

### FUNDRAISING

## Neubauer Gift Sets Up Faculty Fellowships



A gift from **Joseph Neubauer, '65**, and his family will give Chicago GSB an edge in competing for top faculty. The \$10 million will be split evenly between the university and the business school. At the GSB, it will establish the Neubauer Family Faculty Fellows program, providing resources to seek out the best scholars as well as to retain top performers likely to be recruited by other institutions.

Neubauer Fellows will be appointed for one to three quarters and will have reduced teaching loads. Some will be senior faculty from peer institutions, while other recipients will be “rising star” junior GSB faculty.

**Philip Berger, M.B.A. '88, Ph.D. '92**, will be the first Neubauer fellow. A faculty member at Wharton, Berger said he is pleased the fellowship is bringing him back to Chicago GSB’s “wonderful intellectual environment.”

The number of fellows will vary each year. Some will be chosen by dean **Edward A. Snyder** with deputy deans **John Huizinga, Ann McGill**, and **Mark Zmijewski**. Snyder will initiate a formal selection process in 2002–03.

The gift comes from Neubauer and his family, including his wife, Jeannette, and his son **Lawrence, J.D. '95, M.B.A. '95**. The fellowship is part of the Neubauer family’s \$10 million commitment to the Chicago Initiative, the university’s fundraising campaign. The gift is also the GSB’s largest single endowment for faculty support.—P.B.

### DONORS

## Distinguished Fellows Program Launched



Beginning in September, a new program will combine the GSB’s most generous scholarship with a program to bolster leadership skills. The Distinguished Fellows Program, funded by major gifts from Anne and **Philip Purcell, '67**, and **J. William Uhrig, '84**, and his wife, Anastasia Vournas, will grant five M.B.A. students more than \$100,000 each over a two-year course of study.



**John Jeuck, A.B. '37, M.B.A. '38, Ph.D. '49**

Additionally, the Fellows will work with **Harry Davis**, Roger L. and Rachel M. Goetz Distinguished Service Professor of Creative Management, to explore the ways in which leaders have made an enduring, positive impact. “More than defining a new level of financial support for these exceptional students, the program content will provide the Distinguished Fellows with a deeper understanding of leadership,” said dean **Edward A. Snyder**.

The program, inspired by the ideas of **John Jeuck, A.B. '37, M.B.A. '38, Ph.D. '49**, Robert Law Professor Emeritus of Business Administration and dean from 1952 to 1955, was established through three major gifts. Purcell, chairman and CEO of Morgan Stanley, and his wife contributed \$4.25 million; Uhrig, who is managing director of the New York private equity firm Three Cities Research, and his wife committed \$1 million; and Jeuck himself has made a commitment of \$500,000 to the program. Purcell has made \$3.75 million of his gift in the form of a challenge grant to encourage even greater participation from others.

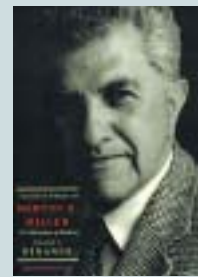
The idea for the program came from former dean and professor emeritus Jeuck, who mentored Purcell and Uhrig when they were students in his business policy class. A committee of faculty and staff, with input from lead donors, will select the Fellows, each of whose fellowships will be named in honor of either a Nobel laureate at the GSB or a former GSB dean.

Four first-year students have been selected to become Distinguished Fellows. **Todd S. Babbitz** is the first Robert S. Hamada Distinguished Fellow; **Rebecca DuBow** is the first George J. Stigler Distinguished Fellow; **Sarah Holst** is the first Merton H. Miller Distinguished Fellow, and **Matthew Niksch** is the first John E. Jeuck Distinguished Fellow.—P.B.

READINGS

## Alumnus Edits Collection of Merton Miller's Seminal Works

**Selected Works of Merton H. Miller:  
A Celebration of Markets  
Volume I: Finance**  
Bruce D. Grundy, Editor  
University of Chicago Press, 2002



For the first time, Merton Miller's most significant work has been collected in one place, a two-volume set called *Selected Works of Merton H. Miller: A Celebration of Markets*, which was released this summer by University of Chicago Press. Miller (1923–2000) was Robert C. McCormack Distinguished Service Professor Emeritus at the GSB and is widely considered the founder of modern corporate finance. In 1990, he received the Nobel Memorial Prize in economic sciences. A former student of Miller's, **Bruce Grundy, Ph.D. '92**, selected and edited the works that appear in the new volumes. Grundy, visiting professor of finance at the GSB and Ian Potter Professor at the Melbourne Business School in Australia, talked with *Chicago GSB* about working on the books and about Miller's influence as a teacher, colleague, and friend.

**Chicago GSB: How did you get involved with editing the *Selected Works*?**

Grundy: I was teaching at Wharton in early 1999 and had returned to the GSB to present a finance workshop. Merton and I agreed I should

edit a volume of his most influential papers that would show the correlation between the many strands of his research. It also would be a reference for future students of finance.

**Why did you agree to take on this project?**

I wanted to repay a debt that I and the whole profession owe to Merton, and to make his writing easily accessible to future academics and practitioners.

**What were the most challenging or interesting aspects of this project?**

One challenge was determining the full set of Merton's writings. He gave me his CV but it failed to list many of his papers (including some that appear in *Selected Works*). Merton had been appointed, reviewed, and promoted on the quality of his contributions, so he had never needed to waste time on his CV. After I pointed out many omissions, he recalled still others. I then tracked down more

published and unpublished papers from many sources, including a video of his 1988 lecture on portfolio insurance given at Melbourne Business School.

Reading through Merton's eight books and 217 journal articles and monographs, I became fascinated at how he developed his research themes. Corporate finance, capital structure, and regulation provided Merton with a constant source of puzzles throughout his career. But he also mastered disciplines as diverse as management science and operations research, macroeconomics, and asset pricing.

