



2002 DISTINGUISHED ALUMNI AWARDS

Clockwise from top right:
Joseph Neubauer, '65
Charles "Dick" Shoemate, '71
Arthur Velasquez, '67

By Patricia Briske
Photos by Matthew Gilson

Being successful

in the food industry can take many forms—bringing an ethnic product from a neighborhood restaurant to nationwide chains, finding the perfect blend of household brands to sweep the market, and turning a vending business into America's largest concession company.

The winners of this year's Distinguished Alumni Awards have taken different paths in the same field with outstanding results. Chosen by a committee of GSB graduates and honored at the annual Alumni Celebration in October, the recipients were recognized for ongoing contributions rather than single events or successes.



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Arthur Velasquez, '67

Completing the Circle

The tiny apartment where Arthur Velasquez grew up isn't there anymore, one of hundreds demolished when the University of Illinois built a campus on Chicago's Near West Side in the 1960s. Twenty years later, Velasquez found himself a trustee at the university, the kind of coincidence that's happened often to a man dedicated to taking an active role in his community.

Velasquez, this year's winner of the Distinguished Public Service/Public Sector Alumnus Award, has seen the pattern emerge plenty of times in his life as he's made time for public service, from serving on corporate boards to raising funds for Latino organizations. "I've been able to bridge and bring together the needs of our community with big institutions that have powerful financial resources," he said.

A son of Mexican immigrants who lived in the ethnically mixed West Side neighborhood, Velasquez remembers heading across the street to Hull House, the renowned community center, for after-school and summer programs. He also remembers his parents helping out at Hull House as volunteers. His father launched a successful business

renting jukeboxes to local restaurants, but he also made time to lend a hand in the community.

"I had the opportunity of watching him start his business from scratch," Velasquez said. "My father was dedicated to his family and his business—which meant his customers—and to the community, and he was able to tie them all together. My parents and grandparents had a real work ethic, and they valued work, family, and church. They had almost no formal education, so education was at the top of the agenda for their kids."

Velasquez attended parochial schools and earned a degree in electrical engineering from Notre Dame, thinking he'd become an electrical contractor. "I always wanted my own business," he said.



Instead, he married, started a family, and took a job with Chicago Miniature Lamp Works. He enrolled in the GSB's evening program and earned his M.B.A. three years later. When his father and other businessmen in the Pilsen neighborhood started the Azteca Lions Club, Velasquez became a member. "After meetings, we'd go out for a Coke and a taco. Some of the members owned Mexican restaurants, and they were just starting to open them outside the neighborhood, in downtown Chicago and the suburbs. They complained they couldn't get authentic Mexican products like tortillas, and somebody said, 'Why don't we start a business?'"

That was all Velasquez needed to hear, even though he knew nothing about the food industry. "My vision was that we could create a business economic engine for the inner city," he said. "We could

That's where my formal marketing education from U. of C. came in," he said.

In 1973, Velasquez's horizons broadened when Mayor Richard J. Daley appointed him to the city's plan commission, then to Chicago's economic development commission as well. In 1974, Daley backed Velasquez's run for a trustee's seat on the board at the University of Illinois, which was then an elected position. He won. "I was the first Hispanic to run in a statewide election," Velasquez said. The fact that the university had demolished his old neighborhood was ironic, although he held no grudge. "The issue was not that we didn't need an educational institution. It was a great idea. It's just how it was done. There was a lot of hardship on people, and most of them were small-business people or families of the working class."

As busy with community organizations as he was at work, Velasquez came to rely on his wife, Joanne, who helped run Azteca. "She was the inside person, and I was the outside person," he said. As Mexican food went mainstream, the company grew. Velasquez and his board figured out how to take a small, ethnic product and sell it to super-market and restaurant chains. "We used a national food brand business and modeled a small business after it," he said. "We gave it shelf life, changed the

packaging, and talked to food brokers. Using an established marketing/sales model that big food brands used, we were able to create a new market."

Azteca also was able to create a stable business for the Spanish-speaking community in Chicago. The employee base grew. Not all workers were Hispanic, but many were Mexican immigrants who found not just a job but also someone to help them secure the proper legal documents to live

and work in the United States.

