational centers, depending on where she lives.

At seven o’clock, after a long day’s work, she enters a classroom where the teacher—I say teacher and not professor because the instructor is not usually a tenured professor—is a partner at the local Ernst & Young office and is

teaching accounting courses at night to a class full of 34-year-olds who really want to learn this stuff because they want to get better at what they do.

That's real business education. An awful lot of that sort of thing takes place, and that's our strength. More than we've ever had in the past, we have a better organized, informal educational system for people who were not born the day before yesterday.

**And you see that phenomenon as representing the essence of management education today?**

Yes. I'm much more interested in looking at the 36-year-old who has been booted out of Xerox and wants to open a restaurant in East Rochester and what he does to get himself a practical business education. That, to me, is really the heart of the matter.

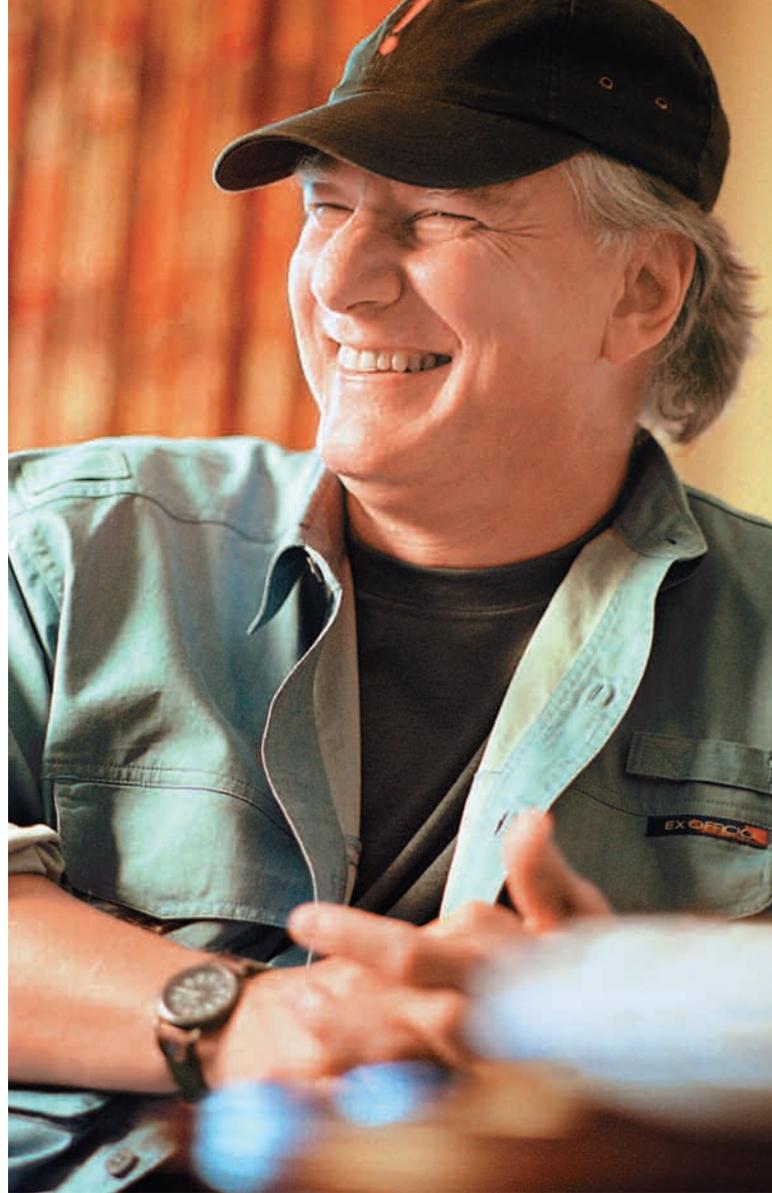
**You said that equating management education with Harvard is inaccurate. Why do you feel that way?**

At some levels, I believe Chicago, Rochester, Harvard, and Stanford are fundamentally irrelevant, because they are not what it's all about. Stanford trains 300 a year, Harvard trains 600 a year, and those numbers represent such a trivial drop in the bucket. Yes, these schools produce an unfair share of CEOs, and yes, a lot of research that presumably becomes a big part of management thinking is conducted at these institutions. I don't deny any of that at all. But it's just not where management *education* is at. There are two different stories. One is management education, and one is sort of research and leading thinking, and those are two completely different issues.

I told myself before this interview that I was not going to slip into the Stanford/Harvard trap, because that's not management education any more than Tiffany's is retail. I literally wrote myself a note, "Don't talk about Harvard and Stanford." They're just irrelevant to what real management education actually is about. I completely acknowledge the role of the professor like Bill Sharp who goes on and gets a Nobel Prize. But I also acknowledge the role of that head of the mid-sized accounting firm who is teaching in the University of California extension course. He or she is a management educator, too.

**Do you think organizations are becoming less biased toward individuals with degrees from particular universities?**

I think they long have been. I remember attending some meeting of business school educators about four or five years



ago, and one of the speakers from Citicorp said, "We're not really interested in MBAs anymore. They're too expensive, and they're too poorly trained. We're much more interested in finding peculiar and interesting people who came out of the Rhode Island School of Design or some other such place who have a peculiar and interesting attitude about life. Then we'll do the business training."

**Do you think students are wrong to believe that a degree from a particular school will ensure their greater marketability?**

No, I don't. I don't deny that society in general still has a fair dose of "certificatitus." I've faced this issue many times before, and when a mom or dad asks, "Should my kid go to business school?" I'll be damned if I'm going to tell them no. There is still perceived value to that Carnegie/Stanford/Chicago degree, and to deny that would be the utmost of silliness.

It's just that I have a completely different view of education. Education is bringing together an exciting and strange group of faculty with an exciting and strange group of students and then encouraging them to create spaces that have never been created before. And if you need the certificate,

Various companies that are doing a lot more of their own management training  
are saying, "We'd rather do the training.  
Just give us an interesting person."

we'll give you the certificate at the end of your three years as long as you don't murder a teacher or otherwise behave in a totally anti-social fashion.

So I think the great news is that, a la the Citicorp guy, we don't just brainlessly say having an MBA from a good school makes you a \$90,000-a-year person. Various companies that are doing a lot more of their own management training are saying, "We'd rather do the training. Just give us an interesting person."

**Do you think that a closer connection between the liberal arts and management education would help improve the business school experience?**

Yes. Utterly, absolutely, positively, unequivocally, yes. It's one of my beliefs about education in general. I believe we ought to have a lot more arts, music, drama, and so on in primary and secondary schools, and I would like to believe that in the world of business we could have a lot more catholicity of association with the rest of the university.

I think professional education in general has that deficiency as an Achilles' heel, whether it's medicine, law, business, or engineering. I suspect that a thoughtful law school professor, or even an enlightened medical school professor, would say the same thing. After all, medicine is a humanistic practice, and you need to know more than comparative anatomy to really succeed.

One of my best friends is a guy by the name of David Kelley. He runs a company called Ideo in Palo Alto, California, and is the only non-Ph.D. tenured professor at Stanford. Ideo is, by many standards, the premier product design company in America, and David has become kind of the great guru for creating innovative companies. David and a colleague started a three-part product design program in the industrial engineering department at Stanford. The beauty of that program is that it literally consists of three equal legs in three disciplines. It's one-third engineering, one-third art, and one-third business. And I believe it is the only one of its kind in the country.

**Was your own education characterized by such interdisciplinary study?**

No, and I'm angry about it. I'm angry that I attended Cornell as an undergraduate for five-and-a-half years and basically never made it out of the engineering quad into the liberal arts part of the school. I spent the ages of 18 to 23 there and literally came out a functional illiterate. I think I've talked to every engineering dean in the 37 years since I graduated and told them all, "You didn't educate me, and I'm pissed off."

I'm also angry, although not to the same degree, that I then went on for five more years to get my MBA at an extraordinary institution like Stanford and, with rare exception, never made it across the road from the business school. Here I was at this magnificent resource of extraordinary people engaged in extraordinary research and other activities, and my entire knowledge of the damn university consists of a space about 200 feet by 300 feet. That's a shame.

Out of 300 students in the business school at the time, I had two or three enterprising friends who did really great stuff. They all had a liberal arts component to their degrees. There was one kid I remember who got a double degree from the communications department on the other side of the big road, and a couple of others took minors in psychology or something like that. And I think that is terrific.

I don't think such interdisciplinary study is encouraged by either side of the road, by the way. I'm not just throwing the blame on the B-school deans.

**You've been somewhat disdainful of what many consider to be the top-of-the-line business schools.**

Yes, I find the big prestigious business schools to be shockingly boring and fundamentally useless, and I haven't kept that opinion to myself. My viewpoint has angered some business school deans, one in particular to the point that he refused to introduce me when I addressed his students during a lecture series. But that's kind of sad. I'm not arguing that I'm right. I hope to God that I do not have an unhealthily large ego. I just argue that I have a point of view that is perhaps worth considering.

**In Search of Excellence, which celebrates its 20th anniversary this year, went against all of the Management 101-style conventional thinking at the time. What Management 101 approaches being taught today do you think should be questioned?**

I'm not in an active business school right now, so I'm an awful lot less aware of what's going on than I was in times past. I would say that the issues that Bob Waterman and I ranted and raved against in 1982 have been addressed surprisingly well by business schools, hardly due to our work on *Search* but as a result of the pressures at play. Entrepreneurial courses were not very common 20 years ago. Now they are as common as dirt. Taking kids through various leadership training and experience courses and so on was virtually unheard of 20 years ago, and now those are, if not as common as dirt, then pretty darn common.

I think it's a time of great experimentation, and I think it's a time

**You said in a recent *Fast Company* article that one of the driving forces that compelled you to write *Search* was anger at several leading business thinkers of the day. At whom are you angry today?**

I'm not quite willing to go on the record with anger, but I'm not very enamored with James Collins' and Jerry Porras' *Built to Last*. I think it's a time of great experimentation, and I think it's a time when the whole notion of organizations that last forever is vaguely laughable.

Richard Foster and Sarah Kaplan wrote a book that was published last year called *Creative Destruction: Why Companies That Are Built to Last Underperform the Market and How to Successfully Transform Them*. The book is just an incredible condemnation of the pathetic performance of America's largest corporations. I'm so much more excited about the disruptive power of the Microsofts, the Apples, the 3Coms, the Netscapes, the Oracles, and the Sun-Microsystems, and their ability to make utter fools out of conventional wisdom. The upstarts interest me a lot more than the more traditional enterprises.

**What are the three most important lessons that today's educators should be teaching tomorrow's executives?**

Not to take anything very seriously, meaning that there is no such thing as accepted conventional wisdom. Enron taught us that we don't even know what value means anymore; and I say that speaking as not only a big fan of Enron in the past, but also the guy who partially trained Jeff Skilling, the former Enron CEO, when he was on a team of mine at McKinsey & Co. So the big lesson should be not to take anything seriously and to be shockingly flexible. Nothing else is important.

**You value curiosity and peculiarity and consider them important to an individual's success.**

Yes, but I want to go on the record that I value them because these are peculiar times, not because I have some passion for people who are freaks. It's a strange time.

**How can management educators prepare their students for these peculiar times? How can you teach someone curiosity? How can you teach an entrepreneurial spirit, to put heart in what you're doing?**

I don't think you can teach those qualities. I think the issue is selection. If the Tom Peters Business School opened tomorrow morning, 25 to 35 percent of the young women and men, or, better still, old women and men, who were part of my business school probably wouldn't even have a univer-



sity degree. They would be people who had gone out on their own and scrimped and saved and scrabbled and played and created some exceptional enterprise in their town of 10,000 or 10 million.

Again, I think there is too much emphasis, particularly in the high-powered business schools, on what your test grades are as opposed to what your demonstrated ability is. About two years ago, Charles and Elizabeth Handy published a book called *The Alchemist*, which profiled people who started from nowhere and created extraordinary companies or enterprises. Charles made the point in a lecture I attended that virtually none of his subjects had much formal education. In fact, most of them had actually been the bad actors and the cutups at school who were determined to be curious.

Those are the people I'm going to invite to my hypothetical business school. And some of them will be 70 years old. I want 19-year-olds who dropped out of the university in their sophomore year, and I want those 70-year-old grandmothers who have decided that they have a passion to start their own businesses. There aren't enough 70-year-olds in business schools.

**What is the one thing management educators must do to remain viable and relevant?**

Have a shockingly, shockingly diverse portfolio of students, and a similar cadre of faculty members wouldn't hurt either. I'm talking diversity in background, age, and so on, much more so than having the appropriate representation of various cultural groups. Which I totally support, obviously, but it's the next dimension of diversity that is needed.

One magnificent thing that has happened in the world of education is that three of the seven Ivy League colleges now have female presidents. The most recent appointee is Shirley Tilghman, who took over at Princeton last year. I read a lovely interview with Dr. Tilghman, during which she talked about getting beyond the lockstep application process at Princeton. She said, "I would like to think we can attract stu-

when the whole notion of organizations that last forever is vaguely laughable.



dents with green hair. We will take pink and blue and orange hair, too.” That’s the spirit I’m talking about.

**What are the three most significant changes that you foresee occurring in management education in the next 50 years?**

Online, online, online. Bricks and mortar is dead. Period.

Frankly, I see online education as being the nature of all education beyond about the tenth or eleventh grade. I see it as the essence of university education—nonbusiness university education as well as the world of business training. And I see people putting together their own portfolios of courses chosen from wherever in the world they wish to choose them, as opposed to paying attention to a curriculum put together by a particular business school.

I’ve been making the argument, with my tongue only slightly in my cheek, that 20 years from now I don’t expect us even to have university degrees. Instead, I think on the wall behind people’s desks will be a series of certificates that come from their courses, mostly online, that fulfill specific needs relative to their various projects. For example, I take over a certain kind of project, and so I go online and find a course somewhere or another that fills a knowledge gap that I have relative to that particular project. A hundred of those will constitute my formal education.

**What will make online education work? In other words, is it necessary to have a high-touch component?**

Online education is already working. Something like 70 percent of IBM’s corporate training is now done online. And the company has done that in an insanely short period of time, like 24 months. It also has saved a ton of money, like a couple hundred million dollars.

I don’t buy that high touch is necessary. First, people are already giving higher valuations to the online stuff. At IBM,

for example, it is my understanding that the course evaluation scores are higher for the online training than they were for the classroom-taught training. Years ago, National Technological University was one of the real pioneers in online education, and it was getting higher evaluation scores back then. So, the notion that the high-touch part has to be there is not necessarily true.

Number two, it’s all irrelevant. Because ten years from now, when the young men and women who grew up with Xboxes, Game Boys, and PlayStations, who lived by the screen from the age of two, make it into management, their skills will be coupled with the fact that the technology will be infinitely better than what we have now. The world will be entirely different.

I do recognize that there are lovely mixed models that include a high-touch element. The former marketing director of my wife’s home furnishings company recently changed jobs to go to work for a construction company. Her husband is the technical boss, and she will be the business boss. She just enrolled this fall in the utterly fabulous, marvelous, incredible distance learning MBA program at Duke’s Fuqua School of Business. Over the course of 20 months, she will spend about eight weeks total on campus, either in Durham, North Carolina, or at the Fuqua School of Business Europe in Frankfurt, Germany. The rest of her time is spent doing online stuff. As part of that, she’s participating in online chat rooms every night for about three hours. It’s a wonderful mixed model.

So I acknowledge the mixed model, but I do not think it is imperative. And I don’t think it’s going to be imperative at all ten years from now when broadband really becomes a reality, when everybody has infinite digital capability, when the quality of the learning experiences provided online is ten times better than it is today. Online education is already working, and it’s still primitive. Just wait until it gets good. **Z**

Christy Chapman, based in Winter Garden, Florida, is a free-lance writer.

# ENTREPRENEURIAL

# Spirit

Entrepreneurship programs have exploded on business school campuses, bringing students a broader understanding of new business startups—and old business revitalization.

New business ideas revolutionize the world. Every great invention, from the printing press to the silicon chip, has altered the shape of industry and the contours of personal life. Many of these inventions have been developed, implemented, or successfully applied to business by entrepreneurs.

In fact, the topic of entrepreneurship has become an increasingly popular one at business schools today, for students who study its fundamentals are well-prepared in all aspects of business: new product development, risk management, and market assessment. They're also ready to change the world with their new inventions or their new outlooks.

"When you look at how a scientific breakthrough occurs in society, it is always entrepreneurs who have driven that change," says Doug Johnson, director of the New Business Development Enterprise at the Carlson School of Management, University of Minnesota in Minneapolis. "Old companies and large companies find it extremely difficult to change themselves."

"All the major economic growth in this country, and maybe worldwide, has occurred in small, high-growth companies," says Kathryn Simon, director of the Robert H. and Beverly A. Deming Center for Entrepreneurship at the University of Colorado in Boulder. "Because of the widespread presence of entrepreneurial values, large companies have been forced to reevaluate how they work. They've had

to be quicker and more flexible, and they've had to learn to change direction. A company like IBM, which has a tradition of being hierarchical and slow-moving, has made significant changes, partly in response to this entrepreneurial influence."