**How did you come to know Merton Miller?**

When I arrived at the GSB I wanted to ask Merton questions about what I saw as an inconsistency between his papers "Debt and Taxes" and "Dividends and Taxes" (both of which appear in volume 1). Before the term



**'A Forest of Books and Papers':** Merton Miller was a prolific writer, authoring eight books and more than 200 journal articles and monographs during his career. His interests ranged from management science and operations research to asset pricing.

started, I found on the second floor of Rosenwald Hall a door marked "Miller" and went in to make an appointment with a secretary. Instead, from within a forest of books and papers, a man looked up and asked simply, "What do you want?" I gazed at the holes in the elbows of his sweater and, confused as to who it was I was addressing, said I was hoping to make an appointment to see a Professor Merton Miller. "You've seen him. Is there anything else?" came the reply. It was Merton's keen humor that kept me returning to that office, each time better prepared.

**What was Miller like as a teacher?**

Merton was intensely encouraging, demanding, and focused. Whenever I was wrong, Merton would ask, "If that is true, shouldn't we see...?" He forced me to ask and answer the question that would prevent me from repeating the error. When I was right, he would say, "Supposing that is true. Then what would we see if we looked at...?" He took me to the next question.

**How has Miller influenced your work as a scholar?**

Merton reinforced my own love of corporate finance and strongly influenced my approach to problems. And in working with doctoral students, he taught me to guide others through their program of study with patience and to enjoy watching them flourish.—E.H.



James Kilts, '74

GSB COUNCIL

## Kilts Takes Top Council Spot

After nearly a decade as chairman of the Council on the Graduate School of Business, **Dennis J. Keller, '68**, turned the post over in May to **James M. Kilts, '74**, whose first task was to welcome 18 new council members.

"It's been a pleasure and a privilege for me to serve, but it's very healthy for the council to have as many people become as deeply involved as possible," said Keller, chairman and CEO of DeVry.

Keller said he will best remember being council chair while the GSB laid plans for a new campus. "I enjoyed having the [Hyde Park] groundbreaking on my watch. Jim Kilts will enjoy having the ribbon-cutting on his."

Kilts, chairman and CEO of the Gillette Company and a council member since 1991, applauded Keller's leadership. "He has led the council with great wisdom, skill, and dedication, and I will strive to build on that strong foundation," he said.

Supporting dean **Edward A. Snyder** is equally important, Kilts said. "I hope the council will assist him in continuing to attract to the GSB the best students, professors, and administrators."

New members of the council include **Kenneth S. Crews, '74**, vice chairman and global head of energy and power at UBS Warburg; **Peter R. Dachowski, '71**, president at Compagnie de Saint-Gobain Insulation Worldwide; **Patrice Marie Daniels, '84**, former managing director at CIBC World Markets; **Joseph J. Fitzsimmons, '74**, senior vice president of finance and treasurer of Wal-Mart; **Ralph F. Hake Jr., '75**, chairman and CEO of Maytag; **Jean D. Hamilton, '74**, president of the Diversified Group at Prudential Insurance Company of America; **Lee S. Hillman, '79**, chairman, president, and CEO of Bally Total Fitness Holding Corporation; **Kenneth Kaufman, '76**, managing partner of Kaufman Hall & Associates; and **Christopher J. McGurk, '82**, vice chairman and chief operating officer of Metro-Goldwyn-Mayer.

Also joining the council are **John A. McQuown**, cofounder and chairman of KMV Corporation; **Wendy de Monchaux, '86**, senior managing director and head of global derivatives at Bear Stearns; **Robert B. Nagel, '63**, chairman and partner of CEO Partners; **Michael P. Polsky, '87**, founder of Invenergy; **Paul E. Purcell, '71**, president and chief operating officer of Robert W. Baird & Company; **Clayton S. Rose, A.B. '80, M.B.A. '81**, managing partner at Logan Pass Partners; **Mary Ann Tolan, '92 (XP-61)**, global head of resources at Accenture; **Jon L. Winkelried, A.B. '81, M.B.A. '82**, managing director at Goldman Sachs; and **Alison A. Winter, '75**, executive vice president at Northern Trust Company Personal Financial Services.—P.B.

### DONORS

## Successful Ventures at ARCH Bring Great Returns for GSB



When **Steven Lazarus** began seeking capital for the first fund at ARCH Development Corporation in 1986, it took him nearly three years to raise it. Investors weren't dismayed that the seed and early-stage investment group planned to fund research projects at the University of Chicago and Argonne National Laboratory. What made Lazarus's proposal unusual was that ARCH was a wholly owned subsidiary of the University of Chicago.

"The idea of a university starting up companies was entirely novel," Lazarus recalled.

Still, ARCH raised \$9 million, funding 12 companies and returning more than 20 percent to the university. Nearly two decades later, the firm raised more than \$380 million for its fifth pool—by far, its largest fund to date—which brought its capital under management to more than \$700 million. The four founding partners at the firm recently gave \$250,000 to the GSB Campaign.

The idea of a university-based organization taking high-tech ideas to market through the vehicle of

start-up companies was born when Lazarus cofounded ARCH with then-dean **John Gould**, Steven G. Rothmeier Distinguished Service Professor of Economics. Lazarus left Baxter Labs to become an associate dean and to oversee ARCH, a project that drew intense interest from GSB students. "We used to call them 'the 57th Street Irregulars.' These were people who invested 20 to 30 hours a week above and beyond their schoolwork in ARCH," Lazarus said.

Among them were **Keith Crandell, '88**, and **Robert Nelsen, '87**, who became founding partners with Lazarus. ARCH not only started new companies, it also obtained the rights to patents developed by researchers and professors at the university and Argonne. "The rights flowed to the University of Chicago, then to ARCH," Crandell explained.