By the 1980s, food industry conglomerates began noticing Mexican food was a growing market segment. Velasquez's phone began to ring. "People were calling me to sell, or to invest in the company. I thought, these guys could help our dream of making Azteca a national company."

In 1984, Pillsbury bought Azteca from Velasquez, who stayed on with his wife and several other employees. He worked for Pillsbury for three years, then left for another entrepreneurial venture—starting a Spanish-language radio station in Chicago. "If our community was going to develop, we needed good media," he said. He got WOPA up and running at 1200 on the AM dial, eventually selling it in 1994.

Home Again

In 1989, Velasquez learned that Pillsbury had been bought by Britain's Grand Metropolitan, which wanted to divest itself of its smaller divisions. Velasquez decided it was time to buy Azteca back. "We were making money when we sold it to Pillsbury, but they weren't making money when they sold it to me," he said.

Velasquez knew it was a sound business move nevertheless. "They'd invested a lot of money in product development, in the plant, in equipment,

and in marketing—money we hadn't been able to get. We were able to get back a company that was where I'd wanted to take it."

Within a year, Azteca was profitable again. "We had the best of both the big-business culture and the small, entrepreneurial family culture," he said. "And I had experience in both." By 2001, the company reported revenues of \$34 million, with 80 percent coming from outside Chicago.

"My vision was that we could create a business economic engine for the inner city. We could develop a business from scratch, create jobs, and bring money in from outside the community rather than just having a dollar run around the block."

Along the way, Velasquez has made time to serve on the boards of foundations and civic groups as well as joining numerous corporate boards, a testimony to his belief that it's important to give something back to the community. He spends nearly half of his time with organizations ranging from LaSalle National Bank to the Mexican Fine Arts Center Museum, where he co-chaired a capital campaign and was instrumental in raising 90 percent of the \$7 million goal. "Our community is one of the last to come here in the immigrant wave, and it's had a lot of problems—failure to graduate, low family income, low participation in political representation," he said. "That last one is important because that means we had no voice in the allocation of resources back to the community."

What's most important to Velasquez is that he has paved the way for other Latinos to step forward, including his children. Two of his six children work at Azteca and are involved in the community. "My children are going on boards now, and not just the same ones I've been on," he said. "I'm seeing them pick up the stewardship." ■

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Market Value

Velasquez, his father, and six other business owners contributed \$8,000 each, then secured a \$40,000 loan and bought some used equipment and a building. They launched Azteca Corn Products, named after their Lions Club chapter, in 1970. "Sales were \$175,000 the first year, \$350,000 the second year, and \$750,000 the third year. But we never had the capital to really grow. Then we got the idea we ought to go after the general market, not just the ethnic market.

Charles "Dick" Shoemate, '71

Building Bestfoods

Charles "Dick" Shoemate was 10 years old when he got his first job shining shoes at his father's barbershop in a small Illinois farming community. By the time he retired as CEO of Bestfoods in 2000, he had spent nearly 40 years working for a single corporation as it grew to become one of the giants of the food industry. "In a small town, you don't always have many wide horizons," he said. "I always tried to do the job I had the best I possibly could and assumed the future would take care of itself."

This year's Distinguished Corporate Alumnus, Shoemate was the key architect who turned a substantial agribusiness–consumer products company into one of the most sought-after acquisition targets in the past decade. After Unilever bought Bestfoods in 2000, Shoemate stayed on as an advisory director. "I really don't want to be the starting pitcher at the moment," he said. "I enjoy the coach's role a little better."

His Midwestern work ethic marked his approach to his career early on. Shoemate put himself through Western Illinois University with scholarships as well as a part-time job at a meat processing shop. The college, which was close to his home town of LaHarpe, Illinois, didn't offer engineering, so he studied physics and math instead. In 1962, he took a job with Corn Products

Company (CPC) on Chicago's Southwest Side because of its management development training program. "They hired all technical people—chemists, physicists, mathematicians, engineers—and you got experience in research and factory operations," Shoemate said.