This entrepreneurial spirit isn't just found in inventors and computer geniuses, says Simon. "At the University of Colorado in Boulder, we think entrepreneurship implies a desire for an individual either to start his own business or live within an environment of self-reliance, with low levels of resources in a high-growth business environment. Entrepreneurship is really a way of developing thinking in an arena with considerable unpredictability and ambiguity."

No matter how it's defined, entrepreneurship as a business reality and as a business school staple has skyrocketed in the past two decades. "Over the last ten years, there has been an explosion of academic programs devoted to entrepreneurship," says Timothy Jones, president of the Louis and Harold Price Foundation and vice president of the Price Institute for Entrepreneurial Studies, headquartered in New York City. "What's come on the scene in higher education is the creation of dedicated centers devoted to entrepreneurship within schools of business. It's not just a random class here or there on business plan preparation or venture funding. Now students can take a multitude of classes in these centers and learn all facets of entrepreneurship."

by Sharon Shinn

illustrations by Richard Waldrep



A variety of factors has fueled the new emphasis on entrepreneurship. The availability of personal computers and the unparalleled resources of the Internet have combined to allow ambitious new business owners to create and promote their enterprises on a shoestring budget. Meanwhile, massive layoffs instituted by major corporations during economic downturns have convinced many unemployed workers to try their luck at liberating their inner entrepreneurs. Business schools with well-developed entrepreneurship programs are poised to serve the next generation of Internet-savvy, IPO-ready venture capitalists.

### **Emphasis on Entrepreneurship**

While schools around the world are founding their own entrepreneurship centers and offering a higher concentration of new business development courses, one of the acknowledged leaders in the field is Babson College in Babson Park, Massachusetts. The school has leaned toward entrepreneurship since its founding, but it completely revamped the cur-

riculum, specific entrepreneurship programs that prepare students for the world of independent business. At the Carlson School, the New Business Development Enterprise is a year-long course that allows second-year MBA students to become new business project managers by inspecting start-up opportunities at the University of Minnesota, and then seeking financing for viable new technologies. The students evaluate 20 technologies over the year, working with faculty and mentors to conduct market assessments, create business plans, and look for “fatal flaws” in terms of patent infringements, safety concerns, and regulation violations.

This entrepreneurial approach to new product development cuts across all silos of business education and offers students a useful grounding in all phases of business enterprise, says Johnson. “It addresses the fundamental issues of product value and feasibility that are often overlooked by larger firms in the hubbub of daily business details. Consequently, even if our students go to work for larger firms, the things they’ve learned from us can be extremely valuable.”

**“In essence, Babson bet the farm by saying, ‘We’re going to deliver our MBA and undergraduate program differently from anyone else in the world, and we’re going to model it after the entrepreneurial process.’”**

—Stephen Spinelli, director, Arthur M. Blank Center for Entrepreneurship, Babson College

riculum in 1993 to make entrepreneurship its entire focus.

“In essence, Babson bet the farm by saying, ‘We’re going to deliver our MBA and undergraduate program differently from anyone else in the world, and we’re going to model it after the entrepreneurial process,’” says Stephen Spinelli, director of Babson’s Arthur M. Blank Center for Entrepreneurship. First-year MBA students go through a “creativity module that reflects the creation, growth, maturity, and renewal of a business,” he says. “The second module is called ‘opportunity recognition.’ And we teach against these modules from different perspectives. What is creativity from an accounting perspective? Or from a finance or entrepreneur perspective?”

Second-year Babson students can choose from a set of 11 entrepreneurship electives, or they can opt to take a whole separate “entrepreneur intensity track,” an integrated program for students who have the specific goal of launching their own businesses.

While few programs offer the full-body immersion plan of Babson, other schools big and small have developed concen-

At the Entrepreneurial Studies program at Clarkson University in Potsdam, New York, business undergraduates are immersed in the real-business world from year one, becoming part of a team that starts and operates a company. “They begin by assessing the market potential for a product or service, preparing a business plan, and convincing a board to fund their ideas,” says Stub Estey, executive director of the school’s Shipley Center for Leadership & Entrepreneurship. “The board, which includes local business professionals and representatives from the college, evaluates the business plans, but the university provides the seed money of up to \$2,500.” At year’s end, company profits are invested in a community service project designed by students.

During the next three years, students take on the progressively more difficult challenges of planning more sophisticated businesses. During their second year, students can participate in Venture@Moore House, a recreated corporate setting that allows students both to work and live together. In their fourth year, students can join the Clarkson



Consulting Group, a consulting firm that fulfills fee-based contracts with external business clients.

At the University of Colorado in Boulder, entrepreneurship programs are centered in the Deming Center, a joint program of the Leeds School of Business and the College of Engineering. The curriculum offers entrepreneurial courses to both business and engineering students—as well as out-of-classroom experiences such as internships, mentorships, involvement in the MBA consulting company called Entrepreneurial Solutions LLC, and close involvement with the business community, says Simon. Typical internship assignments include strategic or marketing plan development, market research and analysis, venture capital modeling, investment management, new product development, and researching and evaluating new business opportunities.

While such a grounding certainly prepares students to graduate and start their own businesses, Simon sees the value of an entrepreneurially focused education to be even greater. “Students learn to think like entrepreneurs, so they can eval-

uate risks and make business decisions,” she says. “New graduates might take positions in entrepreneurial companies as the second or third person in the organization. Or they might go to large corporate environments and bring that entrepreneurial thinking into some of the more innovative departments.”

### **Finding Faculty**

Not unexpectedly, one of the keys to running a program on entrepreneurship is staffing it. “Not everyone is convinced of the merits of a nontraditional program that adds experiential learning to the traditional mix of classroom teaching,” says Clarkson’s Estey. “Our experience suggests that this approach creates a very beneficial learning environment, and helping faculty members understand this is an important step.”

At the Pontificia Universidad Católica de Chile in Santiago, which offers a set of undergraduate and graduate courses focusing on entrepreneurship, simply finding the right professors is the challenge. “The courses require very special faculty, who are academically qualified and who are also seasoned

entrepreneurs,” says Matko Koljatic, director of the Escuela de Administración. “This is a very scarce resource.”

Many schools solve the problem by team-teaching the entrepreneurial classes. Minnesota’s Johnson, who has a background as a venture capitalist, partners with a full professor “who is there to assure me and the class that the academic rigor is upheld.” He also brings in guest lecturers such as lawyers, accountants, service providers, intellectual property experts, large firm divisional managers, and both successful and unsuccessful entrepreneurs. “You can learn a lot from those who have failed and are willing to talk about it,” he says.

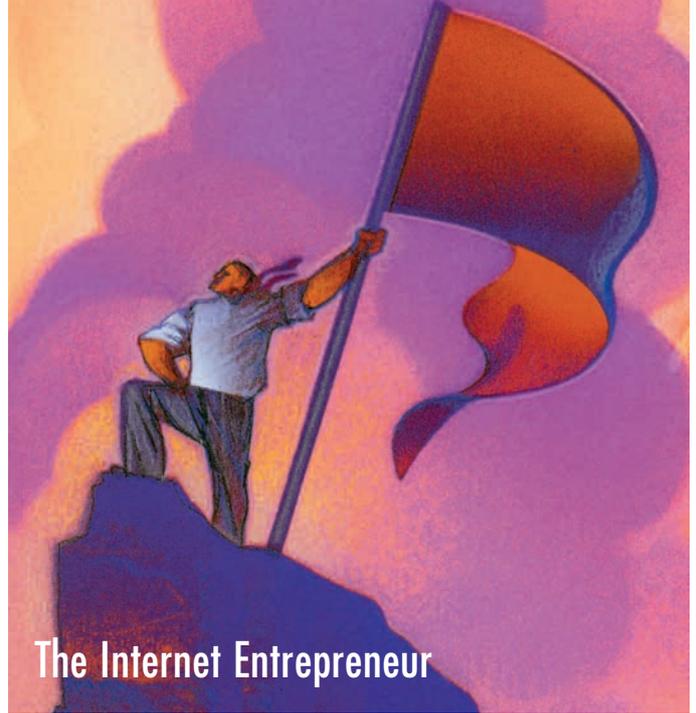
At Babson, the faculty is closely split between academics with Ph.D.s and highly successful entrepreneurs who include the founders of Cabletron and Dunkin’ Donuts. “At some institutions, faculty members have a jaundiced view of the teachers across the aisle, but we have an amazing chemistry among our ‘pracademics,’” says Spinelli. “It is a team of people who are fanatically driven around entrepreneurship, and who respect and like each other. Because the college has made such a commitment to entrepreneurship, we have the density and depth to have true team development.”

CU’s entrepreneurship program also mates tenure-track professors with experienced entrepreneurs who serve as adjunct professors. The key is attracting “great faculty members who are interested in teaching entrepreneurship combined with their home disciplines. So you need a finance person who really believes in entrepreneurial finance, private equity funding, and venture capital—someone who really understands it—to be credible,” says Simon. “One of the future issues entrepreneurship programs will face is the move from pure academic faculty to the use of adjuncts and practical or clinical faculty who are really practitioners.”

### Student Body

It might be hard for business schools to locate the right faculty members for an entrepreneurial program, but the students are easier to identify. Some are students who come from an entrepreneurial background already, suggests Koljatic, noting that students whose parents own their own businesses show the most interest in entrepreneurial coursework.

Others just seem to have a gene for it. “I think our students involve themselves in uncertainty with a greater glee than most,” says Spinelli. “They almost seek it out. Because if you’ve been trained to be, or like to be, in an environment that is opportunity-focused and revolves around problem solving, there have to be problems for you to solve. I think these students tend to be more comfortable in an uncertain environment than the traditional MBA student.”



## The Internet Entrepreneur

Personal computers, the Internet, and the spirit of entrepreneurship all combined in the late '90s to help fuel the great dotcom revolution—which then became the great dotcom crash. Experts don’t think the virtual fallout had much lasting effect on entrepreneurship, however.

“I think we looked at the dotcom episode as a deviation from what we teach in terms of value,” says Doug Johnson of the Carlson School of Business. “We teach product value, and it’s a go/no go situation. If there isn’t sufficient product value, if you can’t make money on the idea, if you can’t identify a customer base that will buy it in excess of your cost, then you shouldn’t proceed. And the dotcom phenomenon was a deviation from that philosophy because none of those business models worked to make money. Our students, in fact, were quite skeptical of the dotcom model when we were going through it. We constantly said it was a siren song. If you couldn’t make money off the enterprise, no matter how long you got funded for it, it was eventually going to fail.”

“The failure of the dotcoms actually validated our rigor issue,” says Stephen Spinelli of Babson College. “We teach that the definition of happiness is a positive cash flow. When I said that in 1998 and '99, students called me an old economist. They’d say, ‘Positive cash flow means you’re underinvesting, you don’t understand scale.’ I’d say, ‘You need a sound business model that needs to generate revenue. You have to have a return on investment, you have to produce something that has value.’ The companies that didn’t understand the rigorous process of the entrepreneurship process failed.”

“I think the next round of Internet companies will feature more serious entrepreneurial growth, and that will be good for the world and good for business schools,” he adds. “People used to say, ‘Why get a degree in business? It’s a waste of time.’ Now they say, ‘You better know what you’re doing.’ I like that.”

# “The courses require very special faculty, who are academically qualified and who are also seasoned entrepreneurs. This is a very scarce resource.”

—Matko Koljatic, director, Escuela de Administración, Pontificia Universidad Católica de Chile, Santiago

They also have to be imbued with entrepreneurial passion, says Simon. “If they’re not passionate, they’re going to hate it. They have to be good thinkers, and they have to have the ability to make opportunities happen. They have to be comfortable with ambiguity, and I believe they have to be driven to live their dreams.”

These dreams don’t just include going into business for themselves. “We think the market really breaks down into five big chunks,” Spinelli says. “The first chunk is students involved in new venture creation, who are going to start their own businesses. Then there are students who specifically seek out small, rapidly growing companies in market areas they think have great potential. Then there’s the set of students who want to be in entrepreneurship from a finance perspective. They want to be equity investors in some way—involved in venture capital, investment banking, small business lending, or some other aspect of entrepreneurial finance.

“The fourth group of students is drawn to the growing phenomenon of corporate entrepreneurship, where people get special projects for a new venture division within the corporation, or where they’ve involved in new product design and launch. The fifth big piece is students who end up in a more traditional career after attending Babson. But we hold that an entrepreneurial education gives them an advantage, too,” Spinelli says.

Jones of the Price Institute agrees. Even if the economy limits the number of business startups that can be successful, graduates with an entrepreneurial bent “are equally valuable within large companies,” he says. “There’s this concept of the intrapreneur, the person within a large organization who is allowed to act entrepreneurially, to pursue new opportunities with the capital support of a big company. This is a growing area that’s useful across a wide spectrum of business activity.”

## Focus on the Future

All these experts expect the entrepreneurial spirit to continue to shape both the world of education and the world of business. “I think the slope of the curve of growth in entrepreneurship will be less steep than we saw in the mid to late ’90s, but we’re prepared for that to happen,” says Spinelli. “The old way of teaching an entrepreneur class—of taking you from idea to harvest and sending you off into the world to make your fortune—is going to change to courses with significantly more depth, because the students themselves are coming in with more knowledge.”

He adds, “When I first came here, if I used the term IPO to a class of first-year MBAs, they’d ask me what I was talking about. Now, if I say ‘IPO’ to a group of high school seniors

who are considering coming to Babson, they’ll say, ‘Well, I invested in this company, and I got a good return.’ They *understand*. That allows for the explosion of education.”

While Jones foresees a slowdown in the rate of entrepreneurial programs that are added to university campuses, he’s expecting to see growth in those programs at the community college and junior college levels. He also predicts more entrepreneurship programs will be launched in the K–12 arena to supplement programs like Junior Achievement and the National Foundation for Teaching Entrepreneurship. That’s a New York-based program for teaching entrepreneurship to inner city kids, which the Price Institute supports. In addition, he expects that the Price Institute will also start focusing on underdeveloped areas like Native American colleges and historically black colleges and universities.

Business schools that do add entrepreneurial programs will need to have the support of their faculty—as well as the business community locally—to succeed. “You can’t have a real entrepreneurship program without having executives in the community, and we’re very blessed with them in this area of Colorado,” says Simon. “But entrepreneurs are everywhere—in agriculture, in small businesses, in consumer products.”

She’s hopeful that entrepreneurship will become so pervasive that it no longer will be singled out and taught as a stand-alone concept. “Entrepreneurship is not a course or a business entity—it’s a way of thinking,” she says. “It should become so much a part of how we deliver business education that everybody will be exposed to entrepreneurial ways to approach business. It has to be integral to the other mechanics of business, such as finance, accounting, marketing, and operations.”

She also encourages directors of entrepreneurial programs to keep up with what’s happening in the business world. “Stay on the leading edge of program offerings. Watch what’s happening to entrepreneurship and entrepreneurial ventures in the real world. At Colorado, the students are a great source of information, because our MBAs must have three to five years of work experience before they apply. I also have a terrific advisory board made up of entrepreneurs and venture capitalists, and we meet quite regularly. They’re eager to make sure we get the current spin on things.”

That spin may be rotating faster every year as the business climate continues to speed up and change. As Internet marketing becomes even more refined and local business owners learn to sell on a global scale, the incentives and paybacks for founding a new business become even more irresistible for would-be entrepreneurs. Business schools can help prepare them for life on their own—armed with all the tools they need to make that new venture a success. **Z**

# BRAVE

by Tricia Bisoux



# NEW

# VENTURES

What do an invasive plant control specialist, an investment broker, a computer consultant, a software provider, a product developer, and an owner of an organic coffee shop have in common? All are young entrepreneurs ready to take on just about anything to make their businesses work. And although their chosen professions are diverse, all point to the same prerequisites for success: Follow your passion, ignore the naysayers, and above all, don't give up.

The respective paths of each of these entrepreneurs took them to business school before taking them to the bank for business loans. Entrepreneurship does not require a business degree, they point out—but it can help a business owner avoid some of the pitfalls of running a business.

Meet Chantelle Ludski, Steve Manning, Jim Kucher, Angel Chi, Eric Valenzuela, and Mattias Starck, six entrepreneurs who eschewed traditional corporate employment and, instead, struck out on their own. Much of what they have learned since they started their startups they *didn't* learn in business school, they say. But what they did learn at school about the nature of running a business was crucial to their success.

## Get Fresh!

Chantelle Ludski  
MBA '00, London  
Business School  
**fresh!**  
London, England

It's taken "sheer bloody-mindedness" to keep Chantelle Ludski on track to her goals for *fresh!*, her organic coffee shop and wholesale organic food operation in London. After all, a business that promoted organic foods in the marketplace was not the kind of startup that got noticed, especially in 1999.

"Here I was trying to start a business at a time when people only wanted to give money to the dot-coms, and I was telling them I wanted to sell organic coffee and sandwiches. That didn't always appeal to them."

Originally an attorney from Cape Town, South Africa, Ludski came to London in 1992 to obtain international experience in corporate law. She worked as corporate counsel for a company in the food and drink sector. Because of her love of the food business, however, she started her first restaurant with a partner in 1995. Soon after, she decided to earn her MBA.