Joining ARCH after earning an M.B.A. was a choice that ultimately paid off, Nelsen said. "I turned down some big offers in New York to work for ARCH and start up companies, and in exchange, I got equity on the ground floor," he said. "That was the seminal University of Chicago trade-

off. And the money we've made is what we're giving back to the GSB."

In 1994, the firm gained another partner. **Clinton Bybee, '90**, switched from engineering to venture capital after he discovered ARCH as a student intern. "I was attracted to the chance to work on projects and see tangible results—creating companies, generating wealth. And I also appreciated being able to participate in an equity way, in gaining ownership. It's something I couldn't do in a big firm." He joined ARCH full-time after having worked as an ARCH associate while in business school and at various companies between 1990 and 1994.

Funding research from top universities and national laboratories proved to be lucrative for the firm. "In the first four or five years we were there, we returned \$25 million to the university," Crandell said. "The money was both from founders' equity and from licensing revenue."

Because of the substantial profit, ARCH partners and university trustees agreed the venture had to separate from its not-for-profit parent. In 1992, the group privatized, becoming ARCH Venture Partners. The firm extended its model nationally and now investigates opportunities at more than 30 academic institutions and 6 laboratories, Crandell said. It maintains offices in Albuquerque, Austin, New York, and Seattle.

What enabled ARCH's success was its ability to navigate the financial waters and bureaucratic processes

at large institutions, Lazarus said. "When we asked other venture capital firms why they weren't doing what we were doing, they said, 'It's too hard, and there are too many transaction costs,' which is what you run into when you deal with universities and national labs. We learned how to do it at the University of Chicago. And we found we could apply the model at other great institutions."

Despite the formal split with the university, ARCH has remained actively linked to the GSB. Partners not only serve as guest lecturers in class, but also participate in the Private Equity Lab, hiring student interns "who are able to make important contributions right away," Crandell noted.

The firm's gift to the GSB will fund the incubator space for new businesses, a place where student entrepreneurs who have earned money in the New Venture Challenge can work while they seek additional funding. The incubator will be part of the Michael P. Polsky Center for Entrepreneurship in the new building.

Backing the GSB was important to all of ARCH's partners, Crandell said. "We wanted to be supportive and to continue our strong relationship with the University of Chicago. Students get great clinical experience here that complements the great theoretical underpinning they get there," he said. "There's a tremendous body of research, and it's a great place to start if you're interested in venture capital."—P.B.

### RANKINGS

## GSB Places among the Top Ten Again



In the final set of rankings for 2001–02, Chicago GSB's M.B.A. programs garnered more top-ten placements. The *U.S. News and World Report* business school rankings in the April 15 issue placed the GSB's full-time program sixth, up from ninth in 2001. Duke's Fuqua School of Business shared sixth place with the GSB, while Stanford, Harvard, Wharton, Sloan, and Kellogg took the top five places. These evaluations were based on surveys of business school deans, M.B.A. program directors, and recruiters, as well as on the schools' selectivity and

job placement rates and applicants' mean GPAs and GMAT scores.

The magazine also ranked the GSB's part-time programs third, one spot lower than in 2001. The Executive M.B.A. Program maintained its fourth-place ranking from last year. Stern and Kellogg had the top part-time programs, and Kellogg, Wharton, Fuqua, and Columbia joined the GSB's executive program in the top five.

Earlier in 2001–02, *Financial Times* placed the full-time program third while *Forbes* ranked it fifth. The executive program was rated second by *Business Week* and fifth by *FT*. *U.S. News and World Report* was the only magazine to rank part-time M.B.A. programs this academic year.—E.H.

### FACULTY

## Student Award Honors Frank, Meadow



Frank

Professors **Mary Margaret Frank** and **Scott Meadow** were awarded the Class of 2002 Phoenix Award in May for enriching student life at the GSB through involvement in extracurricular and community activities.

"Every professor has a different way of supporting students, and I think it's important to foster leadership and growth outside the classroom," said Frank, assistant professor of accounting from 1999 to 2002. She has been the faculty advisor for Giving Something Back, a community service student group, and she has helped Chicago Women in Business with its monthly student-faculty breakfasts.



Meadow

Meadow, clinical professor of entrepreneurship, said extended involvement with students is part of his job. "I'm here to serve them, whether that's through teaching, help with entrepreneurial projects, or career guidance," he said. Meadow set aside time specifically for working with students, especially those interested in pursuing entrepreneurship, a field in which he has more than 20 years of experience.—E.H.



From left: Steven Lazarus; Keith Crandell, '88; Robert Nelsen, '87; and Clinton Bybee, '90.



Kevin Weinstein

**Convocation by the Numbers:** The 712 students who received their diplomas in June formed the largest graduating class in the GSB's history. The group included 499 students from the Full-Time M.B.A. Program; 60 from the International M.B.A. Program; 109 from the evening program; 32 from the weekend program; 6 degree-seeking exchange students; 3 from the Executive M.B.A. Program Europe; 2 from the Ph.D. program; and one Ph.D. candidate who also received an M.B.A.

CONVOCA TION

## In a Business World Looking for Leaders, New Graduates Are Invited to Fill the Gap

On a warm afternoon in June, more than 700 new graduates—the largest group in the GSB's history—received their degrees. And, according to alumni speaker **Fred G. Steingraber, '64**, chairman emeritus of A.T. Kearney, a large infusion of talent at the top is exactly what the business world needs.

"We are in the midst of a very severe leadership crisis in many walks of life," Steingraber said, pointing to the Enron crisis as only the most obvious example of widespread problems. "At a time when the demand

for leadership is growing, the supply is running short."

Steingraber didn't blame a lack of intellectual prowess. "The business world isn't lacking leaders with high I.Q.'s. What we don't have enough of is people with high integrity and emotional intelligence," he said, naming self-awareness, self-regulation, motivation, empathy, and social skills as important traits of leaders. "We need your intelligence and your analytical firepower. But in addition, come with your leadership."