He married his college sweetheart, Nancy; soon, they had three little boys. Despite a huge workload and a busy home life, Shoemate knew he needed to push himself further. "I had aspirations that were higher than what I might achieve with the education I had, and I decided I needed an education in business," Shoemate said. "Nancy and I went through the analysis and decided that if you're going to do something, you might as well do it the very best way. For me, Chicago was the obvious and only choice."

Shoemate entered the GSB's evening program and concentrated on marketing and finance, earning his M.B.A. three years later in 1971. "When I got out of the program, CPC was having some problems on the business side, and they reached out to me because I had both a background in manufacturing operations and an education in business." Named a division comptroller in 1972, Shoemate began working at CPC's corporate headquarters in Englewood Cliffs, New Jersey, a move that led quickly into general management. But Shoemate said he never had his eye on the CEO's office. "I never had a master plan, but one thing led to another. I was lucky to be in the right spot at the right time."

Corporate Growth

Shoemate had joined a well-established company. Since 1908, CPC had been producing consumer products like Mazola corn oil and industrial products like corn syrup. "About 60 percent of our business was industrial and 40 percent was consumer

"When you have this huge international spread, it takes a team of people to run it. How they work together is the most important thing."

when I joined in 1962. Similarly, about 60 percent of our products were sold in the U.S. and 40 percent were sold overseas," he said. "It was very unusual for an American company to be that international."

One of CPC's top brands was Knorr, a line of dehydrated soups that the firm had acquired in the late 1950s. It was enormously successful in the international market even though it appealed to only a fraction of American consumers. "Knorr is based on dehydration technology that is a standard around the world," Shoemate said. "It's as popular in Europe,



Latin America, and Asia as canned soups are here."

During Shoemate's first 10 years at CPC, he got plenty of management experience in manufacturing both consumer and industrial products. He then took on more senior managerial roles, and by 1981, he was president of CPC's Canadian subsidiary. Shoemate returned to the United States when he was named president of the corn milling division in 1986, the same year corporate raider Ronald Perelman set his sights on CPC. Perelman was unsuccessful, but the attempt prompted company executives to act. "As a result, we did a huge restructuring, bought a large amount of stock back and financed it by selling the European corn refining business," he said. "By then, about 70 percent of our business was branded consumer products, and we were selling them in about 50 countries around the world."

CPC had had great success with its corn milling business overseas, but management decided to focus on boosting its consumer product lines instead. "We were successful by the terms of the company's management at the time, but we were growing fairly slowly," Shoemate said. "We'd had very decentralized management since the 1920s based on many small companies we had started around the world, and the approach had both positive and negative effects. On the positive side, we had a lot of innovation and

successful local adaptation of our brands, which has proven to be our strength. On the negative side, it was hard to keep everybody focused on the same business objectives."

When Shoemate was named CEO in 1990, he thought about Perelman's attack and decided the company needed more growth. "What we really were was a big company that was the sum of a lot of small companies. We had to do something to harness our size and international strength."

Shoemate and his management team decided to accentuate a few core businesses where CPC was strong, acquire similar companies around the world, and sell off the businesses that were less successful. "Over the next 10 years, we made more than 60 acquisitions, all of them close to existing businesses where we had particular expertise," he said. CPC focused on three key areas: Knorr's dehydrated soups, sauces, and bouillon; oils and salad dressings including Hellmann's mayonnaise; and strong regional brands like Skippy peanut butter.

"We were one of the first consumer food companies to expand into eastern Europe. I used to tell analysts we were in Poland, Czechoslovakia, and Hungary before the final brick was out of the Berlin Wall," Shoemate said. "We had started in Asia in the 1930s and moved quickly into China when it began to open up in the 1990s."

Market Analysis

CPC executives made another significant change in the mid-1990s, when they decided to sell off the industrial side of the business. "Our stock price was suffering from the 'conglomerate discount.' In the corn refining business, we were one of the leaders with a huge international position. But it was cyclical; some years profits would be up, some they would be down.