While at business school, she quickly realized that there was no coffee shop on campus, in spite of an obvious demand for the beverage. As a result, she decided to open one herself, with a twist. The shop would sell only organically grown coffee and other edibles. "I had been an organic consumer for years," explains Ludski. "It just grew from there."

Although she knew that her business plan had to focus on organics in some way, not everyone thought her idea was a winner. "People told me that organics would not be enough, or they told me not to focus on organics at all," she says. "But I think you just have to stick to your guns; otherwise, you end up doing something so far from what you originally envisaged, there's no point in doing it at all."

Since the cafe opened its doors, *fresh!* has garnered a flurry of media attention, from a front-page feature in the *Sunday Times* to an article in *The Observer*. "I was doing a so-called 'old-economy' business at the height of dot-com

mania, and it was kind of quirky. People were really interested,” Ludski comments.

Ludski also believes some of the media interest stemmed from the fact that she is a woman working in a traditionally male-dominated arena. “Not enough women run businesses in the United Kingdom,” she observes. She points to the latest report from the Global Entrepreneurship Monitor indicating that men in the U.K. are two-and-a-half times more likely than women to be entrepreneurs.

Statistics like that often make her a newsworthy oddity for the media. “When I was on the front page of the *Sunday Times*, the editor told me, ‘We want your picture, because we’re tired of guys in pinstriped suits.’”

But the organic foods trend in the United Kingdom soon proved that she was on the right track. With one popular retail location and a wholesale warehouse, Ludski employs 14 people and is now looking for the best ways to grow the business. But being “the boss” has its disadvantages.

“One of the hardest things about being founder/CEO/managing director is that you don’t have a support system,” she says. “When I worked for a large law firm, I could just walk down the corridor and talk to my boss or a colleague when I was stumped by something or when I was having a bad day. But when you’re running your own business, you don’t have that facility.”

In many ways, she has found that the network of professors, professionals, and fellow students that she met in business school provides that support system that she might otherwise lack. In addition, the MBA helped her to “think smarter,” she says. “It helped me to avoid some mistakes altogether. And even though I still make mistakes, I recover from them faster.”

Although entrepreneurs are still a minority in the United Kingdom, their numbers are growing, says Ludski. She credits the rise and fall of the tech sector for an increasing interest in entrepreneurial endeavors. “There are more people in the U.K. who are thinking of starting their own businesses than there were ten years ago,” she observes. “We’ve got the whole dot-com era to thank for that.”

But as more people look into starting businesses, she has one suggestion to business school faculty: Focus more on failures. “In business school, you tend to hear only about success stories. Even in the media, you don’t buy books about failures. I don’t think that equips us very well to know how tough it really is,” believes Ludski. “It would be very helpful to meet more people who have failed. Knowing about failure doesn’t mean that you shouldn’t start your own business. It just shows students that they need to think about it and plan very carefully.”



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## Go with the Flow

**Jim Kucher**  
MBA '01, University of  
Baltimore Robert G.  
Merrick School of Business  
**Wickford Technologies**  
Inc., Baltimore, Maryland

Jim Kucher says that when he came home from his first night of business courses, he felt as if he had “struck gold.” With a background in product development, Kucher took immediately to the

entrepreneurial program at the University of Baltimore that assigns students to investigate somewhat obscure technologies invented by the government; then, they try to find commercial applications for them.

“The theory is that if you can build a business around some wacky government technology, then you can surely open a bookstore,” says Kucher. He discovered a number of federal technologies that could be adapted to commercial use, just waiting to be discovered. The program assigned students to conduct an opportunity analysis, to see if the technology could be profitably introduced to the market; then students began commercial planning, to see if there was a way to capitalize on that opportunity.

Kucher, who also has a bachelor’s degree in English, earned his MBA the old-fashioned way—over seven years of night school. “I thought that getting my MBA would be an interesting experience. I never had firm plans to start a business.”

But it was during this process that Kucher and his partner Cindy Leahy discovered what is called “differential pressure flow sensor technology,” which was first developed by Michael Deeds, an engineer with the United

**"It is the start and first phases of growth that inspire me."**

—Mattias Starck

## The Thrill of the Startup

**Mattias Starck**  
MBA '95, Jönköping  
International Business  
School  
**Luthor Industries**  
Stockholm, Sweden

Some entrepreneurs can make entrepreneurship a business in itself, so to speak. Mattias Starck, a founder of Luthor Industries, an information management technology company, is now on his third business—and counting.

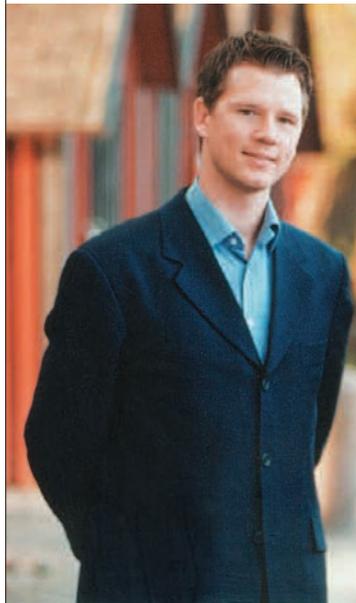
While attending business school, he and his friend Mathias Josefsson had their first idea for a startup. They noticed that many of their fellow students had ideas that were really the seeds of small businesses. "We wanted to create a springboard for business ideas among MBA and Ph.D. students. We decided to create the Creative Center, a business incubator."

Starck and Josefsson worked for more than year to plan and find funding for the business. A Swedish technology foundation eventually gave them the capital to start the incubator. Since the Creative Center opened in 1996, it has helped start more than 150 new ventures, says Starck.

"It was a very insightful period in my life," he says. "The Creative Center was my first phase of self-employment, when I was an 'entrepreneur for entrepreneurs.'" In 1999,

however, Starck and Josefsson turned over control of the Center to new coordinators, so that the two partners could pursue a new startup opportunity.

Between 1998 and 2001, the partners started a company called Litium that developed business-to-business platforms for small- and medium-sized companies. That company now employs 20. However, once Litium had found its way, the partners wanted yet another opportunity to start fresh.



States Navy. Flow sensors were originally made to gauge how fast a torpedo moves through the water. But they can be adapted to measure the speed of motor boats and airplanes or the flow of product through industrial pipelines, explains Kucher. The technology looked so promising that Kucher and Leahy started Wickford Technologies Inc. to produce the sensors for public use. They hired engineers as consultants to help them adapt the technology. Each unit it produces will cost \$550; the company will pay royalties to the U.S. Navy on the product that it sells.

Wickford Technologies' first product launch was planned for spring 2002. Already, says Kucher, they have received letters of intent from companies in the marine equipment manufacturing industry, as well as one letter of intent from a gasoline pump company.

The network of support that Wickford Technologies now has at the University of Baltimore is a big boon to its launch, says Kucher. Two professors from the university's entrepreneurship program sit on the company's advisory board. This network also introduced Kucher to the Baltimore Development Corporation, a business incubator.

With that network behind them, Kucher and his partner hope to mine a treasure trove of technology waiting to be adapted. Once they have successfully introduced the flow sensor technology in the market, Kucher and his partner hope to adapt other technologies as well.

Procuring financial backing has been a tough task, however, admits Kucher. "We couldn't have picked a worse time economically to launch the business. Entrepreneurs existed in a bubble two years ago, when you could walk into a venture capitalist's office with a sketch on a cocktail napkin and walk out with \$10 million. Now people want to know, 'Have you made a profit yet?'"

And this is a good thing, as business undergoes a "return to sanity," says Kucher. "I think that most of the long-term effects of recent events are actually positive for the business community," he points out. "Approaching the investment community is still a challenge, but people are starting to come out from under their desks, with much more realistic expectations. People are still inventing and innovating, but you don't have this pressure that you have to be a billionaire in six months or you're not a success."

This new atmosphere is good for the development of healthy, successful startups, he concludes. "Navigating through that kind of environment has been a godsend, believe it or not. We have developed a 'New York, New York' kind of attitude—that is, if we can make it in this climate, we can make it anywhere."

They joined with another student who was finishing his doctoral thesis on field innovation at Jönköping International Business School to found Luthor Industries, a company that develops knowledge management systems for businesses. The systems are much like Web portals that provide users easy access to information important to their jobs and the company's growth. Users can input information that they've learned themselves, search internal databases, or search the Internet, explains Starck. "Businesses can create a unique business environment map that distributes information about competitors, customers, society, investors, research, and development."

Today, Luthor Industries has ten employees and holds a joint venture in Milan, Italy, with four employees. Most of Luthor Industries' clients are in the financial and technology sectors; they use the dynamic information systems to assess credit risks or share information to create a more dynamic business plan within the same company.

"The most important parts of our business plans have been to form the right entrepreneurial team," says Starck. "The team and investors in the company need to believe in its vision, and then rely on the team to work extremely hard and industry-wise to get there."

For Starck it's all about the creative process that goes into each new business venture. "The early phase of a business brings new challenges," he notes. "But my biggest struggle has been to leave something behind that has meant everything to me, that I have put my heart and soul into."

The nature of business is change, says Starck, so he has made change a prerequisite for his professional growth. "Change is actually something beautiful," he says. "It is the start and first phases of growth that inspire me." Business school gave him the self-reliance and the ability to handle—and even take advantage of—the changes that are so inherent to the world of business.

Starck believes students should be able to acquire more hands-on learning, so that they can get emotionally involved in their goals, and "feel fear, uncertainty, joy, and passion in learning." That sort of passion is the foundation of Luthor Industries, and, Starck hopes, of more startups to come. "My loyalty to Luthor Industries is set for the next five to ten years. After that I hope to have the opportunity to step aside and look at a successful, sustainable, and fast-growing business. Then it will be time to find and form a new team."

Even as the founder of several businesses, he stops short of calling himself an entrepreneur, a term that he believes is really a badge of honor. "I would never present myself as an entrepreneur," he says. "That is a recognition. It's something that someone else calls you."



## A Born Entrepreneur

Angel Chi  
MBA '00, University of  
Denver Daniels College of  
Business  
**Chi Investments/China  
Development Institute**  
Denver, Colorado

Entrepreneurship can be taught, but it often can't be learned, believes Angel Chi. "Many people think entrepreneurship is only about independent thinking," she says. "But you need to have the desire to have

more and the drive to make your business succeed. It's something a person is usually born with."

Originally from Taipei, Taiwan, Chi came to the United States in 1983 to attend the University of Denver. She earned her bachelor's degree in mathematics in 1987 and her degree in accounting from its Daniels School of Business in 1989. Although her degree was in accounting, her passion for investments led her to open Chi Investments, a registered investment advisory firm, in 1993.

The firm offers a full range of financial services, including securities transactions, stock and bond purchases, mutual funds, and insurance, to a variety of clients in the United States as well as to companies in China and Taiwan. In addition, Chi manages the Chi Global Growth



MICHAEL RICHMOND

**“In my business we not only manage portfolios,  
we manage expectations.”**

—Angel Chi

of our Chinese contacts. We’re carving out that part of our business as a separate entity, which deals specifically with the Chinese market,” she says. “A lot of industries in China are still in the fledgling stages. Chinese executives and government officials would like to learn from U.S. companies how to collect and use data, how to set out a policy, and how to set business priorities.”

CDI also is working to facilitate relationships between a number of higher education institutions in China and the U.S., arranging faculty visits, student exchanges, and other joint ventures. She hopes that this work will strengthen financial relationships between the two countries.

The time and energy it has taken Chi to bring Chi Investments and the China Development Institute to fruition has been more than what is required “to raise a baby,” she jokes. And although business school prepared her well to lay the proper foundations for her business, she believes the sheer volume of information that she must absorb on a daily basis may be more than many of today’s business school graduates are equipped to handle.

“Academia is still trying to figure out how to deal with the information overload that we all are experiencing,” Chi observes. “The flow of information has become a deluge, making managing it a key part of business. But it has been a constant struggle to deal with so much, so quickly.” Chi believes that teaching students techniques to cope effectively with such an onslaught should be a crucial part of their education.

Not only that, she adds, but making them aware that the Internet isn’t the only source of information may also make them more valuable in the workplace. “Once I asked one of my employees to look up some information that I needed,” Chi recalls. “That person went to the Internet and when she couldn’t find it there, she told me that it didn’t exist! Often, we simply need to go back to the basics—go back to the yellow pages, go back to the library.”

In an information age, attention spans also tend to be short and expectations high, Chi concludes. During short-term gains and losses, she makes sure to keep her eye set on long-term growth for her clients—and for her business.

“In my business, we not only manage portfolios, we manage expectations,” she says. Even though people have experienced a “reality check” in the last two years, Chi finds she still often needs to remind them to keep their eyes on the long term. That’s true for anyone who’s investing, and for anyone who owns a business, she says.

“We need to set our sights on what’s going to pay off in the long run,” she advises. “We need to stay with the basics, and know why we’re in business.”

Fund, a portfolio worth \$100 million.

Her accounting background has proven to be a crucial foundation on which to build her business. “I didn’t want to be an accountant,” she says, “but I think accounting is a very important business language. No matter what kind of business you’re in, you have to be able to understand account statements, balance sheets, and tax consequences. “

In Chi’s business, especially, she needs to know what the account statements say between the lines. “There are often 100 companies saying they’re the greatest, but we only have money to buy two or three. We need to determine quickly which companies stay on our radar screen and which ones we leave behind,” Chi explains. “An accounting background helps. We take the balance sheets apart, looking not just at one particular number but at the entire financial history so that we can spot trends. We compare those trends to the industry to see if they make sense.”

Chi’s growing client base in China has inspired her to add another division within her company, the China Development Institute. CDI’s mission is to educate Chinese executives about the ins and outs of the U.S. market. With staff members who can speak English, Mandarin Chinese, Taiwanese, and Cantonese, Chi is uniquely prepared to serve this segment of the global market.

“In the last few years the investment deals going in and coming out of China have increased, and so has the number

**“Among entrepreneurs there’s almost an anti-academic feeling, that you really can make it without business school.”**

—Eric Valenzuela

## Nice Guys Finish First

**Eric Valenzuela**  
BBA '01, Loyola  
Marymount University  
College of Business  
Administration  
**The Best Computer  
Guys**, Los Angeles,  
California

When Eric Valenzuela won the “Social Impact” award from the North American Collegiate Entrepreneurial Awards, sponsored by Saint Louis University in St. Louis, Missouri, it was not just for his computer consultant business that he began when he was 16. It was what he chose

to do with that business that may have gained him the nod.

When Valenzuela was a young teen, his parents saved to buy him a computer. This gave him his start. First, he helped the teachers in his school troubleshoot problems on the computers in their classrooms. Soon, they asked him to go to their houses to set up their home systems. It wasn't long before word about his services spread, and he was working for the likes of surgeons, lawyers, even employees at Merrill Lynch.

Valenzuela's business, called The Best Computer Guys, not only uses his own expertise, but also the skills of the high school students he often takes with him on house calls. “When I see kids in the same situation I was in, I'll have them come with me to Merrill Lynch and learn about the business by being a gopher. That's how they start to learn about computers.”

In addition, these visits also show them a world that they might otherwise perceive to be out of their reach. “Before I started this business, I had never been to a mansion. But my clients opened their homes to me,” he says. “I thought it would be great if I could go to high school students and do the same thing. I see the kids I work with as I saw myself when I was their age, a young Hispanic who hadn't really seen the world yet.”

Although Valenzuela initially went to Loyola Marymount to pursue an engineering degree, he decided that a business degree would better develop his entrepreneurial leanings. At first, he says, the details involved in putting together a formal business plan threatened to overwhelm him. He feared that perhaps the business he had built when he was a teen wasn't on a solid foundation after all.

“There was a critical point when I was formalizing the business plan. Everyone was telling me that I needed to get a fictitious name, I needed insurance, I needed this, I needed that. I began to think that I couldn't do all of this, I couldn't start the business.” But a speaker at a weekend entrepreneurship academy gave Valenzuela the encouragement he needed.

“The speaker told us, ‘Do not build obstacles for yourself—build solutions.’ That stopped me. As a result, I don't worry about red tape.”

Those who become too intimidated by the details often abort their entrepreneurial efforts before they even start, Valenzuela has found. Therefore, he now lives by the methods that worked for him in the past: Build relationships with clients and, more important, don't sweat the small stuff.

“I have found that sometimes it



truly is better to ask for forgiveness than permission,” he jokes. “For example, when I started out in high school, I didn’t know that I wasn’t supposed to put fliers advertising my services in the teachers’ mailboxes at school. The principal told me not to do it again, and I said I was sorry. But I already had my first 50 clients.”

Now 23 with his business in full swing, he has achieved a balance between an informal management style and a formal management structure, creating a business plan and completing competitive analyses of the market. That more formal approach has given him—and The Best Computer Guys—a competitive boost.

“Among entrepreneurs there’s almost an anti-academic feeling, that you really can make it without business school,” he says. “Now that I have graduated, I can see my business much more formally. For example, when a customer owed me money, I’d just write it down and ask him to pay me later. But I now have an accounts receivable department! I now know not to let my emotions get in the way in my accounting procedures or my management style. You don’t realize that you’re learning until after you finish.”

