

◀ **Going Global:** The marketplace in China is one of many areas where the GSB has expanded its international reach through the Management Lab.

# Global Reach

## The International Marketplace Becomes the GSB's Laboratory

By Patricia Briske

In the late 1970s, GSB students in a new marketing lab course studied grocery store shelves and American buying habits to help Kraft Foods bring a new product to market. Nearly 25 years later, students enrolled in the course pored over market research data from China to advise basketball star Yao Ming on endorsing products in his native country.

In 1978, professor **Harry L. Davis** and advertising executive David Echols launched the New Product Lab to give students hands-on experience introducing new consumer products. By 1995, the focus began to shift toward high-tech and industrial firms when clinical professor **Jonathan Frenzen, A.B. '78, M.B.A. '82, Ph.D. '88**, took over as director. Renamed the Management Lab, the course required students to tackle corporate strategy and structure as well. Teams became smaller and more diverse,

drawing students from the university's science divisions and professional schools.

"We started to take on business strategy projects that weren't necessarily built around a single product and to look at marketing an existing product more broadly," Frenzen said.

What hasn't changed is the lab's appeal to clients. "The team provided the exact response we were looking for, with vision, strategy, and structure recommendations," said Dick Aderman, senior vice president and general *continued on page 23*

# Moving Fast on Yao's Team

For students in the GSB's Laboratory in New Product and Strategy Development, joining Team Yao was like stepping onto the basketball court at the start of a game. The clock was ticking, and they wanted to score early.

"There were deals coming through, and Yao's performance got to a level that people were coming at him earlier than he probably expected," said **Ben Selden, '03**, one of nine second-year students who worked on the project in fall 2002.

The students had 10 weeks to plan an endorsement strategy for Yao Ming, one of the NBA's most visible players, in his native China. The clients, BDA Sports West Coast and GSB student **Erik Zhang**, Yao's cousin, didn't wait for a final report. "They recognized the value we were providing along the way and asked us to help solve problems during the 10 weeks," said **Karen Kirby**, who was a first-year I.M.B.A. student on the team. "We were managing both the short term and the long term at the same time," added **Blair Swedeen, '03**.

Like other students who had enrolled in the Management Lab over the years, Team Yao members were presented with raw data and asked to frame the issue and come up with solutions from there. Rather than just going for big bucks—the way sports agents have operated for years—GSB students wanted to build a brand for Yao, one that would have longevity. That meant starting with traditional marketing and focusing on the consumer, said **George Simpson, '03**. They studied transcripts from Chinese focus groups that had been prepared by the lab's director, clinical professor of marketing **Jonathan Frenzen, A.B. '78, M.B.A. '82, Ph.D. '88**, and coach **Francis Bassolino, '02**, then initiated a second round of market research in China.

Some of the Team Yao members flew to Houston to meet Yao and get to know him. They came away impressed with both the good rapport he had already developed with the media and how grounded he was. "He was more concerned about how he was being portrayed and with not misrepresenting himself than with actual dollar figures," said **Aaron Abraham, '03**. "He wanted to focus on playing basketball."

After sorting through all the data, they came up with six basic concepts in the form of single-word messages that epitomized Yao Ming. Next they drew up a matrix of industries, companies, and brands that were aligned with the six concepts.

Immediately, the clients put it to use. "We gave them some very actionable tools and steps they could use to further plan and execute their strategy," said **Nick Howland, '03**.

Yao first signed a deal with Sorrent, which recruited him to back its first cell phone game for the mobile phone market in China. He later signed with Gatorade and China Unicom, which provides such integrated telecommunications services as cellular, paging, long distance, data, and Internet services to more than 86 million subscribers. "He only endorses products he uses," said Abraham. Such credibility should give Yao longevity as a spokesperson, particularly in a country so new to the idea of the athlete endorser.

Frenzen had urged the students to plan scenarios in anticipation of unforeseen events that might affect Yao's career. Although they did not anticipate the SARS outbreak, he said, "An important aspect of the exercise and our deliverable was a framework that helped the clients think through these issues." As a result, Frenzen said, "Team Yao correctly advised Yao to host a fundraiser to benefit SARS victims. The event greatly enhanced Yao Ming's brand and personal reputation."

Team Yao members say the project scored some points for the GSB's image, highlighting not only the Management Lab, but the school's versatility as well. "Here was an inherently soft problem," said Swedeen. "We shaped it using the analytical tools we've obtained at the GSB, and we believe our clients were extremely pleased with the results." —P.B.

manager of centralized and molecular diagnostics at Roche Diagnostics, who worked with the Management Lab in 2003. “The afternoon following the presentation, we began taking the action steps in the first phase of their recommendations.”