"On the consumer side, we were a strong and steady grower, with an average profit growth of 10 percent or more over many years. But the stock market wasn't recognizing it, and we weren't getting the premium we thought we deserved from either of the two sides of the business. We decided to separate the two companies."

In 1998, Bestfoods was born, taking the name

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from one of CPC's old companies. "There was a rallying cry from within the company to use the Bestfoods name. It said what we are, what we want to be, what we sell," Shoemate said.

The new consumer products corporation met with enormous success. In fact, Shoemate said, "It was too successful." By the spring of 2000, Bestfoods had received an unsolicited, all-cash bid from Unilever for \$18.4 billion. Shoemate rejected the offer as "financially inadequate." Weeks later, Unilever upped its offer to \$24.3 billion including assumed debt, and Shoemate accepted.

"We didn't want to sell the company. We thought we were doing fine," he said. "But Unilever made an offer that was a huge premium for our shareholders. It was our good fortune that the deal went through at the end of the bull market."

While Unilever wanted many of Bestfoods' top executives, Shoemate was not interested in a full-time post, although he agreed to become an advisory director. "As chairman of the board, my role was to do the best job for our shareholders during negotiations," he said.

"They're using a lot of our operations management, and that's the way it should be," Shoemate said. "When you have this huge international spread, it takes a team of people to run it. How they work together is the most important thing." ■

Joseph Neubauer, '65



Making His Mark

Joseph Neubauer was 14 years old when he made his first deal. A young immigrant from Israel, he spoke little English when he arrived in the United States, but he plunged into high school in the middle of freshman year. When he received no report card in June, Neubauer questioned the principal. “He told me, ‘If you complete your sophomore year, we’ll conclude you’ve already completed your freshman year,’” Neubauer said. “It sounded like a good deal to me.”

Neubauer, this year’s Distinguished Entrepreneurial Alumnus, found two keys to success early in life. “There are always people willing and able to help, but the trick is to find them, cultivate them, and listen to them,” he said. “Also, you have to look at life as a set of challenges to be overcome, and then overcome them one at a time.”

His parents were Holocaust survivors struggling to make ends meet after the war when they sent Neubauer to live with an aunt and uncle in Boston. “Everything was new to me, from American football to snow,” he said. “You have to have a positive outlook, and I’ve always had that. When you come to this country as a teenager and you don’t know the language, you make it an

adventure and you work hard. And throughout my life, people have reached out to me to help me. I’ve never forgotten that.”

He waited tables to put himself through Tufts, where he studied chemical engineering because his father thought it would be a good profession. In his junior year, Neubauer took a couple of economics courses, a decision that would alter his career. “I liked them more than my chemical engineering courses because I was more interested in people than in equipment,” he said. He took as many economics classes as possible, backed by a supportive professor, Harry Ernst. When Neubauer graduated, he went to work in the marketing department of a chemical company in order to combine both interests. But he

stayed close to Ernst, who advised him to get his M.B.A. at Chicago GSB, just like another Tufts graduate, **Eugene Fama**, who later became Robert R. McCormick Distinguished Service Professor of Finance at the GSB.

Neubauer was not only admitted, he was awarded a full scholarship. “This was 1963. I wasn’t even a U.S. citizen then,” he said. “I was a foreign student when it wasn’t as fashionable as it is today.” Neubauer worked hard and thrived. “It was the golden era of business schools. Chicago opened my eyes to business. **Jim Lorie** and **Sidney Davidson** were teaching. **George Shultz** was the dean.

As long as you remained on the dean’s list, you kept your scholarship. He was a free marketeer even then.”

After he finished his first year, Neubauer was recruited by Chase Manhattan Bank as a summer intern in the credit department. When he completed his M.B.A. in 1965, Neubauer joined the bank full time. Five years later, at the age of 28, he was named a vice president—Chase Manhattan’s youngest.

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“I had an absolute need to succeed, the commitment to do whatever it takes. I was very competitive,” Neubauer said.