Valenzuela regularly speaks to disadvantaged Hispanic and African American students at junior high schools in the Los Angeles area about what it takes to start a business. Through The Best Computer Guys, he also funds a program in which he works with a group of teenagers to develop their entrepreneurial and management skills. The students offer services to the community ranging from mowing lawns to sweeping dirt, says Valenzuela. Their reward? Disneyland, of course.

“I tell them that I could pay for them to go, but then I’d go broke! But I told them if they work at these jobs and get paid, they can use the money they earn to pay for the trip themselves,” he says. “I’m teaching them about working and doing something with their experience. I want them to learn entrepreneurship, and to know it doesn’t matter where they come from—they can succeed if they work at it.”

In addition, Valenzuela now has three employees working for The Best Computer Guys whom he trained as teenagers. He has taught them everything he knows about computers and developing customer relationships. Soon, Valenzuela hopes to leave them the business to carry on its goals, while he goes on to pursue a law degree.

“I’m looking forward to law school and a political career,” he says. “Because of my social interests I know that if I want to make social changes, it won’t be from making money in a business, but in a legal or political arena. If I don’t like graffiti, for example, I’m not going to stop it in a computer business. I need to do it by getting involved.”

## A Silent Strategy

Steve Manning  
MBA '97, University of  
Oregon Charles H.  
Lundquist College of  
Business  
**Invasive Plant Control**  
Nashville, Tennessee

After Steve Manning received his master’s degree in park management ten years ago, starting a business was not at the top of his list of priorities. He went to work for a 3,000-acre park where he sought ways to control the overgrowth of non-

native plants that compromised the health of native plant species. While there, he supervised a group of volunteers who worked to keep the unwanted plants under control.

“The park spent very little money on invasive plant control at that time,” Manning recalls. “But I noticed that most of the volunteers came, learned the techniques, and then tried to do it at their own properties. I decided then that this was something I wanted to pursue as a business.”

He enrolled in the MBA program at the University of Oregon. The day he graduated was the day he started up his business at full strength, offering invasive plant control services to natural recreation areas in the Midwest and Eastern United States.

Invasive Plant Control enters a natural environment to eradicate non-native plants that have run amok. For instance, he explains, “kudzu is called ‘the vine that ate the South.’ It covers ten million acres in the Southeastern U.S. And it’s spreading.” The plant originates in China where many natural predators keep it well in check; not so, he points out, in the United States. “They found a small, scattered patch of kudzu in China about ten feet wide. When they broke open the stems, they found about 100 different species of bacteria, fungi, and insects feeding on it.” In the U.S., by contrast, he says, “there are zero species feeding on it.”

Plants such as the kudzu are the basis of Manning’s work. “This opportunity was just sitting there. The scientists and environmental managers knew that it had to be done, but not many did anything about it,” says Manning.

Manning credits much of his business success to what he calls a “silent marketing strategy,” he says. “One book I read in business school was *Co-opetition* by Adam M. Brandenburger, Barry J. Nalebuff, and Ada Brandenburger. That book has been invaluable to me in learning how to create partnerships with organizations and other suppliers,

**“Without a really good marketing scheme, you can forget about your financials.”**

—Steve Manning

and silently market the business through those partnerships.”

With this strategy in mind, Manning made getting the word out about his business his top priority. He traveled to Washington, D.C., where he lobbied the heads of 19 different environmental agencies. He talked with them about invasive plant control; he asked them for advice on the best ways to write a government bid. He got to know the higher-ups at the U.S. Fish and Wildlife Department, the U.S. Geological Survey, and the National Park Service. And he made sure they got to know him.

“I never went in saying, ‘Hey, will you give us a job?’ I went in and tried to help them with a problem. Then, when it came time to do the work, they knew they could ask us. It’s a silent marketing strategy that has worked very well for us.”

Like many entrepreneurs, Manning had to weather a tough time during the dot-com boom and bust, which made it difficult to find startup capital. However, it also taught him to build a more solid foundation for his business before moving forward. “Computer software and Web-based

businesses were receiving \$10 million in venture capital, while we couldn’t get \$100,000 without really begging,” he remembers. But in the end, he believes that being overlooked simply encouraged him to work harder and smarter.

Invasive Plant Control now serves about 40 active clients. Costs for its services range from \$30,000 for a one-time project to \$1 million for a five-year contract. Manning’s resolve to let the business grow slowly and deliberately, he says, is one secret to his success. Another secret, he adds, is that he has worked to create partnerships, not just a client base.

For example, the company has created invasive species councils in the cities where it works. He and his staff discuss

the problems of non-native species with land managers, private land owners, garden club members, and others working with natural landscape. This initiative not only educates the public about the importance of planting native plant species and controlling more invasive varieties, it also keeps Manning’s business at the forefront of this industry.

Manning notes that what is taught in business school at large is often different from what is taught in entrepreneurial programs. “Most people who are teaching business don’t



understand this field. Ninety percent of the questions people asked us were about our financial projections. They didn’t focus on what we have found to be most important, the marketing side,” he explains. “But what I learned through the entrepreneurial center at the University of Oregon was that without a really good marketing scheme, you can forget about your financials.”

He adds that having a realistic time frame for growth has also been a crucial part of his success. “I’ve learned that you really can’t start a business in just two years. You have to have a long-term strategy in which you slowly build its base. Then, 20 years from now, you have such a strong base that it will never go away.” **Z**

A major new survey profiles the characteristics that identify today's deans.

# Meet Jo

**If you're thinking about becoming a dean, you might first look in the mirror to see if you fit the profile.**

Today's typical dean is a patient 54-year-old male who has never been a dean before. He comes from almost any business school background and has already been a dean for about five years. And he's not looking at a deanship for the money—his main goal is to make a difference at his school.

There's much more to deaning, of course, than these bare facts. A host of other complicated characteristics, motivations, and rewards has been uncovered in a new survey, "Business School Deans: Their Careers, Roles and Responsibilities." The survey was conducted by Lee Dahringer, dean of The Sellinger School of Business and Management, Loyola College in Baltimore, Maryland, and Frederick Langrehr, professor of marketing at Valparaiso University, Valparaiso, Indiana. The survey was sponsored by AACSB International Knowledge Services, and findings were presented at the first International AACSB International Deans Conference. A total of 419 deans from around the world participated in the electronic survey.

The survey attempted to create an accurate picture of who deans are, why they decided to become deans, what kinds of

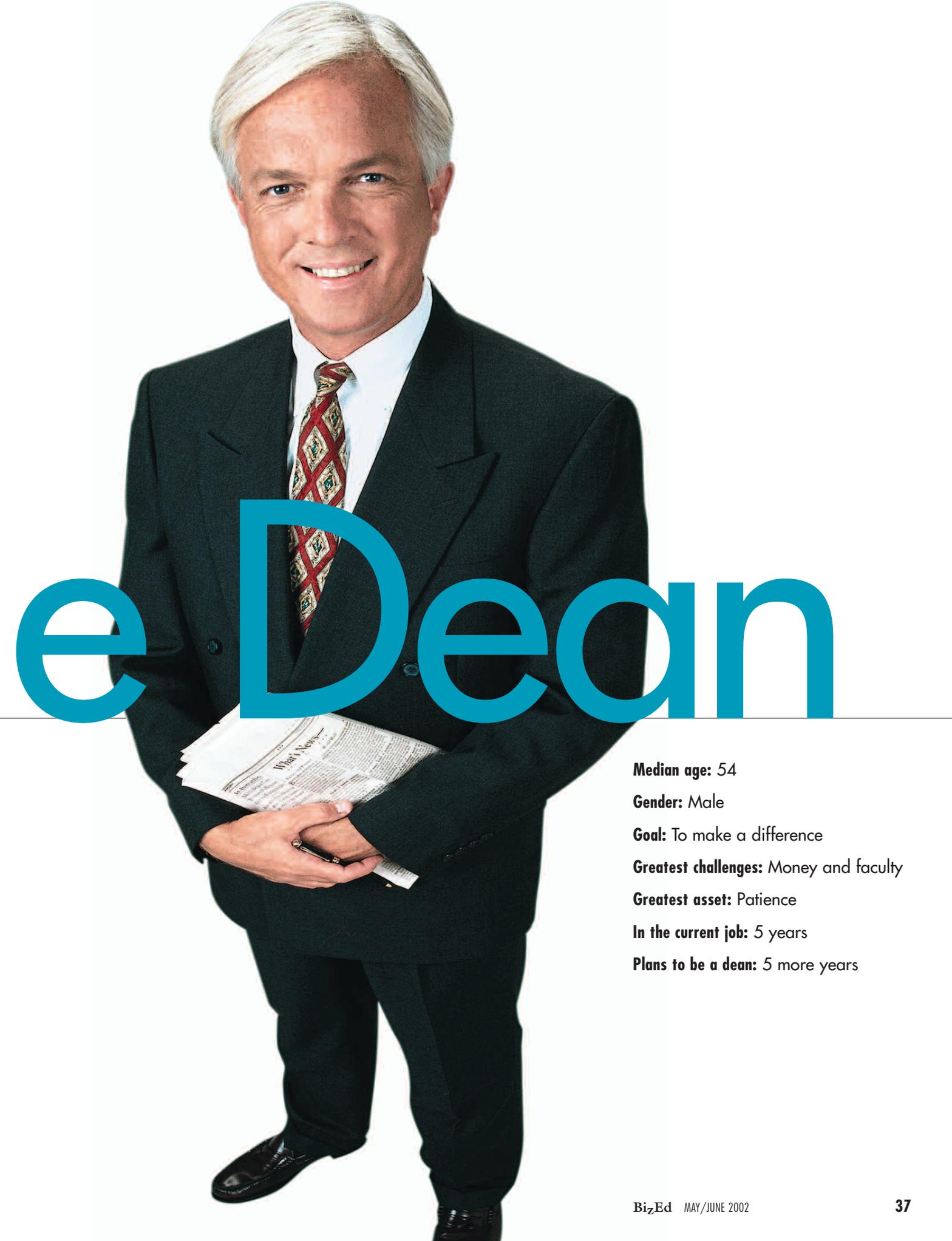
pressures they face, and what they consider most important about their positions. A few highlights:

- Most deans say their single most important reason for becoming a dean was to contribute to their institutions. Many also saw becoming a dean as the next logical step in their career progressions. Fewer gave much weight to the considerations of prestige and income.

- Deaning is about management. Survey respondents listed their most important tasks as managing faculty and staff, and handling strategic planning. But they weren't able to rate as unimportant *anything* on their long list of chores.

- Their most pressing issues revolve around finding money and satisfying their professors. The top four issues: setting the budget, determining the best way to attract and retain faculty, raising funds, and developing faculty.

- They have many stakeholders to satisfy. While they feel sandwiched by the sometimes conflicting concerns of faculty and the administration, they can't overlook the demands of accrediting organizations, students, the business community, and their advisory boards.

A full-body photograph of a middle-aged man with short, light-colored hair, smiling warmly. He is wearing a dark suit jacket, a white dress shirt, and a patterned tie. He is holding a newspaper in front of him with both hands. The background is plain white.

# eDean

**Median age:** 54

**Gender:** Male

**Goal:** To make a difference

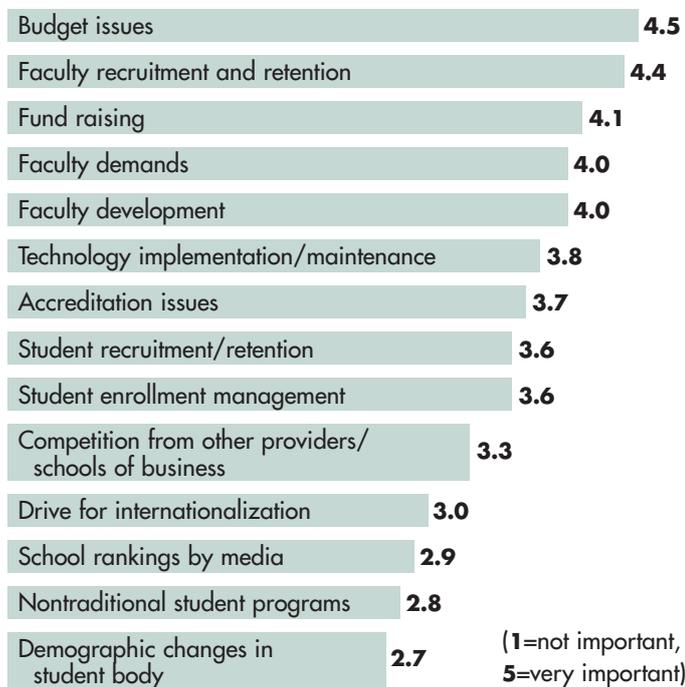
**Greatest challenges:** Money and faculty

**Greatest asset:** Patience

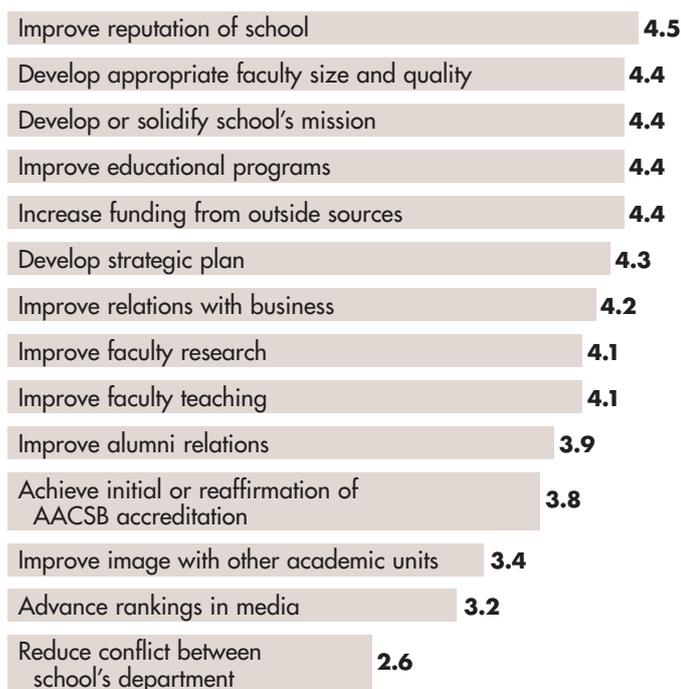
**In the current job:** 5 years

**Plans to be a dean:** 5 more years

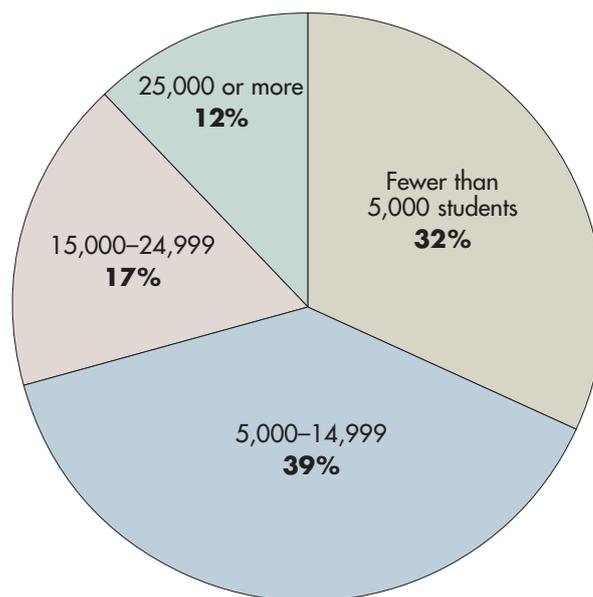
### ■ What Are Your Most Pressing Concerns?