Deputy dean **Ann L. McGill, M.B.A. '85, Ph.D. '86**, also emphasized the need for complex thinking—a task made more difficult by implicit assumptions about what is normal or ideal. "Determining which factors should be treated as changeable and which ones should be treated as immutable norms will be, for all of you, day-to-day puzzles," she said. "How you solve these puzzles will define your impact on the world and your managerial legacy."

McGill also pointed out the difference between leadership, which is about change and possibility, and stewardship, which is about responsibility and forging a legacy. "My hope for you," she told the graduates, "is that you run your businesses just as you have acted here—with the possibility of leaders and the responsibility of stewards...that you imagine the world to be different with an eye to science but also to values—with an ability to know the difference between the mutable and the immutable."—E.H.



Kevin Weinstein

**Leaders Needed:** Current business scandals illustrate the need for strong leadership, **Fred G. Steingraber, '64**, told the class of 2002.

FACULTY

## Williams Award Goes to Barberis for a Third Time



Kevin Weinstein

Associate professor of finance **Nicholas Barberis** has become the first faculty member to win the

Emory Williams Teaching Award for a third time, adding to the honors he received in 2000 and 1998. Students from all GSB programs vote for a faculty member who demonstrates excellence in the classroom.

Barberis teaches introductory finance classes to full-time M.B.A. students and an advanced Ph.D. course on behavioral finance, his research specialty. He incorporates some of his research in the material he presents to the introductory class, a strategy he said is popular with students.

Barberis said he tries to make his classes welcoming even for students who aren't at ease with the subject matter. "It is the first time many of them have taken a finance course, and many of them are worried that they're not going to understand the subject," he said. "I try to make it clear from the start that there's no such thing as a stupid question in this class."—E.H.

STAFF

## Caroline Karr, '88, to Head GSB Alumni Office



Photo courtesy of Caroline Karr

**Caroline Karr** joined the Office of Alumni Affairs and Special Events as associate dean in August. A 1988 graduate of

the Full-Time M.B.A. Program, Karr most recently worked as a financial services consultant. Previously she managed the online 401(k) advisory service at Morningstar. Karr also worked at Citicorp, where she held several global marketing positions, including vice president and global brand manager for Citibank Global Cash Management. There she executed the global strategic plan for WorldLink, a foreign currency payment system.

"I was very impressed with Caroline's understanding, enthusiasm, and vision for our programs and initiatives," said dean **Edward A. Snyder**.

Karr was raised in Northfield, Illinois, and received a B.A. in politi-

cal science from the University of Wisconsin–Madison before attending Chicago GSB. She is affiliated with several Chicago organizations, including the Chicago Council on Foreign Relations, the GSB Club, the University of Chicago Women's Business Group, the Leukemia Society, the Arts Club of Chicago, Chicago Women in Technology, and the City Club of Chicago.

"Little did I realize when I received my GSB diploma from Hanna Gray in 1988 that I would someday become part of the GSB community," Karr said. "I am truly excited about continuing to expand and enhance our alumni programs and participation globally. I am eager to meet everyone and hear feedback so that I may put together a successful plan."

Karr assumed the position previously held by **Danielle H. Palmer, '92**, (see story on page 43).—M.M.B.

ON CAMPUS

## DuSable Conference Draws Diverse Speakers

Financial planning, nontraditional career paths, and coping with the economic downturn were among the featured topics at the 17th annual DuSable Business Conference in April. Organized by the African American M.B.A. Association, the event began with a reception at the DuSable Museum, located near the Hyde Park campus.

The following day, participants came to Gleacher Center to hear remarks by dean **Edward A. Snyder** and African American business leaders such as Carlton Guthrie, co-chairman of the Spectra automotive group, and Vernon Brown, who is active in the entertainment business and is chairman and CEO of the financial management firm V. Brown & Company.—E.H.

## Panelists Examine Human Behavior in Light of Ethical Dilemmas

Years before Enron became a household name, the business world had its share of scandals. In the 1980s and 1990s, the junk bond scandal and savings and loan debacle had people wondering if “business ethics” was an oxymoron. Is unethical behavior on the rise?

Events like the Enron collapse make it seem so, but a panel of professors from the University of Chicago said unscrupulous behavior has always been part of the way humans behave.

A tough economy brings problems to the forefront, said **Raghuram Rajan**, Joseph L. Gidwitz Professor of Finance. He was one of four GSB professors who joined a panel discussion on business ethics in April before students at the Hyde Park campus.

“With the business cycle, you get tremendous growth, then a downturn. The problems appear when growth stops. That’s when financial scandals are more likely to come out,” he said.

**Robert W. Fogel**, Charles R. Walgreen Distinguished Service Professor of American Institutions, agreed. “Business scandals are perpetual,” he said. “They didn’t begin in this decade, and they won’t end in the next decade.”

Still, Fogel noted, the corporate world is making progress. “Business leaders can’t say, ‘We don’t care about equal treatment for men and women.’ They’re compelled to treat these problems as central issues of business leadership.”

Not all change has been good, said **Robert Z. Aliber**, professor of international economics and finance. “We’ve shifted from a world where individuals behaved according to norms to one of people doing a cost-benefit analysis,” he said.

In deciding how to act in a situation, individuals—and corporations—err by failing to think of long-term effects, said **Linda Ginzel**, clinical professor of managerial psychology and academic director of corporate education. “We’re acting in the grips of ‘short term-ism,’” she said. Still, Ginzel pointed out, criticizing another individual’s “moral compass” is often used as an excuse by management.

“Managers have a responsibility to create an environment that helps people to make more ethical decisions. The pressure of a situation can make

your moral compass worthless.

Managers have more control over situations than character,” she said.