Ultimately, he wanted a different kind of challenge. “I wanted to get more into the activities of a company as opposed to being a banker or advisor. I had an exit interview at Chase with David Rockefeller, and I told him I’d gotten a great macro education at the bank, something broad enough to expose me to various companies and industries.”

It was 1971. Neubauer joined PepsiCo, becoming the youngest treasurer at a Fortune 500 company.



Five years later, he was looking for more experience and took a job with PepsiCo’s Wilson Sporting Goods, which was based in Chicago.

The experience paid off. “As general manager of one of the divisions, I learned everything about how to run a real business—marketing, how to run a sales force, product development. Those were all building blocks. My goal was to run a \$500 million company by my early forties.”

The Next Step

When he learned PepsiCo executives were thinking of selling the sporting goods company, Neubauer reached

upward again, joining ARA Services as chief financial officer in 1979. ARA was a \$3 billion company then, put together by two entrepreneurs with an eye on the vending business and service industry. It had grown, partly through acquisitions, into a service conglomerate. “It didn’t have the systems and discipline to continue growing,” he said. “That was my task.” What made his job even more difficult was that for several months, his wife and children remained in Chicago while he commuted weekly to ARA’s office in Philadelphia. “That was one of the most difficult periods of my life,” Neubauer said.

ARA Services had been a public company since the 1960s. As Neubauer worked his way toward the top, becoming president in 1981, the management team noticed a former ARA executive partnering with Drexel Burnham to buy up ARA stock. In 1984, when Neubauer was named CEO and the company was focused on serving the Olympic Games, the disgruntled executive “decided to take a run at us.”

But Neubauer and his team were ready. “In response, we decided to take the company private ourselves. We wanted to control our

own destiny without anyone breaking us up.” Together, the more than 60 members of ARA Services’ executive leadership council borrowed \$1 billion. “We put up equity to the tune of \$100 million, and \$20 million of it was ours,” Neubauer said. “We mortgaged our homes, mortgaged our children, mortgaged everything. We had two teams, one running the company and one focused just on this project. We bought it in 99 days, because the bank said we had 120.” Experts considered the feat one of the most successful leveraged buyouts of the 1980s.

Not only was the experience exhilarating, Neubauer said, it was extremely successful. “We kept increasing ownership from 60 people to 4,000 owners. We have a very tight control system and a pretty good hierarchy, but each one of our front line managers manages his or her own business. To the best of our knowledge, it’s a unique model.” Over the next 16 years, Neubauer led an aggressive effort to refine the company’s core operations and raise its public profile. Renamed ARAMARK in 1994, the company’s focus on dining and refreshment services grew to include concessions and facility services at national parks, sporting arenas, and convention centers across the country. ARAMARK emerged as a

leader in managed services when the company began offering uniform, environmental, health care, and child care services. “We had to fund [ARAMARK’s] own growth, make acquisitions, and be its own market-maker,” he said. “That lasted for 16 years, but even that had its limitations. That comes as a result of our own success, because as people left, the company had to buy back the stock.”

Entrepreneurial Spirit

In spring 2001, Neubauer and his management team decided it was time to take the company public again. “That summer, we made our largest acquisition, borrowing \$800 million to buy ServiceMaster in Chicago. Then September 11 hit.”

“You have to look at life as a set of challenges to be overcome, and then overcome them one at a time.”

The tragedy and the economic uncertainty that followed only fueled a desire to forge ahead for Neubauer and his management team, many of whom had worked for the company for 30 years. “We could have folded back and said it was too complicated. Instead, 90 days after September 11, we took the company public.” Neubauer himself rang the opening bell of the New York Stock Exchange that day, December 11, 2001.

What gives this enormous public company its entrepreneurial feel is the relationship between ARAMARK and the general managers who own and operate its 6,000 profit centers. “Since they own 100 percent of the net worth at the start-up of the company, they, in essence, become entrepreneurs. When they talk about ‘my company,’ they mean ‘my company.’”

Neubauer expects the approach to be successful for years to come. “If you look at today’s managers who are trying to get congruence between shareholders and the management, we have it built in at ARAMARK. In today’s age of transactions, we’re all about relationships. It’s built into our culture.” ■