### ■ What Are Your Key Objectives?

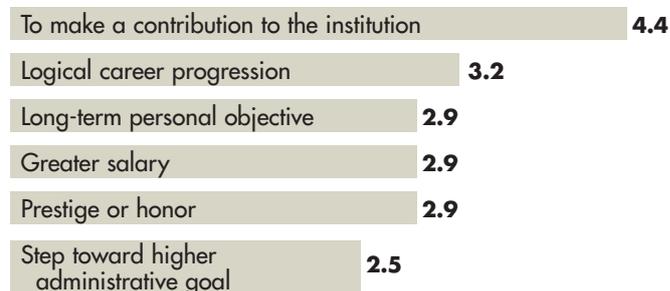


### ■ What's the Size of Your University?

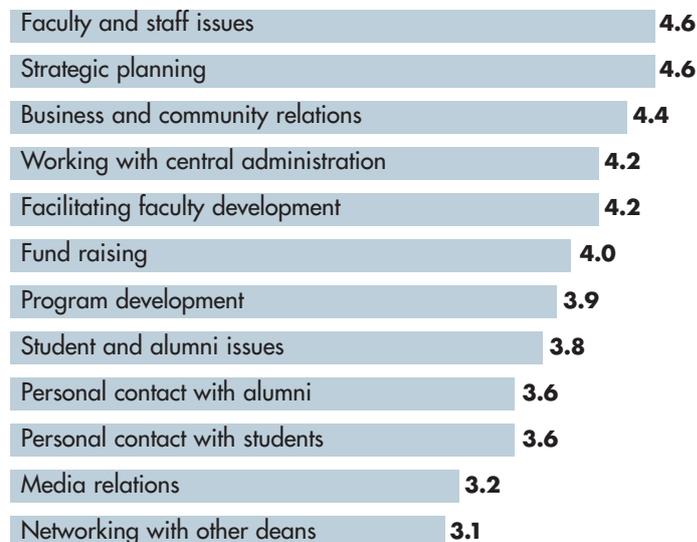


(does not total 100% due to rounding)

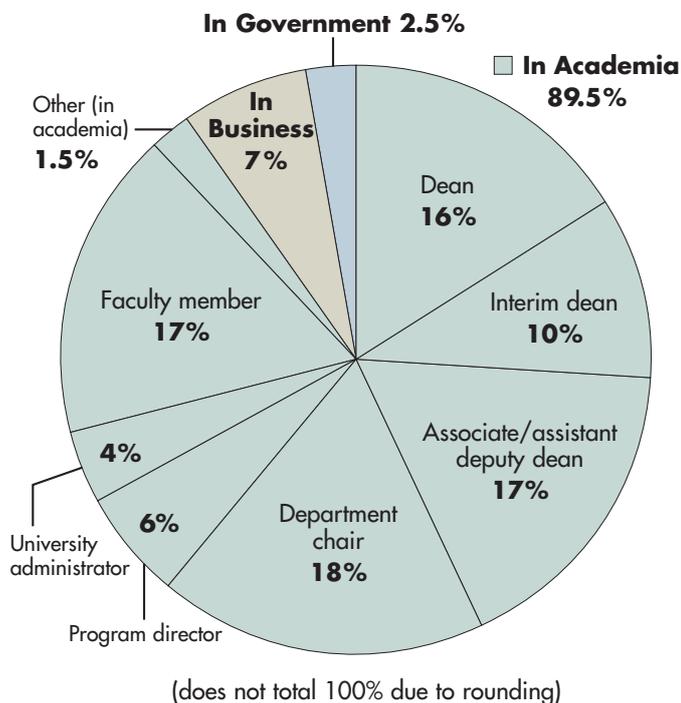
### ■ Why Did You Become a Dean?



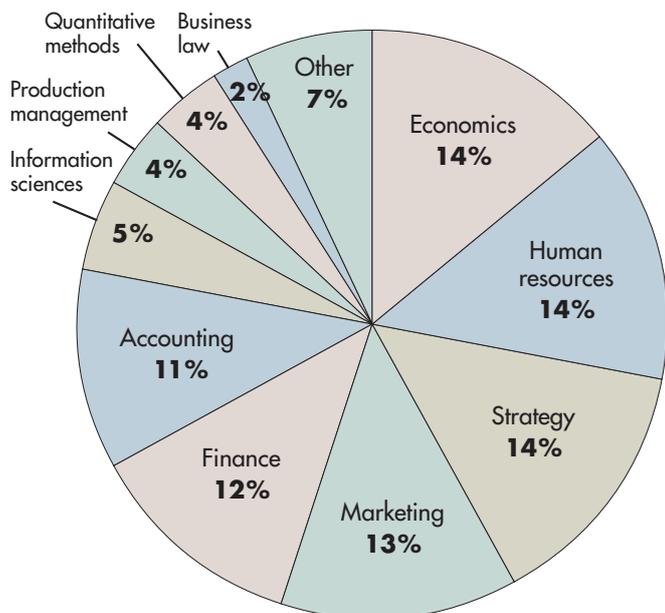
### ■ Which of These Are Most Important to You?



## ■ What Was Your Position Before Becoming Dean?



## ■ What Was Your Academic Background?



■ What Dahringer and Langrehr call “parenting skills” are a dean’s most valuable tools. Forty-four percent of them say that patience and persistence are required to be a good dean, and 26 percent rank communication skills as their most valuable ability. No other skills or sets of experiences received any significant ranking.

■ They don’t plan to do this forever. The 92 percent of survey respondents who hold the title of dean have been in their current positions for an average of five years; the eight percent who are interim deans have held that position for only four months. For 68 percent, this is their first deanship. Thirty-two percent have been deans before and stayed in those positions just over four years. They expect to be deans for another five years, either at their current institutions or elsewhere. However, it’s possible they may soon be making a change in position since they have held their current deanship for five years and their immediate predecessors tended to be deans at their schools for just over six years.

■ A deanship isn’t always the last stop in the job market. Only a quarter of respondents plan to retire once they’ve finished deaning. Close to half want to return to faculty. The rest plan to take other jobs, most of them related to administration or management.

While some of the pieces of this portrait seem cast in stone—it’s unlikely, for instance, that deans will need to cultivate *less* patience over the next few years—some of the elements seem like they easily could be recombined. For example, there’s no reason to think that the number of female deans can’t eventually rise from 12 percent to a much higher figure. A 1999–2000 salary survey by AACSB reveals that 33.9 percent of new doctorates are women, and women account for 31.3 percent of the assistant professors and 22.8 percent of the associate professors in business school. Clearly, some of those women might begin looking toward deanships. Like their male counterparts, women deans are familiar with funding concerns and staffing issues—and many of them have already learned how to be patient and persistent.

Respondents offered a wide range of advice to potential new deans, counseling patience above all things. They also noted that a dean who brings about change is likely to make some stakeholders unhappy and suggested, “Make sure you have a thick skin.” Nonetheless, these respondents urged new deans to “act decisively” and “lead with great spirit and enthusiasm.” Finally, one respondent offered this guidance: “Be optimistic and positive. Develop a strategic plan that fits the culture and reality. Create a team. Get lucky.” **Z**

# Enron 101



# The fall of a global corporation is a textbook case of management failure—and business professors are hurrying to incorporate the lessons of Enron into their own classrooms. Here, professors from three management disciplines analyze what went wrong.

What brought about the sudden collapse of energy giant Enron? Along with many other interested observers, management professors have been consumed by that question. Was Enron a failure of strategic management and organizational leadership? Harvard's **Christopher Bartlett** thinks so. He believes that the company amassed and then squandered an unprecedented store of intellectual capital, and he warns other businesses that they must learn how to attract and cherish this valuable business commodity.

Or, was Enron brought down by ethical lapses? That's the position of **O.C. Ferrell** of Colorado State University. Had Enron executives practiced ethically sound judgment, he says, they would not have struggled with the accounting systems and off-balance-sheet partnerships that ultimately caused the business to fail.

Yet, many believe that Enron's demise can be traced to those very accounting woes. **Mary Ellen Oliverio** of Pace University examines generally accepted auditing and accounting principles—and how they were *not* applied by Enron's auditors. All three professors examine how business schools might use the lessons of Enron in their classrooms, and what students and executives might learn from Enron's mistakes.



# STRATEGIC MANAGEMENT

Christopher Bartlett

**E**nron is a remarkable story of the creation and destruction of value in a company. It starts with Ken Lay merging two regional gas pipeline companies and evolving them into one of the largest and most successful companies in the global energy field. He and his top team transformed a \$5 billion company into one with a market capitalization of \$65 billion in little more than a decade.

Then, in just a few months, Lay and his associates destroyed all they had built. They took their extraordinary creation of intellectual capital and undermined it by the way they mismanaged financial capital. It's a story that business school students need to understand before they enter the world of business.

In the 1990s, deregulation and privatization were changing the energy industry around the world. Lay backed two of his up-and-coming stars, each of whom was making a different strategic bet. One key Enron manager, Rebecca Mark, felt that Enron should take advantage of deregulation by acquiring the infrastructure that would allow it to become a truly global energy company. She led the initiative whereby Enron bought up gas pipelines and power generation operations around the world, from the United Kingdom to Latin America to India. This capital-intensive, heavy-infrastructure bet made Enron a driver of change as the energy industry deregulated and went global.

Lay also backed Jeff Skilling, who joined Enron in 1990 and predicted that, as the industry became deregulated, Enron could essentially disaggregate the parts of the value chain. No longer would there be a monopoly from wellhead to consumer, in which a single company controlled all the gas that flowed. Skilling saw that deregulation would allow companies to decouple all the various transactions of drilling and piping and distribution, and he thought that Enron would no longer need to own these assets to be a major industry player. He created a notion called a gas bank that eventually evolved into a full-blown trading function, allowing Enron to buy and sell supply contracts and production contracts.

Skilling developed his trading organization around a highly innovative and entrepreneurial culture that helped it become the driving force in Enron's growth. One key entrepreneurial initiative began in 1999 when the chief gas trader in the United Kingdom, Louise Kitchen, decided that trading had to migrate to an online function. Concerned that there was insufficient liquidity to support a stable Internet-based auction, Enron had been wary of going online. There were also concerns that profits would shrink as spreads became visible on the screen.

Nonetheless, Kitchen put together a group of several hundred people within the company—lawyers, traders, accountants, and IT experts—and proposed solutions to the problems. Liquidity could be provided by having Enron act as the principal in every buy or sell transaction. The shrinking spread would be offset by volume, they argued. In just nine months, this team created EnronOnline, and Skilling gave the nod to it. Within 12 months, it became the biggest dollar volume trading site on the Web.

Eventually people with Enron started saying, "If we can do online trading for gas, why not for electricity and metals and broadband and weather futures?" Soon they were trading all these commodities and more, and EnronOnline grew very, very fast. It was at this stage that the company started creating off-balance-sheet private companies to provide the liquidity it needed to fuel the rapid growth of the trading operations. Enron wanted to be valued not as an asset-heavy energy company, but as a new-age online trading company.

The transformation was rapid and dramatic. During the 1990s, Enron went from being a company managed by buttoned-down engineers in a low-risk environment to an entrepreneurial, innovative corporate culture where people were creating new products, new markets, and whole new business models. When Lay first took over the company, 90 percent of the business was generated from drilling for oil and gas and delivering energy. By the end of the '90s, trading accounted for more than 90 percent of the business.

However, the high-powered, incentive-driven culture Skilling had created also had a dark side. A certain hubris began to pervade Enron. As company leaders articulated, then achieved, successive strategic visions of the company, confidence became arrogance. First they wanted to be the United States' first major gas utility, and then the world's largest energy company. By 2001, Skilling said that his new vision was for Enron to be the largest company in the world. Quite an ambition!

Driven by their overstretched ambition, Enron executives began engaging in complex financial engineering. The huge

Within weeks the company's invaluable customer goodwill and employee intellectual capital had been **destroyed** by management's lack of openness and honesty in its dealings with its stakeholders.

growth required funding that would have hurt the quality of the company's balance sheet. As a result, the company began to create increasingly questionable off-balance-sheet partnerships. The complex and opaque financial reports were difficult for analysts to penetrate and eventually led these analysts to ask some challenging questions. But Enron's management was unwilling to elaborate on the published data, and Skilling became increasingly confrontational with those who wanted more detailed information.

Ultimately, this is a story about loss of trust. First, Enron lost the trust of the analysts who were acting as intermediaries for shareholders. As shareholders became nervous and the stock price began to fall, Enron lost the trust of the buyers and sellers who started worrying about whether or not the company had the resources to back the transactions. Finally, it lost the trust of its employees, who had large amounts of their compensation tied to Enron stock, and who began to feel as if they had been misled. By December, Enron's traders were simply walking away from their terminals with trades left in mid-transaction. Within weeks the company's invaluable customer goodwill and employee intellectual capital had been destroyed by management's lack of openness and honesty in its dealings with its stakeholders.

Financial capital—the machines that were once the scarce resource in companies—could be bolted to the ground and kept there overnight. As we move into an information age—a knowledge-based, service-intensive economy where human capital is the source of competitive advantage—the way we develop, treat, attract, motivate, and retain people becomes critical. Those relationships are based on trust, and that's what was undermined at Enron.

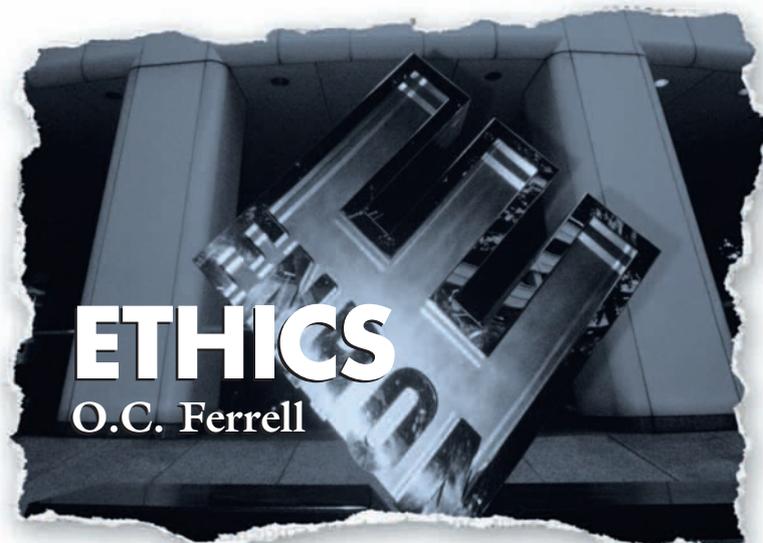
Today's corporate leaders are being compelled to learn how to manage intellectual assets as a scarce resource. That requirement is behind all the downsizing, de-layering, restructuring, and empowerment that's been going on through the 1990s. Companies are stripping out the layers of management that were necessary to control and manage financial resources from the top. Instead, management is trying to get as close as possible to the scarce resource, the intellectual capital that resides deep in the organization.

Like companies, business schools are in the process of evolution. I think business schools have been reasonably effective in following the new economy, capturing the innovations created by Amazon, Microsoft, and the other companies built around intellectual capital. And they have done a fair job of bringing the challenges facing traditional companies into the classroom. The career of Jack Welch at GE—his concepts of “workout” and “boundarylessness”—epitomizes

this transformation from managing financial capital to managing intellectual capital. So business schools have been capturing this transformation as it occurs.

But we must also learn from failures like Enron's. In fact, that's often a more powerful and dramatic way to learn. To me the central lesson of this case is how long it took management to build competitive advantage based on superior intellectual capital, yet how quickly it was destroyed when those at the top lost the trust of the key stakeholders. It's a lesson our MBAs should take to heart.

Christopher Bartlett is faculty chairman of the international executive program called Program for Global Leadership at Harvard Business School, Boston, Massachusetts.



**E**nron is a classic textbook case of an organization with a highly unethical corporate culture. All you have to do is pick up recent issues of *Fortune*, *BusinessWeek*, and *The Wall Street Journal* to see that basic ethical principles were not important to top executives at Enron. I really believe that the root of the problem with Enron is going to be missed by some people who will see it as an accounting/auditing problem. In reality, the company's downfall was caused by a poor ethical climate in which unethical rule-bending of almost every dimension of business practice was accepted.

The real issue was a corporate culture that encouraged a focus on the balance sheet—or, in some cases, off-balance-sheet partnerships. Enron converted business into a technical science of manipulation involving computer information systems, software, and financial analysis that did not consider social or ethical consequences. Enron learned to manipu-

Like most Fortune 500 companies, Enron may have had a code of ethics,  
but it was only **window dressing.**

late earnings and stock prices by wielding its culture of arrogance. It even learned to manipulate its auditor, Arthur Andersen. The company also developed a reputation for ruthlessness with all of its stakeholders and became far more focused on short-run earnings than the effect its actions would have in the long run on its employees, stockholders, and society.

Like most Fortune 500 companies, Enron may have had a code of ethics, but it was only window dressing. The role these codes play in daily business activities varies tremendously from company to company. Lockheed Martin, for example, has an incredibly well-documented code of ethics. But for some companies, the code of ethics is nothing more than “be honest, be truthful,” accompanied by generalizations about personal morality. In such cases, the companies have not developed a thoughtful process of identifying areas of risk and then providing guidelines to address those areas of risk. Without ethics statements that are implemented and communicated throughout the company, the standard of ethical behavior is compromised.

Many people, including some business faculty, do not fully understand the term “business ethics.” They believe it means developing personal morals and personal ethical behavior in the business environment. From an organizational perspective, business ethics means applying traditional ethical concepts of truthfulness, honesty, and fairness to a complex, culturally diverse organization. Top management must build an ethical climate by assessing risk and developing values at the very highest level of the organization, and then making sure that these values are accepted and shared by employees, regardless of their own personal ethical backgrounds. At a minimum employees must understand legal compliance, but encouraging a value system with behavior far above legal compliance is optimum.

What has happened in recent years is that companies have focused their ethical and legal attention on major crisis areas such as sexual harassment and anti-trust, instead of on developing true codes of ethics. The Enron case may be viewed from a narrow perspective of deficiencies in auditing and relationships between companies and their accounting firms, or it can be seen as a much broader issue. The Enron case should be a wakeup call to companies and colleges of business, signaling that teaching people about organizational ethics, organizational integrity, and social responsibility is good business. The most profitable companies do not end up on the front page of the paper accused of ethical violations.