The problem in the business world is that people are expected to meet ever-increasing demands, said Jean Bethke Elstain, Laura Spelman Rockefeller Professor of Social and Political Ethics at the Divinity School. But, students asked, who should be held responsible when problems arise as a result?

“It’s hard to say,” Fogel admitted. “The details of the situation are critical. A judge will give you more credit if teaching ethics [to employees] has been part of your business practice.”

Setting plenty of rules may sound like the answer, but that can backfire, panelists agreed. “People want legislation,” said Rajan. “But with more legislation, people tend to stick to the letter of the law, not the spirit.”

Elstain echoed the thought. “Too many regulations say to people, ‘We don’t expect you to police yourself.’”

Corporate leaders should behave ethically “because it’s in the long-term interest of the enterprise to do what’s right,” she added.

Students wondered whether things would ever change in the business world. “Disclosure is important,” said Rajan. “It’s important for the public to know the cost of a potential hazard and the cost of remedying it.”

What’s important now is the public’s heightened interest in ethics, Fogel said. “I think in the long run, we’re intensifying the climate of ethical awareness. It’s like the women’s movement—you use a specific issue to promote awareness.”—P.B.



No Easy Answers: Linda Ginzel used a case study to illustrate the complexity of business ethics.

### An Exercise in Ethical Considerations

There’s nothing like a product liability case to bring ethical issues to the forefront, as alumni learned when they attended the panel session “What Do We Mean By Business Ethics?” at the 50th annual Management Conference in May (see “Preparing for the Predictable,” page 16).

**Linda Ginzel**, clinical professor of managerial psychology, used the case study approach, asking audience members to speak as consumers, government regulators, or manufacturers. Their task was to consider a juvenile product safety case. Panelists included Robert Adler, professor of legal studies at the University of North Carolina at Chapel Hill; Marla Felcher, adjunct lecturer in public policy at Harvard; and Thomas Hellie, executive director of the James S. Kemper Foundation.

Audience members raised several points, from making a product perfectly safe but unaffordable to the fact that people become desensitized to product warning labels. Publishing more data about specific products may help, or it may contribute to information overload, they noted.

“The case study has helped us see how complicated this is,” Ginzel noted. “It helps to think more complexly.”

Hellie agreed. “Capitalism is necessary for society to flourish,” he said. But, noted Felcher, “We need to go beyond the law. How do we act when the law doesn’t necessarily tell us what to do?”

Adler said, “The challenge is that markets are not perfect and regulation is not perfect, and you’re always weighing the two. There’s a need for government to be thoughtful and to listen to manufacturers and consumers. And then there would still be mistakes.”—P.B.



When Tough Questions Arise: Business leaders are compelled to address ethical problems, even when they involve top corporate officials, panelists told the audience.

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# NEWS

## Chicago Conversations

### Chicago Conversations highlights speakers at Chicago GSB.

“You should only attempt to shape your industry if you truly have market power, and few companies actually have that. Instead, work for an impact that is achievable within the company. This is back to the basics.”

**Rajan Anandan**, e-business principal at McKinsey, at the inaugural E-Business Roundtable meeting at Gleacher Center in March



Lloyd DeGrane

“The people at Sears took their eye off the customer. The people at Wal-Mart have that touch, but sooner or later, they’ll lose it. They’ll start spending their time playing golf with Goldman Sachs, and some entrepreneur will come in and do it better.”

**Gary Hoover**, speaking at a student event sponsored by the Entrepreneur/Venture Capital Group in Hyde Park in May. Hoover created Bookstop superstores, which he sold to Barnes & Noble for \$41 million.



Kevin Weinstein

“Running our business is a battle. In the last two years, not a single day has gone by that a utility didn’t do something to kill us. It’s exhausting, but it’s exhilarating when you win.”

**Daniel Cashdan**, '86, founder and chairman of the alternative energy company RealEnergy, speaking at a student event sponsored by Net Impact and the Energy Group in Hyde Park in May

### CEO FORUM



**The Need to Achieve:** “You can’t tolerate underachievers in a company. A lot of companies fail because they keep underachievers around,” **Robert Covalt**, '67, told students in Hyde Park in May. Covalt, chairman, president, and CEO of Sovereign Specialty Chemicals, was one of six CEOs participating in the forum, which was sponsored by the Corporate Management and Strategy Group.



Kevin Weinstein

“I asked for the position of CEO, and [the board of directors] basically gave it to me. The moral of the story is that

once you’re confident in your ability to deliver, make your ambitions and your goals known. Control your own destiny.”

**Christopher Barnard**, '76, president and CEO of Wacker Corporation, speaking to students in Hyde Park in May at a CEO forum sponsored by the Corporate Management and Strategy Group



Kevin Weinstein

“It is the skills, information, and education people have that is human capital, and human capital is the foundation

of the modern economy. . . As long as the knowledge they have remains intact, nations will recover rapidly from natural or man-made shocks.”

**Nobel laureate Gary Becker**, University Professor of Economics and Sociology, speaking to members of the Chicago GSB Fund’s Laureate Society at the Metropolitan Club in Chicago in May

### Preparing for the Predictable

At a time when business—and the world—can change overnight, Chicago GSB alumni gathered at Gleacher Center for a day of expert panels, recent research, and networking.

Reflecting on a year marked by recession, terrorism, and corporate collapse, Bank One chairman and CEO Jamie Dimon said he's surprised when people respond to disasters by saying they didn't expect them.

"Crises happen all the time. That's predictable," Dimon told more than 800 alumni and other business professionals at the 50th annual Management Conference in Chicago on May 17. "I've been in business since 1982. Since then, I've seen collapses and crises with the S & L's, Argentina, real estate,

Japan, Berings, Daiwa, Long-Term Capital Management, Russia—this stuff is not new."