In fact, research shows that good corporate citizenship

equals long-term profitability. Many great corporations—including IBM, Hershey Foods, Cisco, General Electric, and Starbucks—have a track record of integrity even when their stocks are not doing particularly well. Starbucks, for example, works hard to interact with the community and be socially responsible. Not only does Starbucks provide a high-quality product to consumers, but it also works all the way down the supply chain to make sure farmers are paid a fair price for their coffee beans.

Enron did not have such a culture of corporate responsibility—and, apparently, neither did its auditor, Andersen. It seems ironic that, about ten years ago, Andersen contributed \$5 million to teach colleges of business and business professors more about business ethics. It now appears that Andersen has a very questionable ethical climate itself. Its way of approaching ethics was to toss money out to business schools, rather than trying to apply ethical standards to its own behavior and become a role model for other companies.

An auditing company with poor ethical standards will lose business. Most companies with a great reputation and integrity might question whether they would want to have Andersen as an auditor right now. If I were a stockholder or board member, I would say, “No.”

Not only is Andersen enmeshed in the Enron crisis, but in 2001 the firm agreed to pay \$110 million to settle an accounting fraud suit brought by Sunbeam Corp. Investors alleged the accounting firm ignored Sunbeam’s inflation of its earnings figures. The size of the settlement indicates that Andersen was willing to compensate Sunbeam investors who relied on its audit reports. We want our financial reporting to show high integrity. We don’t want it to be questioned because others may believe we’re relying on a questionable accounting firm.

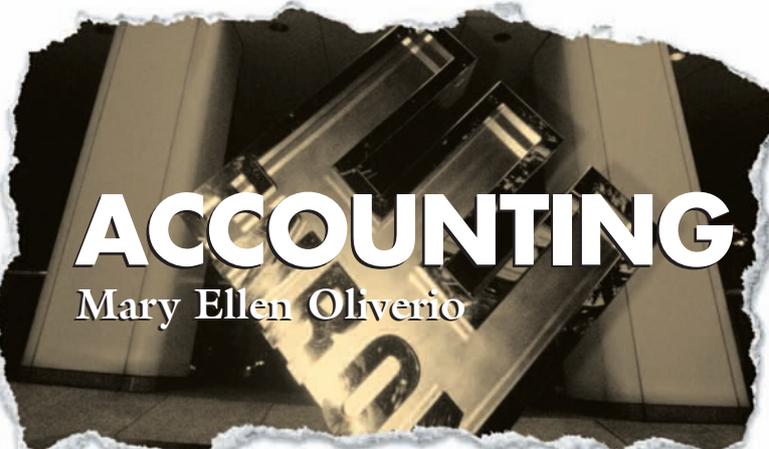
No one wants to do business with a company that is not trustworthy. I hope colleges of business will look at the Enron case and assess how much time they devote to teaching students *how* to do things, as opposed to whether or not they *should* be doing these things.

I am deeply concerned that ethics and social responsibility are very low priorities in many colleges of business. Many colleges do not require courses on business ethics or business and society, and most colleges do not require a business ethics course for undergraduates. Some professors do cover ethical issues as they relate to the subject matter of their courses—that is, if they are teaching e-commerce, they might talk about privacy. Other schools might require courses on business law. However, students rarely are taught a comprehensive ethical framework that illustrates the consequences

of integrity lapses in business. Colleges of business today believe that it is most important for them to teach the technical systems of business, such as software applications and the use of databases, to determine how to improve the bottom line. In reality, knowing how to use the tools of business responsibly is just as important as learning all the latest technical devices for success.

I do think that the Enron failure is causing many colleges of business to ask thoughtful questions. Are we sending out students who may be technically competent but deficient in understanding their responsibilities in managing a company and interacting with society? I feel that we need to make ethics a top priority over the next few years.

O.C. Ferrell is chair and professor of marketing and director of the e-center for business ethics in the College of Business at Colorado State University, Fort Collins, Colorado.



# ACCOUNTING

Mary Ellen Oliverio

**T**he Enron case is complex. Much careful analysis is needed to determine what was done and who was responsible. At this point, my tentative hypothesis about the case is that either by default or design there was an unbelievable level of collusion among the key executives, the board, the accountants, the lawyers, the investment bankers, and possibly governmental officials. Because an audit is an independent engagement, there can be an autonomous study of the auditors' performance. A wise U.S. Congress should demand a serious, technically driven investigation of audits performed in the last two to three years by Arthur Andersen.

There is a precedent for a comprehensive investigation in the McKesson & Robbins fraud case of 1938. Unfortunately, although a number of alleged audit failures have been extensively discussed in the business press within the past five years, none of these audits was objectively investigated. Major pub-

lic accounting firms have been willing to pay millions of dollars to settle cases without having to acknowledge whether or not there had been material deficiencies in their audits.

I am baffled by statements made by Andersen CEO Joseph Berardino during two appearances before the Committee on Financial Services of the U.S. House of Representatives. His comments do not reflect current auditing guidance as followed by auditors who accept their responsibility for the public interest. I shall just identify a few of his comments to illustrate this point:

*Failure to get sufficient evidence:* At one point in his testimony, Berardino stated that "it was not clear why the relevant information was not provided to us." What needs to be made clear is why the auditors failed to use due professional care in assessing the adequacy of the information they received.

The auditing guidance is clear: Failure to obtain sufficient evidence leads to a scope limitation, which will require a qualified opinion or a disclaimer of opinion. Yet, the auditors' report of February 23, 2001 (for the 2000 audit), included an unqualified "clean" opinion.

*Assessment of adjustments:* In his testimony, Berardino explained the basis used by the audit team in concluding that the proposed adjustments of \$51 million were not material to the 1997 financial statements. The income that year was \$105 million. If adjustments had been booked, the company's net income for 1997 would have been reduced from \$105 million to \$54 million. Would an investor consider an income of \$105 million to be materially different from \$54 million? The auditors didn't seem to answer that question. They used "normalized income"—an average of earnings during the preceding three years. Based on this computed average, the conclusion was that \$51 million would represent only an eight percent adjustment, which was judged not to be material.

According to generally accepted accounting principles, a set of financial statements for a fiscal year must essentially reflect that year's activity and status. While generally accepted accounting principles do not allow for smoothing of income or expenses, these auditors found a rationale for minimizing the impact of expenditures on earnings for 1997 and agreed with the client that no adjustments were required.

*Complexity of transactions:* Berardino, on occasion, noted the complexity of the transactions and the difficulty of understanding them. He pleaded for additional professional guidance.

Auditors currently have a hierarchy of sources for gaining an understanding of the appropriate basis for recording a transaction. Regardless of its complexity, a transaction is real, not hypothetical or metaphysical. Therefore, it can be plot-

## If the auditor was **not independent** during the performance of an audit, he must issue a disclaimer of opinion.

ted on a piece of paper; a flow chart can be drawn and reviewed to assure the auditors that they understand what happened. Our auditing students learn that if they cannot plot a transaction, they don't understand it. And if they don't understand it, they must seek more corroborating evidence. If that evidence is not provided and is determined to be material, the auditor has a scope limitation, and that precludes an unqualified opinion.

*Premature conclusion:* Berardino asserted that this case is a business failure, not an audit failure. Yet that is a premature conclusion. Many unreconciled points have been noted in the business press and in Congressional hearings. For example, while Berardino has said that the auditors merely reviewed Enron's Special Purpose Entities, news stories have reported that minutes have been disclosed indicating that

the auditors participated in the design of such entities.

The auditors also served as consultants to Enron. To what extent did their consulting lead to decisions that were then audited by the same individuals? This raises the question of independence. The guidance is clear: If the auditor was not independent during the performance of an audit, he must issue a disclaimer of opinion.

Other questions come to mind:

■ Audit partner David Duncan received a reported salary of at least \$2 million, higher than average for partners in their early 40s. Was his salary determined by his high quality standards for auditing or by his skill as a rainmaker in relation to Enron?

■ Why was Enron's audit committee so inept? Since 1985, the committee had been headed by a former accounting professor who served as dean of one of the most prestigious business schools in the United States. He admitted that the committee took the word of management. Why did he fail to probe? Where was the professional skepticism expected from those who are trained in accounting and auditing?

■ Why did the former CEO Jeff Skilling know so little about accounting and finance, as he insisted at the hearings? He stated that he was not aware of any financing arrangements designed to conceal liability or inflate profitability. Hadn't the auditors informed him that management is responsible for the fair presentation of the financial statements in conformity with generally accepted accounting principles? In fact, before an audit is considered complete, the CEO and CFO must sign a management representation letter including such an acknowledgement. Did the auditors not get such a letter? Was it signed with indifference by the top executives?

The public accounting profession has skillfully suppressed criticism in recent years. They have gained supporters through lobbying, endowing chairs in some U.S. colleges and universities, and providing funds to the American Accounting Association, the major academic accounting organization. As noted in *The Wall Street Journal*, "...when outsiders are present at public hearings where standard-setting rules are proposed, they tend to be finance executives at corporations...or accounting professors whose endowed positions are financed by Big Five accounting firms." Given such financial support, the Enron debacle is not surprising. When serious, thoughtful, good-faith criticism is stifled, the optimum standards and optimum behavior that assure professional quality cannot exist. ■

Mary Ellen Oliverio is a professor of accounting at Pace University, New York City.

### Student Assignments

The Enron case has much relevance in a variety of business school classrooms. For accounting/auditing classes these are some possible uses:

- The December 12 testimony of Berardino could be the basis of a critique of his interpretation of professional accounting/auditing guidance.
- Students could be asked to analyze the response of different groups—analysts, institutional investors, the AICPA, the SEC, the European Union—to the alleged audit failures.
- In-depth discussion of topics such as materiality, corroborating evidence, revenue recognition, and auditor/client relationships could be enriched through the use of the vivid details in testimony and business press stories.
- Students could hold exploratory, speculative discussions dealing with possible motivations for behavior and ethical issues at several levels: the accounting firm, the Houston office, the partners, the audit team.
- Teams of students could be assigned to look at aspects of professional auditing guidance that are being questioned—nonaudit services provided to audit clients, oversight of auditor performance, disclosures of auditor/client issues—for the purpose of exploring current proposals and to develop some of their own.

# Business Schools at RISK

*Serious, pervasive forces—  
such as faculty shortages,  
pressures to enhance  
curricular relevance,  
and intense, worldwide  
competition—are threatening  
traditional business schools.  
A new AACSB International  
task force may help to  
find collective solutions.*

Challenges confront the field of management education on all sides, and, in the future, these challenges will radically reshape the way business education is designed and delivered. In fact, that future is now. Prominent issues that are effecting change today must be dealt with immediately by business schools that still want to be staffed, relevant, and funded tomorrow.

In a move designed to help business schools meet the future with all the tools and information they require, AACSB International has created a Management Education Task Force to identify educational priorities and recommend responses. Formed last year as a subcommittee of AACSB's Board of Directors, the Task Force has met and collected data over the course of the last year. It recently presented a draft report to the AACSB board, identifying issues confronting management educators worldwide and offering suggestions for meeting the problems head-on. While the report is continually being revised, and the committee's work is still in progress, some key findings from the first report are now available and were discussed at the AACSB Annual Meeting in Chicago last month.

## **Putting It in Context**

Students who want to get business degrees today have a great many more options than they did in the past. In fact, only 24.4 percent of today's MBA students are enrolled full-time in a traditional two-year program. Just over 58 percent are part-timers; another 5.2 percent are in executive MBA programs, and 2.5 percent are enrolled in distance education programs. In addition, many of those students are choosing to seek degrees outside of traditional or accredited schools: The percent of degrees awarded by for-profit institutions increased from one percent in 1992 to 6.2 percent in 1999.

The fragmentation of the market is underscored by the fact that these students can go, literally, almost anywhere in the world to get their degrees. Among the top 50 schools ranked by *Financial Times*, an average of 44.1 percent of full-time enrollees were categorized as "international," or not from the home country of the school they were attending. Seventeen percent of U.S. students studying abroad studied business and management in 1999–2000, according to the Institute for International Education. According to the IIE, more than 19 percent of all foreign students studying in the U.S. in 2000–2001 were studying business, and more than 14 percent of MBA students in the U.S. were from abroad. Last year, 18 percent of the students at the London Business School were American, and 11 percent of INSEAD's January 2002 class were Americans.

Not surprisingly, Ph.D. holders who want to teach find themselves in a global market as well. According to *Financial Times*, among the top 50 schools, 30.8 percent of faculty is international. This globalization of the market for faculty is feeding another major crisis facing traditional business schools today—Ph.D. shortages. When good researchers and teachers have job options anywhere in the world, the pressure to recruit top faculty becomes even more intense.

### The No. 1 Problem

In fact, the challenge that surmounts all others in this field is the shortage of doctoral faculty, what the METF's report calls "the choke point in realizing the future vision for business schools." Not only has the production of doctoral candidates in the U.S. dropped by 19.3 percent in recent years, fewer new doctorates are expressing an interest in entering academia. Yet as the current faculty ages and retires, and schools worldwide expand their enrollments and staffs, there is a greater need for doctorally qualified faculty.

The Management Education Task Force suggests several

solutions for dealing with the shortage. Business schools can consider Ph.D. graduates from other disciplines; they can join with other schools and take advantage of advanced technology to offer virtual seminars to doctoral candidates; they can work to make academic careers more attractive to mid-career businesspeople by focusing on hot-topic areas such as entrepreneurship and e-business; and they can expand executive Ph.D. programs to channel academically qualified individuals into teaching.

More radically, the report advises schools to take a long, hard look at some of their own traditions of giving promotions and granting tenure, as well as their treatment of non-traditional faculty members. "These traditions do not reward clinically experienced faculty and are impervious to market shortages for doctorally qualified business faculty," notes the report. "The question for AACSB members is the extent to which business schools can alleviate what ultimately may be self-inflicted Ph.D. shortages, while continuing to preserve the research and inquiry values at the core of university traditions."

## Leading the Charge for Change

*Judy Olian is chair of the Management Education Task Force, which is charged with analyzing the current state of the management education field—and coming up with suggested solutions. Olian, who is dean of the Smeal College of Business Administration at Pennsylvania State University in University Park, discussed challenges facing management education and the METF's strongly worded recommendations in its recently issued report.*



### Can you create a context for the changes that are affecting business education today?

Traditional business schools are facing an incredibly competitive landscape in a continually changing environment. First, the percentage of total degrees awarded by traditional schools continues to decline as many more non-accredited schools award degrees. Second, we've gone from a situation where a majority of MBA students are full-time traditional students taking classes during the day, to a situation where only one-quarter of them are two-year, full-time MBA students.

Third, we're seeing more and more business students traveling between the U.S. and abroad, in both directions. Students today look at the world of business schools as a truly global set of

As AACSB's Blue Ribbon Committee on Accreditation Quality is currently considering new accreditation standards, schools need to reassess "whether reliance on a single, uniform 'doctorally qualified' metric for all accreditation reviews is still necessary," the METF report suggests. Such a reassessment is not without its own implications: "If this standard were changed or relaxed, it would place even more burden on accreditation teams to assess whether the intellectual integrity of the various degrees offered by an institution were consistent with the stated mission, with the peer set, and with AACSB's accreditation imprimatur."

### A Bright Spot

While the Ph.D. shortage is an area of concern for management educators, executive education represents an area of potential growth

and vigor. Some business schools are among the major players in the global education and training industry. However, the market is fragmented and competitive, and many corporations offer their own education and training. According to Corporate University Xchange, the number of corporate universities now totals 2,000 and will swell to 3,700 by 2010, presenting significant competition to traditional schools that offer executive education.

It's important to universities to keep executive education in the mix, because it represents an increasingly valuable revenue stream. Figures from Corporate University Xchange show that schools offering a continuing/corporate education program received an average annual revenue of \$4.8 million—in some cases, representing 25 percent of total revenue from all sources available to the school. "For many business school deans, executive program revenue is the single largest oppor-



options. The same is true of the market for faculty—25 percent of faculty in U.S. schools are international, and 42 percent of faculty globally are not from their country of residence. We need to be mindful of all these factors that affect business schools today, and we need to respond proactively to preserve the unique role we play in advancing business scholarship and practices.

**One suggestion made in the METF report is to have schools reevaluate traditional methods of tenure and reward. What kinds of systems might they implement instead?**

It's important to realize that tenure itself is changing. It's more and more difficult to achieve traditional tenure standards in the short time period of, say, six years. We've never really addressed strategies to enhance the research productivity of faculty, but we will need to focus attention on that problem. Some of the strategies may relate to faculty development in best research practices. Others may focus on structural changes—for example, greater flexibility in employment relationships to enhance research collaborations and mobility across universities. It's critical to find ways to protect and invigorate the continued scholarship and intellectual contributions of business faculty despite the unbelievable under-supply of research Ph.D.s. At this point, Adam Smith is surely turning in his grave.

One way to resolve faculty shortages will be by engaging the entire community of faculty who contribute in equally excellent ways—just different ways. These people might be engaged in curriculum renewal, understanding corporate needs, and translating those needs into curricula that are relevant as well as analytically and intellectually stimulating. In return, schools might create career tracks for these teaching-focused faculty that are stable, that provide obvious rewards for people who excel at teaching,

*The report also raises the prospect  
of greater reliance on faculty  
with **real-world** business experience.*

tunity to address the escalating costs of academic faculty and facilities,” according to the METF report.

Because executive education programs are increasingly important to business schools, they are consuming a bigger chunk of the available faculty and staff resources. In addition, some students are lobbying to get credit for the courses they take in nondegree programs—and some schools are granting it. The authors of the METF paper observe that the demarcation between degree and nondegree education is blurring, and that AACSB accreditation teams will have to consider nondegree education when looking at a school’s strategy and resources allocation.

#### **Relevance and Timeliness**

In addition to the pressures caused by doctoral shortages and changes in executive education programs, schools face

the challenge of continuing to make management education current, relevant, and timely. To accomplish this, say Task Force members, business schools might need to consider blurring the boundaries between traditional disciplinary silos. They also might have to focus more on core management competencies such as interpersonal relationships and communication—which emerge as the most important yet underdeveloped behavioral skills, according to surveys of business school graduates. The report also raises the prospect of greater reliance on faculty with real-world business experience. If schools focus more intently on the “clinical” content of curricula, the report predicts, they will have to reassess “the second-class status of nontraditional teachers, many of whom may be a source of rich industry experience brought into the classroom.”

In addition, schools are going to need to look at their

and that offer some elements of permanency such as long-term contracts. We would also be protecting the pre-eminence of research for those who are exemplary in this area.

#### **Are you afraid that the quality and volume of research will decline if business schools create a career track for non-doctorally qualified professors?**

I think you could argue that this strategy is a way to protect the research core. It might be the only way business schools are going to be able to address the complexity of their function—which includes research, but also includes teaching and outreach and other forms of business development, skill development, and contributions to economic growth. As a percentage of faculty, people who are traditionally trained in research are becoming fewer and fewer. So you could argue that this preserves the research position; what you’re doing is differentiating contributors by core competencies.

We also think schools should be looking at faculty who are doctorally qualified, but who might come from nontraditional research areas. They might come out of other disciplines, like the sciences, or from business. Or they might come from the social sciences and have different perspectives on, for example, organizational cultures or the eco-

nomics of organizations. This might make them very strong in teaching when their experiences are translated to the classroom.

Another thing we’re looking at is executive Ph.D. programs to bridge people with rich executive careers into Ph.D. schooling. Executives who have master’s degrees in business now might want intellectual training of the caliber of a doctoral program, but one that emphasizes teaching and analytical approaches to business, as opposed to analytical approaches to conducting research. Executive Ph.D. holders will certainly have good analytical grounding, and they would be skilled in transmitting theories of business. This training would be more fitting for transitioning executives into the classroom.

#### **The report also emphasizes executive education as the future of business schools. Will it become an essential component of the accreditation process?**

So far, the accreditation process has just focused on degree education, but degree and nondegree education are becoming almost inseparable. Many schools share their faculty and financial and operating resources between degree and nondegree education, and sometimes they share students. It’s very difficult to draw the line between them. It’s almost

*Full-time, on-campus MBA students  
represent a **minority** of  
overall business degree seekers.*

allocation of resources among programs and priorities. “Despite the fact that full-time, on-campus MBA students represent a minority of overall business degree seekers, these programs are the focus of national rankings and draw a disproportionate share of the financial and human resources” of most business schools, according to the METF report. Not only does this focus shortchange the students in part-time and doctoral programs, it allows nimble and adaptive schools to attract prospective students away from accredited business schools.

According to the METF, schools also are going to have to consider the advantages of allying with other educational partners—peers, distance education providers, international partners, or even direct competitors—to offer their own students extensive choice and variety in educational options.

**AACSB’s Role**

Clearly, the challenges facing management education are many and varied; but because the market is so fragmented, it will be difficult to develop a single set of solutions. The ongoing leadership role of AACSB must be to continue the innovation agenda of the organization and to create mechanisms that generate discussion of the important issues as they appear on the horizon among the faculty and other key stakeholders.

The METF report maintains that two broad problems confront all management education institutions: the need to focus on basic management skills such as communication, interpersonal skills, leadership, and change management; and the need to enhance relevancy by designing outward-facing curricula.

To address these needs, the task force is recommending



inevitable that accreditation committees are going to have to look at the role executive education plays in the school and the extent to which it supports or detracts from the school’s core mission.

Executive education has a big impact on degree education

because it’s the most significant source of discretionary revenue in the portfolio of programs offered by many business schools. For a school to measure up to an accreditation team’s expectations, it may have to include executive education programs in its demonstrated capabilities—not that these programs themselves will be critical to the accreditation outcome, but the resources they generate will matter. The accreditation team might say this school is spending too much time on nondegree programs and draining resources from the core function. I don’t think we’re interested in becoming an accrediting agency of nondegree programs because there are so many providers and so many missions; but at the same time, nondegree education is having a greater impact on the accomplishments of many

schools. To that extent, nondegree education is relevant to accreditation.

Nondegree education is also important to the future of AACSB member schools because it’s one of the ways other providers are encroaching on traditional business schools. We must keep our eyes on the competitive landscape in the nondegree program environment, because it’s a source of innovation and ideas that transfer into the degree environment. We can’t put our blinders on; we have to observe that segment of this industry. We’ll be surprised and perhaps enriched by what’s coming out of that sector. We don’t want to get caught unaware or unprepared.

**Corporate universities also are among the alternate providers who are encroaching on the market share of traditional schools. How can traditional schools compete with them?**

We need to be concerned about whether businesses still find us as relevant as we could be in teaching traditional business curricula. One of the points we raise in the report concerns the tension—and I think it’s a healthy tension—between the vertical disciplines of our traditional scholarship and theory bases, and increasing market-driven opportunities that require fuzzy boundaries and linkages across disciplines.

## Tasked With Change

Judy Olian is joined on The Management Education Task Force by: Lee Caldwell, vice president and chief technology officer, Hewlett-Packard Company, Boise, Idaho; Howard Frank, dean of the Robert H. Smith School of Business at the University of Maryland in College Park; Adelaide Griffin, chairperson of the School of Management at the Texas Woman's University in Denton; Patrick R. Liverpool, dean of the School of Management at Delaware State University in Dover; and Howard Thomas, dean of the Warwick Business School at the University of Warwick in Coventry, England. They are joined by ex officio representatives Eric Cornuel, director general of efmd (European Foundation for Management Development), Brussels, Belgium; John Fernandes, president and CEO of AACSB International; and Dan LeClair, AACSB's Director of Knowledge Services.

that an AACSB-appointed group identify core management skills that span traditional functional areas of expertise, and that AACSB develop process requirements that assure the relevancy of the curricula to the needs of employers. Since the issues facing management education today are so closely linked to accreditation standards—which are already under review by AACSB—the METF expects AACSB to assume a leadership role in collecting and disseminating information on issues affecting business management globally.

The organization may have to go outside business schools—to corporations or other partners—to collect some of the necessary data. Especially important to the future of management education are compilations of best practices in these four areas:

1. Alliances among education providers, with close attention paid to their pedagogical forms, financial and adminis-

Corporate universities are coming on really strong because they are designed around immediate problems with immediate solutions, and with a premium on timeliness and return on investment in education. They speak to the nature of today's business by covering the most current topics like supply-chain management, entrepreneurship, and e-business. So do we, and we draw uniquely on our research. But we also need to make the case that what we teach applies not just in a timeless fashion, but also on Monday morning. Unless we do, these competitors are going to be increasingly attractive providers of business knowledge for corporations and not-for-profits.

### **How do you see AACSB International's role in bringing about the necessary changes?**

I see our role as stimulating discussions at the global level, across schools, and within schools, by making it easy for schools to get a grip on all these issues. I also see AACSB as an enabler and a driver of change. We act as a driver through accreditation. We act as an enabler by providing schools with information resources so they can make the right choices. For example, we might provide them with projected graduation rates of doctoral students, or surveys of corporations that ask what curricula are particularly relevant to their changing marketplace. We might provide statistics on the demand for

MBA graduates in various parts of the world so schools can target their recruitment and placement activities toward those niches in the global environment. With AACSB's help, schools can become much more proactive in developing strategies to deliver their educational services and research services around what's relevant, in demand, and reflective of the best scholarship.

AACSB can play an important role by showcasing best practices in a variety of areas, such as alliances between educational providers. What works and what doesn't? How can technology be an enabler of education delivery? How can schools develop partnerships with the corporate world, and how will that drive curriculum development? AACSB also might look at models for industrywide change, such as KPMG's Ph.D. project, as well as best practices from other industries.

AACSB, as a global structure, is the most natural organization for being a permanent agitator for change. We must identify the key issues that need to be addressed today and then develop a more permanent infrastructure that will always seek change. We have to wake up to the critical issues that are affecting our environment—fragmentation, globalization, and the need to allocate financial and human resources properly. We hold the monopoly position in business research institutions. That is

trative arrangements, and success and failure factors.

**2.** Nontraditional business school structures that evolve from an outward-facing focus, as opposed to following vertical silos. These structures may include dual tracks for research and teaching-oriented faculty.

**3.** Strategies to leverage experiences and resources from nondegree executive education into degree programs.

**4.** Models for leading industrywide change. KPMG's Ph.D. Project and The Aspen Institute's Initiative for Social Innovation through Business might both be studied for best practices information.

The Blue Ribbon Committee on Accreditation Quality is consid-

ering the report's recommendations because accreditation is so important in effecting change in a mission-driven context. While the Management Education Task Force has provided a template for the changes that need to be considered, much is left to be accomplished within the AACSB membership. The METF report suggests strategies and infrastructure to support AACSB's quest to stimulate innovation in the management education field and to trigger debate and attention among deans, faculty, presidents, provosts, corporate partners, and the Blue Ribbon Committee. Schools world-

wide also will need to examine their own strategies for confronting the issues facing them—and make hard decisions about zero-sum choices. **Z**



indisputable, but we need also to leverage that scholarship into what we teach and how we shape business practices. To preserve our unique role, we need to explore a variety of alternative strategies for sourcing and generating revenues, and we have to continue to be seen as the dominant providers of business knowledge and education products. That requires us to make the case for relevancy.

#### **What's the next step for the Management Education Task Force?**

We're going to recommend focusing on accreditation processes and standards, as well as establishing a new issues subcommittee of the AACSB Board. There always should be a body pushing for the on-the-horizon issues that AACSB should be developing and folding into its planning process. We're also calling for an expanded partnership with outside organizations to help us enhance our position as an information resource. We're considering the formation of a targeted task force to address major strategic challenges, like the Ph.D. shortage, and develop feasible solutions. We're also going to look at different channels for disseminating information. In addition to publishing information in *BizEd*, we'll create downloadable white papers and

prepare packages for targeted audiences such as presidents, provosts, deans, faculties, and business school advisory boards. We want to ensure that a focus on new issues is a permanent presence on the agendas of AACSB annual and regional meetings.

#### **How quickly do you expect changes to occur?**

Changes will occur at different levels. Some will have to occur at the local level and be initiated by the faculties and schools themselves. AACSB can issue edicts, but changes will have to occur at the schools' local levels because it will be their cultures and their traditions that are affected. The same is true with curricular change and the tension that occurs between the vertical traditions and the cross-functional or boundary-spanning disciplines. Many schools will make changes on their own through curriculum revisions.

However, the notion of addressing Ph.D. shortages can't be done in a bubble without AACSB's involvement in endorsing those solutions through accreditation. AACSB also might support and showcase pilot projects that demonstrate different models for producing Ph.D.s and doctoral graduates that emerge with differentiated core strengths.

# Technology

## Online Database Puts Students on the Right Path

After two years of study and pilot testing, the Graduate Management Admissions Council recently unveiled MBA Pathfinder, an online database for prospective business school students. The database, which provides comprehensive information on hun-

users to select the criteria that are most important to them.”

In 2000, GMAC built a test interface for MBA Pathfinder and invited 12 schools to participate in the pilot program. With the feedback it received from its pilot program, it refined the type of data collected, as well as the manner in which that data would be collected and input into the system.

“Data submission is handled by individual schools and is strictly electronic,” Atkinson explains. “This puts the ownership of the data integrity with the institutions. It’s their data.” School representatives can refine their data in a password-protected area of MBA Pathfinder for as long as they wish, but “once they hit the

submit button, the window closes and the data is part of the database,” says Atkinson.

The type of data gathered for the database ranges from program cost and length to class size to average GMAT scores. The categories, which are constant for each school,

were chosen through a consensus among participating institutions. Although each school owns its own data, emphasizes Atkinson, the data will be subject to audits to ensure that students are receiving data that is comparable, consistent, and of high quality.

“We plan to begin the auditing component in 2003 of data submitted in 2002,” says Atkinson. “Audits will be done by a quality assurance firm. During the course of a five-year audit, we expect that every institution included in the database will be audited. Currently, GMAC is providing mock audits free of charge to schools so that their program personnel will be familiar with the process. So far, we’ve had about two dozen schools volunteer for mock audits.”

Schools can submit data for as many of their internal programs as they wish, from distance education programs to MBA programs to executive education programs.

So far, the database comprises 500 separate programs from 146 institutions around the world. It’s a good start, Atkinson notes. However, GMAC looks forward to Pathfinder’s growth, and to making it even more comprehensive for users.

“In the last two weeks, Pathfinder has averaged 1,200 advanced searches,” she says. “Pathfinder is meant to be a great research tool for prospective students who want to find the right schools. This is only the beginning.”



dreds of business school programs worldwide, enables students to conduct customized searches based on their educational preferences.

Information overload has become especially daunting to prospective business students searching for the right business schools. However, the same technology that has created the overload also can be used to control it, says Daphne Atkinson, GMAC’s vice president of information services.

“Part of the reason prospective students rely so heavily on rankings, at least to start their research, is that they have lacked comprehensive set of data and a focused search tool,” says Atkinson. “That’s not to say that rankings still don’t have influence, but rankings cannot take into account a particular student’s preferences and the priority of those preferences. MBA Pathfinder allows

### DATABIT

In January, Amazon.com announced it had made a profit for the first time since it was founded in 1995. Its losses over its years in operation have added up to \$2.8 billion. This year, however, the company claims it is finally in the black by \$5 million.

## The Ultimate ID Card

In the wake of global terrorism, Hong Kong will distribute mandatory "smart cards," a new identification system for its citizens, reports CNN. This high-tech initiative will take seven years and cost the government \$400 billion to implement. The cards will be encoded with a range of personal information, from name, date of birth, and address to the owner's thumbprint. A similar smart card, called the MyKad, already is in use as part of a two-year pilot program in Malaysia.



## UCSD Offers IT Entrepreneurs Lessons in Management

The University of California-San Diego plans to open a new graduate school in management targeted specifically to technology entrepreneurs, reports San Diego's *Union-Tribune*. The venture will mark the first time that technology and management education is the focus of a graduate school in California.

The new school not only provides opportunities to local business students, but also offers businesses a local recruiting option for technology- and business-minded graduates. "This gives us a chance to home-grow our own," one CEO told the newspaper. "UCSD is in a unique position to offer this kind of program to attract some of the people who would go to business schools on the East Coast."

UCSD is planning the graduate school as a result of a recent survey, which found that the region was losing talent as students left to attend programs in different parts of the country. Planners hope that the UCSD technology and management graduate program will give them a good reason to stay.

The chairman of UCSD's steering committee, Peter Cowhey, told the *Union-Tribune*, "Our focus is technology-driven. The mix of students we envision will be much different than those at the top ten management programs in the country. Ours will be a mix of students with engineering, science, and medical degrees."

Construction of the graduate school's \$50 million facility is set to begin this fall. The school plans to admit its first cohort of students in the fall of 2003.

## The SEC's Message: Investors Beware

A recent public awareness project from the United States' Securities and Exchange Commission proves that business education is not limited to the classroom. Because online investment scams abound over the Internet, the SEC set up a simple, inexpensive hoax to teach would-be investors the importance of doing their homework *before* investing in any company.

The SEC sent out a press release that announced the initial public offering of a fictitious company, McWhortle Enterprises. The release included a Web site address at [www.mcwhortle.com](http://www.mcwhortle.com), where visitors could learn about the manufacturer's long history of working with "biological defense mechanisms."

In three days, the site had received 150,000 hits. But those who clicked on a link asking them to invest money in the fake company received this harsh message: "If you responded to an investment idea like this, you could get scammed!"

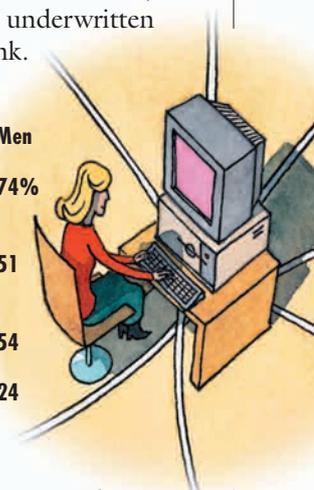
The whole project cost only \$50 but reached thousands of investors, Susan Wyderko, the SEC's head of investor education and assistance, told Reuters. As a result, the SEC has placed a number of other fake investment "opportunities" on the Web.

"An educated investor is our best defense against fraud," Wyderko said.