The lesson to be learned from the turmoil, Dimon said, lies in how countries and companies respond. "Did they take the crises and try to make themselves better? The ones that are constantly reforming, continually changing, are the ones that are going to thrive," he said.

Dimon's talk was followed by nearly 20 panel sessions on such topics as deregulation, health care costs,

accounting in crisis, leadership, and economic analysis of major policy issues. —M.M.B.



**Networking:** The Management Conference drew more than 800 alumni and other business professionals.



**Business Prospects:** Topics at the panel discussions that followed lunch, which was held at the Chicago Marriott, ranged from the effects of terrorism on the global marketplace to getting the best out of employees in a reorganized corporation.



**James M. Kilts, '74, chairman and CEO, the Gillette Company, at the session "Leading Out of Disaster to Success"**

"When I deal with turnarounds, the most difficult thing is getting the organization to understand we have a problem."



**Dennis S. Bookshester, former president and CEO, Fruit of the Loom, and chairman of the board, Cutanix, at the session "Leading Out of Disaster to Success"**

"You can't have tunnel vision. You have to look at everything all at once and rely on people to do their

jobs. As CEO, there's nothing you can do narrow and deep."

**Dennis S. Bookshester, former president and CEO, Fruit of the Loom, and chairman of the board, Cutanix, at the session "Leading Out of Disaster to Success"**

"You have to ask yourself, would you buy this division or product line today? If not, sell it or close it down."

**Jay Geldmacher, '91 (XP-60), president, Astec Power, at the session "Global Business—New Challenges"**



"The perception of risk has been greatly heightened [since September 11]. If we allow that perception of higher risk to govern our responses to business opportunities around the world, we'll be making a serious mistake. Globalism is inexorable. I don't believe it can be stopped."

**Marshall M. Bouton, president of the Chicago Council on Foreign Relations, at the session "International Terrorism and the Axis of Evil: Consequences for U.S. Business"**



### Dimon Advises Management to 'Deal with Reality'

At the 50th annual Management Conference in May, keynote speaker Jamie Dimon told more than 800 alumni and other business professionals that managers must "deal with reality," no matter how difficult, to run their companies successfully.

"You have to face the facts, and face them all the time," said Dimon, chairman and CEO of Bank One. "You have to focus on the negatives. If management doesn't focus on the negatives, no one else will."

Dimon also directed attendees to prepare for disaster. "You have to build your ship for all weather," said Dimon. "Whatever the environment, the institution must persevere."—M.M.B.



**Fred G. Steingraber, '64, chairman emeritus of A.T. Kearney and GSB council member, at the session "Strategic Design and Organizational Change"**

"We can't make, do, and own everything. The economics won't work. The competitive advantage can be built on core competency, on what you do that's distinctive."

**Fred G. Steingraber, '64, chairman emeritus of A.T. Kearney and GSB council member, at the session "Strategic Design and Organizational Change"**

"If you put aside all the uncertainties, I would predict that there is going to be a world recovery. I say that there's going to be a recovery because there always is. I never saw a recession that wasn't followed by a recovery. Otherwise, we'd still be in the recession of 1902. But it's over, isn't it?"

**Robert Dederick, economic consultant to Northern Trust Company, at the session "Argentina, Enron, Global Crossing, Kmart, and the Global Economy"**



**Sheila Penrose, president of the Penrose Group and executive-in-residence at the GSB, at the session "Strategic Design and Organizational Change"**

"People learn in order to affiliate. People want to belong. The new way of behaving is how people belong. And the piece often left undeveloped is truly creating a team culture. That has to be fed all the time."



**Randall S. Kroszner, professor of economics and member of President Bush's Council of Economic Advisers, at the session "Deregulation I—A Theoretical View"**

"You need rules to be working properly. If you set up a market but are roughing it, then you don't have much of a market at all. To say the market is a failure is inappropriate. It's a failure of the structure."



The March 13 *Wall Street Journal* described **Peter May, '64**, as a “savvy acquirer” on Wall Street. The article featured the Triarc Companies, where May is president and chief operating officer, calling it “the closest thing on Wall Street to a true cash cow.”

**John Edwardson, '72**, ranked first on the *Chicago Tribune's* list of the highest-paid executives at the top 100 Chicago companies. The April 28 edition reported that Edwardson earned \$43 million in 2001 as chairman, president, and CEO of CDW Computer Centers. Other CEOs on the list included **Thomas Fisher, '83**, of NICOR; **Lee Hillman, '79**, of Bally Total Fitness; **Edward Kaplan, '70**, of Zebra Technologies; **Dennis Keller, '68**, of DeVry; and **Richard May, '74**, of Great Lakes REIT.

**Carol Levenson, A.M. '74, M.B.A. '81**, was interviewed in the April issue of *Business 2.0* in an article about the Enron scandal's effect on corporate credit and bond ratings. Levenson is research director at Gimme Credit, an independent corporate credit research firm in Chicago whose “opinions have the power to move markets—and often do,” according to *Business 2.0*. “Thanks to Enron, the world has suddenly discovered there's such a thing as credit analysts and bond ratings,” she said. “When I analyze a company's financials, I try to be aware of how the company is trying to spin the results. I like to

look where the company is telling me not to look.”

The March 28 *Wall Street Journal* announced that **Robert Steel, '84**, has been named a vice chairman at Goldman Sachs. He will oversee the firm's fixed income, currency, and commodities division. The article also reported that **Scott Kapnick, J.D. '84, M.B.A. '85**, will continue as head of investment banking.

Following Willis Stein's acquisition of Roundy's, **Robert Mariano, '87 (XP-56)**, will become president and CEO of the Wisconsin-based food wholesaler and retailer, which supplies more than 800 supermarkets in 14 states. Mariano previously served as CEO of Dominick's Finer Foods. News of his job change appeared April 10 on *chicagobusiness.com*.