## Women Business Owners Embrace the Internet

At a time when business schools are working to increase the number of women pursuing management degrees, a study explores an area of management in which the participation of women exceeds that of men: e-business. The new study, called "Online and In Focus: How Women and Men Business Owners Use the Internet," was created by the Center for Women's Business Research, United States, and underwritten by Wells Fargo Bank.

	Women	Men
Purchase goods/services online	75%	74%
Sell products/services online	52	51
Have Web sites	50	54
Bank online	18	24

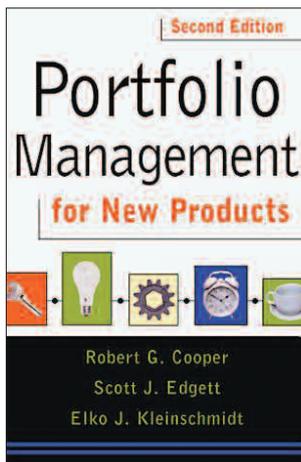


It found that women who own businesses are just as likely as male business owners to go online for business transactions. However, women are more likely than men to find the Internet beneficial for opening a wider range of business opportunities and providing more flexibility. According to the report, 61 percent of women-owned businesses use the Internet, a figure that is similar for men. But 40 percent of women, compared to 27 percent of men, value the Internet's ability to create new business opportunities for them, a number that may indicate women's growing interest in developing their e-business skills. **Z**

# Bookshelf

## ■ To Market, To Market

New products are the lifeblood of any business, but how does a company decide how much time, money, and manpower to allocate to any new product? In the second edition of *Portfolio Management for New Products*, authors Robert G. Cooper, Scott J. Edgett, and Elko J. Kleinschmidt



point the way. The book exhaustively examines various approaches to portfolio management, from financial models to scoring models, and walks the reader through their processes, strengths, and weaknesses.

According to these authors, the three goals of portfolio management are maximizing value, achieving a balance, and aligning with the company's strategic goals. Sometimes, however, it's difficult to see how these often conflicting goals can be brought to bear on deciding, for example, whether to move ahead with a new product or kill it.

The authors show a multitude of models to help the businessperson understand what the product might bring to the company and what it might cost. Various models analyze factors such as the expected commercial value, the risk versus the

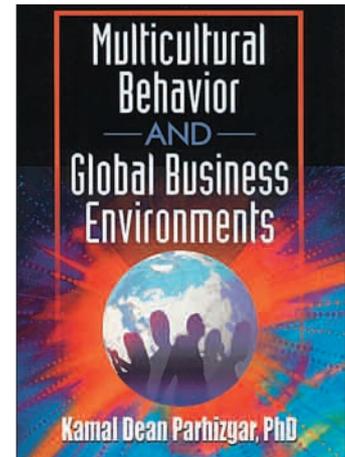
reward, the probability of technical success, and market attractiveness. Several charts—some of them based on actual models used by existing companies—illustrate how each model might be used. The authors also give a detailed explanation of Cooper's Stage-Gate evaluation process, in which proposed new products are analyzed at various points before they are allowed to go through the next "gate" and on to the next stage of development.

The book is filled with acronyms and catchphrases, from NPV (net product value) to Monte Carlo simulation, in which computer programs estimate a number of possible outcomes for a project. Yet each concept is explained clearly and understandably, so that the next tier of information makes logical sense. The book as a whole hangs together seamlessly. Business owners who have failed to organize their new—and existing—products into any kind of cohesive plan of launch and upgrade may be inspired to look at their portfolio of products and get a better grasp on what they're bringing to market. (Perseus Publishing, \$42.50)

## ■ The Multicultural Employee

As business expands globally, workforces become more multicultural. Managers attempting to meld together workers from disparate backgrounds, religions, nations, and ethnic groups are sometimes overwhelmed by the variances in personalities and belief systems represented by their employees.

In *Multicultural Behavior and Global Business Environments*, author Kamal Dean Parhizgar aims to help those managers understand their workers. This ambitious book attempts nothing less than to explain all the factors



that go into making an individual—from basic psychological interpretations of personality to a dissection of the forces and attitudes that shape national culture—and how that individual might fit into the work environment. "This search for why humans behave the way they do is based upon their conceptions, perceptions, values, attitudes, beliefs, ideologies, faiths, social influences, and leadership. As these topics indicate, multiculturalism can be studied interdisciplinarily through all bodies of knowledge," Parhizgar writes. His journey takes him from an examination of emotion through Maslow's hierarchy of needs to a discussion of morals and ethics. At each stop, he analyzes how different cultures view emotions, needs, physical characteristics, and attitudes about earning a living, and how these might affect an employee's behavior in the workplace.

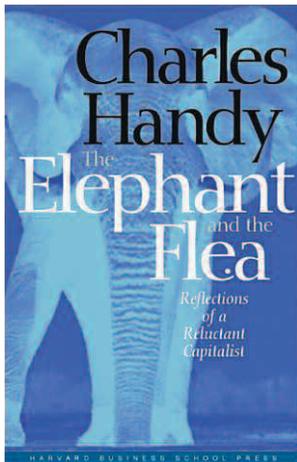
The book is dense and laced with references to much other research done on a wide range of topics, from psychology to business theory. It does not set out to examine the major cultures of the world and how they interrelate. Rather, its goal is to give an in-depth picture of the forces that make up human beings across the planet, and allow readers, by extrapolation, to understand how these forces may have shaped the individuals in their employ. The book is a lot of work, but many of

**BIG, RIGID, BUREAUCRATIC CORPORATIONS ARE SLOW, PONDEROUS ELEPHANTS;  
INDEPENDENT INNOVATORS AND ENTREPRENEURS ARE THE IRRITATING FLEAS  
THAT GOAD THEM INTO MOVEMENT AND CHANGE.**

its insights are fascinating. (The Haworth Press, \$129.95 hardcover, \$59.95 softcover)

■ **A View of the Future**

Big, rigid, bureaucratic corporations are slow, ponderous elephants; independent innovators and entrepreneurs are the irritating fleas that goad them into movement and change. Today's business world is



seeing more and more elephants alter or disappear, while the population of fleas grows at an astonishing rate. Many experts predict that, because people value their independence, their ability to work from home, and the chance to exploit their own ideas, the labor market will comprise a larger number of self-employed workers every year.

Charles Handy, author of *The Elephant and the Flea: Reflections of a Reluctant Capitalist*, has moved his office from the elephant's hide to the flea's smaller but more satisfying abode. In fact, he was ahead of the trend, making the switch more than 20 years ago, after a successful career with The Royal Dutch Shell Group and a stint at the newly founded London Business School. Like many

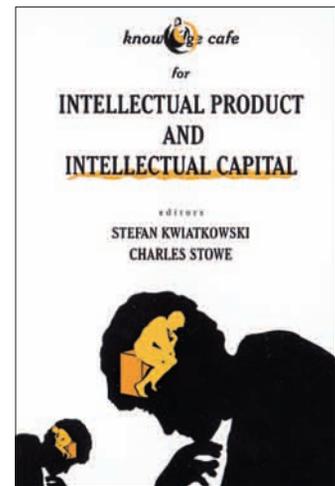
economists, he predicts that the trend will speed up in coming years—and have a profound impact on the way business, government, and society function.

This isn't a traditional business textbook, but rather a collection of essays by a man who knows both the business and academic worlds and is seeking to synthesize his knowledge. Part autobiography, part history lesson, part meditation on capitalism around the globe, the book is an idiosyncratic and charming examination of the way the business world works. Handy does spend much of his time setting up his central premise and discussing how it affected him personally. However, he also shares insights about the economies of Britain, India, America, and Singapore, and interlards the text with insightful comments about intellectual property rights, the social responsibilities of corporations, and the effects of technology on daily life. It's an easy read, but one that leaves behind much to ponder. (Harvard Business School Press, \$24.95)

■ **The New Entrepreneur**

As the resources of the world shift from financial to intellectual capital, successful entrepreneurs swing their attention from material to intellectual products. The move toward "intellectual capital" is one that focuses on the growing importance of knowledge and service in the business sector, the notion that ideas can have as much value as things.

A handful of scholars and entrepreneurs have gathered twice in the past few years to consider and comment on the growing importance of intellectual capital. Meeting and publishing under the name of "The



Knowledge Café," this group has produced its second book on the topic, called *Intellectual Product and Intellectual Capital*, edited by Stefan Kwiatkowski and Charles Stowe. Several of the collected essays reflect the state of intellectual capital in Eastern Europe, where, says Kwiatkowski's opening essay, the phenomenon is particularly visible. These are, after all, "countries under social, economic, and political transformation where government support for intellectual life dramatically decreases and market gradually replaces central regulation."

Other essays touch on more universal themes—converting intellectual capital into financial capital, the concept of money as an intellectual venture, commercial ramifications of the brain—and all are heavily footnoted and illustrated with charts. The concepts are complex, and the approaches are diverse. It's not a definitive explanation of this new, valuable property, but merely one stop along the way to assess its implications for the future of the business world. (Available from Knowledge Café, [wydawnictwo@wspiz.edu.pl](http://wydawnictwo@wspiz.edu.pl)) 

# Your Turn

by Jan Barton

## I Putting Enron in Its Place

Enron has caused the phones of accounting professors everywhere to ring, as reporters call to seek our views on “just what went wrong.” Often, they ask us how we plan to teach Enron to our students. The first reporter who called me was shocked when I gave him my answer: I don’t plan to devote a significant amount of time to Enron in my financial statement analysis course. Although Enron may warrant more than a passing mention, it is simply not a case I want to use in detail.

The reporter was baffled: Not teach Enron? How could I ignore it? After all, the company’s failure crosses a variety of topics, including concepts in accounting, ethics, corporate governance, and other areas. Because it is so all-encompassing, Enron seems the perfect example to use as the basis for teaching these concepts. Moreover, the reporter said, “employers expect students to understand what went wrong with Enron.” But is using Enron good pedagogy for my particular course? I don’t believe it is.

You see, I’ve been down this road before. Three years ago, you couldn’t watch the news or read a magazine without seeing something about Internet companies. Almost daily, students in my course would ask how these companies—with no history, no comparables, no profits—



**I am not saying that Enron is irrelevant to teaching business. I am also not saying that Enron may not make a great case study in the future. But until we know the full causes and consequences of Enron, using it to teach core principles of financial statement analysis and valuation may not be the best pedagogical choice.**

could be valued. Internet companies seemed so central to what was happening in business that I succumbed by redesigning my course with a heavy focus on analyzing Internet companies. Students studied prospectuses and financial reports to assess these firms’ accounting policies and stock prices. They enjoyed the project. My new syllabus seemed very relevant.

But the market moved on. The next year, when the time came to teach the course again, I was ready with my Internet-laden syllabus. But by that time, students had decided that Internet firms were no longer “cool,” let alone relevant. That meant I had to change the course once again. As an assistant professor seeking tenure, writing research, presenting at conferences, *and* teaching, I could ill afford the time it took to rewrite the course. If a course must be revamped because it’s outdated, that’s one thing. But to revamp a course to reflect a current fad just to *seem* up-to-date—without a sense of that fad’s longevity—can be counterproductive. Of course, hindsight is always 20/20.

I know I was not the only one to jump on the Internet bandwagon, creating courses that explored these hot startups that seemed to violate all the rules of valuation. But the question to ask at the time was not whether Internet companies were interesting, or even relevant, to my courses. Rather, the question to ask

was whether they were the best models for teaching students the core financial analysis concepts they need to know.

I learned a valuable lesson. Using the latest business “fad” to teach business concepts can seem like a good idea. But fads, by their nature, are temporary, and they can become quickly outdated. The fundamental concepts in business are best com-

municated with fundamental business cases, those whose reliability stands the test of time.

Now the Internet craze is long gone, and here we are again with yet another media favorite: Enron. Enron is making financial accounting topics sound “sexy” to the public and to business students. With Enron fueling this newfound interest in financial reporting, it might seem tempting to update my course to study Enron’s example.

But I did consider that choice carefully this time. It is true that Enron encompasses so many of the topics that we must cover in management programs, which can make it an attractive case study. If we wish to talk about the relationships between managers and outsiders, the incentives managers have to misreport information, or the quality of information being reported in the auditing process, we could use Enron as an example. Its relevance to present-day business cannot be denied.

However, it may not be the clearest example. Enron is a difficult-to-understand company in a difficult-to-understand industry. Its transactions are not the transactions that most students entering an MBA program are familiar with, or even likely to deal with, after graduation. And because Enron is so complex, it’s difficult to use it as an example to teach core concepts.

In fact, most of the financial reporting issues related to Enron are covered in my course through cases that are much more easily absorbed by students. For example, how do managers’ incentives, auditors’ independence, and off-balance-sheet financing affect the quality of the financial information a firm reports

to its shareholders? In Enron’s case, we are beginning to wade through the finger-pointing and to identify what went wrong where. To help students answer the “big picture” questions, however, I’d rather use more reliable examples to help students isolate the issues and examine them thoroughly.

Students might be better served by learning to assess the accounting policies and financial performance of firms with simpler business models like Wal-Mart, Sears, Delta Airlines, Microsoft, and even Amazon.com. These might not be the sexiest companies, but using them as examples strikes a better balance between relevance and reliability than I think using Enron does.

As an educator, I must ask two questions before introducing Enron as a major part of my course. First, if my goal is to give students a strong foundation in analyzing financial statements and knowing what to do with them, is it worth it to teach them about Enron’s undecipherable financial statements? I don’t believe it is. Because accounting numbers can be manipulated, many students believe they are useless. Therefore, my first job is to convince them that these numbers, in fact, communicate valuable information. With so much about its demise unknown, Enron’s financial statements simply are not the best means to deliver this message.

Second, is there anything significant about Enron that my colleagues and I don’t already cover in our courses? I don’t think so. The only thing special about Enron is that it is like a “perfect storm”—everything that could go wrong went wrong at the same time.

I have told my students that, in

fact, we see an “Enron” almost every year, although granted, not necessarily to that scale. A few years ago, for example, Cendant Corporation disclosed information about fraudulent accounting practices; this year, we saw Kmart declare bankruptcy, which would have been spectacular if Enron hadn’t cast its shadow over it. But before I incorporate such cases into my classes I know I must choose the best medium to make sure my message sticks. Often that means bypassing the latest news and, instead, using simple examples. I would rather my students have a thorough understanding of some important core concepts, than a superficial understanding of too many at once.

I am not saying that Enron is irrelevant to teaching business. Talking about such a complex, interesting, and topical event can be a great motivator to students. I am also not saying that Enron may not make a great case study in the future. But until we know the full causes and consequences of Enron, using it to teach core principles of financial statement analysis and valuation may not be the best pedagogical choice.

In planning my course, I focus first on the most important concepts I want my students to understand. Then I find the examples that do the best job of showcasing those concepts. The tradeoff for me lies between relevance and reliability. Enron makes for a very relevant case but, at this time, not a very reliable one. **Z**

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# Spotlight

## Making the Connection

University of Arkansas  
Sam M. Walton College of Business  
Fayetteville, Arkansas, USA

**The Sam M. Walton College of Business** at the University of Arkansas works to foster educational and professional links among students, faculty, the community, the business world, and key business leaders. With a current enrollment of 3,366, the College offers undergraduate and masters programs, as well as the only Ph.D. program in business and economics in the state of Arkansas.

Named after the founder of Wal-Mart Stores Inc., the largest company in the world, the Walton College has benefited financially and educationally from its relationship with the top firm. Dean Doyle Z. Williams helped to secure a \$50 million cash endowment—the largest upfront cash gift ever given to an American business school—from the Walton Family Charitable Support Foundation. With that endowment, he notes, the school also benefits from a continuing close working relationship with the company, one that continues to support the efforts of students and faculty.

The College offers students a variety of hands-on, multifaceted learning experiences. For example, finance students in the Rebsamen Trust Portfolio Management class manage a real stock portfolio account of more than \$5 million, one of the largest student-managed funds in the U.S. For Business' S.A.K.E. (Students Acquiring Knowledge through Enterprise) is a non-profit, student-run business offering first-hand experience, in which students market products to alumni, students,



**Above left: "Old Main," built in 1875. Above: Dean Doyle Z. Williams.**



**Left: Senior finance majors in Walton College's portfolio management class use the Bloomberg Financial Market Commodities News to help them stay abreast of market changes.**

and fans of the University of Arkansas' athletic teams.

In addition, the Walton College takes every opportunity to connect its students and staff with the larger community. For example, the Arkansas Business Hall of Fame, which the College established in 1999, recognizes outstanding business leaders who are Arkansans by birth or by choice. The College also sponsors two annual events, the Business Forecast, which invites three nationally prominent economists to share their predictions for the coming year; and the Business Giants Forum, in which students question three top executives, both in person and via interactive video.

Each year, approximately 250

students to receive pay for part-time, degree-related work.

In a changing business environment, making connections that last is a top priority, says Dean Williams in his online video message welcoming visitors to the Walton College Web site. "We continue to develop new opportunities for fulfilling our brand promise of connecting people to organizations and research with practice through our academic programs, our research endeavors, and our outreach initiatives," he says.

The Walton College's traditions, innovations, and clear sense of direction reinforce this mission. Its business and accounting degree programs are accredited by AACSB International. **Z**