The *Chicago Tribune* reported in early 2002 that **Carlette McMullan, '87**, was named head of the private investor group at William Blair and was appointed to the firm's executive committee. McMullan now oversees the department's \$8.1 billion in assets.

The June issue of *Business 2.0* listed **John Samuel, '87**, as one of the “20 Young Execs You Need to Know.” Samuel, vice president for customer technology at American Airlines, put the company on the Internet and invented the industry's first weekly e-mail announcing last-minute deals on fares.

**Stephen Kane, '90**, was profiled in an April 9 Reuters article. The story called him a “top-performing bond portfolio manager” at Metropolitan West Asset Management in Los Angeles. “Kane, 39, cofounded MetWest in 1996 and helps invest \$17 billion,” the article reported. “He starts thinking at 5:15 a.m. during his hour-long ride on the San Diego Freeway to work.”

**Claude Leveille, '93**, won *Forbes's* 2001 forecasting contest, the magazine reported in its June 11 edition. He ranked first out of more than 1,500 entrants who were asked at the beginning of 2001 to predict the end-of-year status of 15 economic indicators. Leveille exactly predicted the Nasdaq's year-end level of 1,950 and came close on forecasting the Dow Jones Industrial Average and the unemployment rate. Despite his success, Leveille “doesn't think much of forecasting,” the article reported. “Year-to-year predicting is pretty useless,” Leveille commented. “It's impossible to do . . . a waste of time.”



Incapital, a Chicago-based investment bank headed by president and CEO **Thomas Ricketts, A.B. '87, M.B.A. '93**, has received media attention for its core product, InterNotes, which allows individual investors to buy corporate bonds. In early 2001, Incapital began selling \$3 billion worth of Bank of America bonds to individuals with a commission-free minimum purchase

of \$1,000. The February 11, 2001, *New York Times* hailed this as “another step in the democratization of a market where institutions have traditionally dominated and individuals have ventured at their peril.” Reuters, the *Chicago Tribune*, the *Wall Street Journal*, CNBC, and other media also covered the firm's activities. The February 4 edition of *Forbes* profiled Ricketts, mentioning that he had sold \$5.3 billion worth of bonds by the end of 2001.

*Investor's Business Daily*, *eCFO* magazine, and several corporate finance Web sites reported that **Tami M. Kamarauskas, '94**, director of finance at Inforte, was the first executive in the United States to hold an annual meeting completely online. “From day one, I've really thought about applying the latest technology and innovation,” said Kamarauskas. As for the bottom line, she said that the firm saved about 90 percent.

An article on the investment strategy of **Robert Costomiris, '95**, appeared in the March 4 issue of *Barron's*. He is manager of the \$92 million Strong Mid-Cap Disciplined Fund, which finished 2001 with a total return of 21.3 percent. Costomiris keeps about 60 percent of the fund's positions in “contrarian picks,” ravaged stocks he believes can still rebound.

**Winnie Ng, '97 (IXP-2)**, was featured in the February 7 *Far Eastern Economic Review*. Ng is executive director of Kowloon Motor Bus in Hong Kong and director of Roadshow, the bus

## Fortune Lauds Roenigk's CompuDyne Strategy



An article in the June 11 online edition of *Fortune* featured **Marty Roenigk, '67**, chairman, president, and CEO of CompuDyne, described as “one of the biggest and most successful security companies in the world.” After the 1998 bombing of two U.S. embassies in Africa, the 2000 bombing of the USS *Cole*, and the terrorist attacks of September 11, the article noted, governments around the world sought CompuDyne's services and products. “As you might imagine, security companies are doing very well right now, but CompuDyne is doing better than most,” *Fortune* reported, noting that the company was near bankruptcy in 1995. “Some of the company's recent success is undoubtedly due to being in the right business at the right time, but the better part goes to Roenigk's ability to figure out a simple strategy and execute it extremely well.”—E.H.

company's advertising offshoot. According to the article, Roadshow broadcasts a mixture of paid commercials and entertainment via television screens every day to 2 million Hong Kong bus commuters. Roadshow currently holds 88 percent of the bus TV market in the city and has grown to a market capitalization of HK\$1.9 billion.

**Sergei V. Kouzmine, '99**, was appointed to the board of directors of the Mercury Air Group. News of his appointment appeared on *Yahoo! Finance* on March 12. Kouzmine is managing general partner of Russian Investment Solutions, a limited partnership fund designed to invest in Russian businesses while achieving long-term capital gains. Mercury Air Group provides aviation fuels, air cargo services and transportation,

and support services for commercial and government aircraft.

**Rob Karwath, '02 (XP-71)**, has been named associate managing editor for business and financial news at the *Chicago Tribune*. The news appeared on *Yahoo! Finance* on March 7. Karwath has worked at the *Tribune* since 1985, holding a variety of reporting, editing, and business positions. Most recently, he was general manager of two market teams charged with expanding the newspaper's business in suburban areas.—E.H.

**Who's News features alumni whose achievements have appeared in the media. Submit media mentions for future publication to Editor, Chicago GSB, 6030 South Ellis Avenue, Room 236, Chicago, Illinois 60637; fax 773.702.2973; e-mail editor@gsb.uchicago.edu.**

## History in Hindsight

On May 16, Chicago's WBBM radio interviewed associate professor of behavioral science **George Wu** on whether President George W. Bush had enough information before the September 11 attacks to make decisions that could have prevented the disaster. Wu cited the phenomenon known as hindsight bias, saying that "things look much more predictable after the fact than they probably were at the time we were actually faced with a real situation."

## Rudnick Receives High-Tech Honor



Clinical professor of entrepreneurship **Ellen Rudnick, '73**, was named one of 26 "Women in Black" by *I-Street* magazine in March. The winners are successful women in Chicago's high-tech industry. Rudnick offered the following advice to up-and-coming female entrepreneurs: "Network, network, network. Create your own goals and expectations. Don't assume you have to conform to the status quo or the expectations of those around you. . . . Don't burn bridges. You would be surprised how many of the same people you run into throughout your career." More than 370 women were considered for the honor.

## Do Nice CEOs Finish Last?

**Steven Kaplan**, Neubauer Family Professor of Entrepreneurship and Finance, commented on the corporate strategy of Malden Mills in the April 7 issue of *Newsday*. After a

## Murphy Testifies for Microsoft in Antitrust Case



The April 17 *Wall Street Journal* covered testimony by **Kevin Murphy, Ph.D. '86**, at the Microsoft antitrust trial. "We should attempt to restore competition only if we have evidence that competition has in fact been reduced," he argued. Murphy appeared as an expert for Microsoft, which sought rejection of a more stringent settlement of the antitrust case than the settlement the company signed in 2001 with the U.S. Department of Justice and several states. "Mr. Murphy's testimony on the economic merits of the case struck at one of the central conflicts between Microsoft and the states," the paper reported. Similar coverage appeared in the *New York Times* and in other newspapers. Murphy is George J. Stigler Professor of Economics.—E.H.

fire burned down the Massachusetts textile plant in December 1995, CEO Aaron Feuerstein kept all 3,000 factory workers on the payroll for several months, a move that drew criticism from observers who thought Feuerstein's actions were financially misguided. "There's a real conundrum," Kaplan said. "You want to create motivated employees. But if you give employees more than you have to, you will lose to competitors."

## Parts Worth More than the Whole



The March 17 *New York Times* featured research by associate professor of finance **Owen Lamont** on the impact of corporate diversification. Lamont found "the average conglomerate would be worth more if it were split into its component parts." Therefore, "diversification destroys value," he argues in his

study, which was first published by the *Journal of Financial Economics*.

## Brand Loyalty Betrayed



**Ann McGill, M.B.A. '85, Ph.D. '86**, deputy dean and Sears Roebuck Professor of General Management, Marketing, and Behavioral Science, appeared on the April 17 broadcast of the NBC Nightly News during a segment on product recalls. While buying brand-name products often gives consumers a sense of security, McGill said, such trust isn't necessarily well placed. "If you look over the list of recalled products, there are brand names that we all know and respect," she said.

## When Market Madness Is Normal

Professor of economics **Anil Kashyap** was quoted in an April 4 *Chicago Tribune* article about the collapse

of dot-com businesses. The story asked how observers can tell when a market is behaving abnormally if everyone agrees that markets are efficient in the long run. "It's tempting to say, 'This is crazy,'" Kashyap said. "But then, why don't you think everything is crazy all the time? Defending the idea that you can spot [market anomalies] has proven to be a terrible way to run your portfolio."

## Chicago CEOs Among Top Performers

According to a study by *Forbes* magazine, CEOs with a Chicago M.B.A. outperform their counterparts from other elite business schools. GSB alumni who head *Forbes* 500 companies produce a mean total return of 24 percent for their shareholders, with Wharton graduates in second place at 22.9 percent. However, the average performance of CEOs with an M.B.A. was bested by the returns generated by CEOs without formal business degrees.

## A Rough Road Ahead for Fiorina?



**James Schrage**, clinical professor of entrepreneurship and strategic management, commented on the future of Hewlett-Packard chairman and CEO Carly Fiorina in a March 19 *Dow Jones Newswire* story that ran before the company merged with Compaq. "If the merger . . . goes through, in some ways Carly faces more challenges than if it doesn't go through," he said. "Her win to get the vote will quickly fade, and somewhat like George W. Bush,

she'll have her greatest battle ahead of her, and that will be integration."

## Military Action and Oil Prices



**Marvin Zonis**, professor emeritus of business administration, discussed the economic risks of a U.S. attack on Iraq in the March 1 *International Herald Tribune*. "The greatest unrecognized risk to markets and to economies right now is the likelihood of an upward spike" in oil prices in the event of an attack, he said. The paper also reported that oil prices rose 4 percent in New York after rumors (later denied by the Pentagon) surfaced that small units of U.S. forces were active in Iraq.

## Insider Information for All

A February 24 *Chicago Tribune* story on proposed changes to insider trading disclosures quoted **Robert Vishny**, Eric J. Gleacher Distinguished Service Professor of Finance. "Most of the studies agree that when there is a significant amount of insider buying, the stock goes up," Vishny said. "The evidence seems to suggest that the purchases are more important than the sales. This is definitely information that is useful, and one might argue that the sooner investors have it, the better."

## Government Ventures and Competition

Research by professor of economics **Dennis Carlton** was featured in the *Dow Jones Capital Markets Report* on March 28. Carlton's work focused on the competitive effects of the Federal

National Mortgage Association, commonly known as Fannie Mae. Though critics of government-sponsored enterprises such as Fannie Mae and Freddie Mac have claimed that they hurt competition, Carlton found that such firms "compete and do not behave in a perfectly coordinated, cartel-like pattern."

## Japan Urged to Clear Loans



Japan's *Kyodo News* carried remarks made by professor of economics **Randall Kroszner** at a March 22 forum organized by Japan's Cabinet Office. Kroszner urged Japan to take "definitive" action to resolve bad loans and proposed bankruptcies and raising asset prices through market-led absorption of nonperforming loans as ways to revive the economy. He said the major bankruptcies that have occurred in Japan are now viewed as a sign of progress because they clear bad loans.

## Finding the Right Tax Structure

The April 25 *Wall Street Journal Online* featured research by associate professor of accounting **Merle Erickson** on small business tax structure. Erickson found that small business owners who choose a conduit structure for their business can later sell the company for 10 to 20 percent more than if the business had been structured as a C-corporation.—E.H.

**Clips features faculty whose achievements have appeared in the media.**