Students compete for slots in the Management Lab course, called Laboratory in New Product and Strategy Development; a Citibank project in winter 2002 attracted 120 applicants for 10 places. They are drawn partly by the opportunity to polish their interpersonal skills.

“Management Lab gave me insight on my leadership style and ways I interact with people, and how I can

**“It was up to us to structure the class each week, to define the problem, to define the relationship with the client.” —Aaron Abraham, '03**

improve that,” said **George Simpson, '03**, who was a second-year student when he worked on Team Yao.

The work is demanding, requiring at least 25 hours a week outside the classroom. Often, clients present the team with only a broad question. “It was up to us to structure the class each week, to define the problem, to define the relationship with the client,” said **Aaron Abraham, '03**, another second-year student who worked on Team Yao in fall 2002. “Everything was undefined. It was a clean slate. That was probably the greatest learning opportunity, but also the hardest thing to do.”

That experience gives students an idea of what they will face in the corporate world, Frenzen said. “It makes students consider whether they really understand busi-

ness and whether they know how to deal with risky decisions on the basis of limited data.”

One reason students are able to create solid proposals is that clients are willing to take an active role, Frenzen said. “There has to be a senior executive involved who’s interested in working with our students. That’s very important because the client sponsor is an integral part of the team. And the client has to present a real, live problem, so there are likely to be actions, decisions, and resources that will be reallocated as a result of the team’s recommendations.”

The relationship lets clients meet three goals. “They get unbiased, freshly created solutions. They can establish a presence on campus, and they can look at bright students who can be hired as interns or as employees,” Frenzen said.

Clients agree. “Our goal is to get these high-potential students into Abbott and find them a place in finance or pharmaceuticals,” said Natalie Szczerbak, director of medical affairs at Abbott Immunology, a division of Abbott Laboratories that worked with the GSB in spring 2002.

# Bringing the Real World to the GSB

Professor **Harry L. Davis** (right) has always seen the value in giving GSB students hands-on experience in the business world. In the 1960s, he began working with small businesses in the black community, nonprofit organizations like the Chicago Symphony Orchestra, and small theaters like the Organic Theater to develop projects for his classroom.

But it wasn't until 1978 that Davis, Roger L. and Rachel M. Goetz Distinguished Service Professor of Creative Management, and David Echols created an entire laboratory course that would focus exclusively on real-world business issues. "I always realized how much students learned in these live cases," he said. "Unlike analyzing a case study, where all the facts are laid out, they have to grapple with a much broader range of issues, including, What's the question? What data should I even think about collecting? How do I convince others I have a good idea? It's a much more profound learning experience."

Davis launched the New Product Lab with Echols, a retired advertising executive who had contacted university faculty with an idea about involving students in creating new consumer products. In the 1970s, ad agencies offered new product development as a way of extending their services to clients. "Dave thought he could find clients who would be willing to provide a real, new business problem—and actually pay money—to get a team of students to work on it," Davis said. "I found the idea intriguing."

The first client Echols brought in was Kraft. Assigned the task of developing a nutritious snack food, students came up with instant, self-heating cheese fondue. "It was in a can that you would shake," Davis recalled. "It used an early form of technology that's now used to make handwarmers that people use at football games."

That idea, like some others generated in the lab, didn't make it to the marketplace. "I now understand that when consumers say a product would be great to serve to company, they mean they would never buy it," he laughed. But to Davis, the end result was only one measure of success. "There was this real sense of excitement, of trying new ideas and brainstorming, but also the discipline of having to be realistic and practical. That's a useful discipline to develop."

In the lab, students would go from brainstorming to testing a prototype to developing a business plan. Clients sometimes gave them real-world answers. "Students would



be enthusiastic and the clients would say, 'There's no way that Kimberly-Clark or Toro or Northwest Airlines would ever do that.' And the students would have to reconfigure what they had done, and sometimes they would have to start over again."

Davis learned not to let it bother him when the real world intruded on the classroom, but it was tough. "For a teacher, the lab experience is scary because you don't know how it's going to work out. Sometimes you have a group of students who work well together, and they're working on a project where everything seems to be going well, and the client is happy. In other cases, you wind up with a team that has some interpersonal problems or the client is not happy for some reason. We've had clients who, halfway through the quarter, fired the person who was primarily responsible for working with the students and brought in someone else.

"And I would say that's why the lab is successful—because it requires street smarts as much as 'head' smarts. Things don't always go as planned, and you need to learn how to adapt."

Davis, who served as deputy dean of the GSB from 1983 to 1993, took a year's sabbatical when he left that office. When he returned, he decided not to continue as director of the lab.

"In the labs, you end up thinking less about teaching and asking yourself more often, What are the students learning? I continue to think about this question when I am in a traditional classroom environment. The labs transformed my idea of what it means to be a teacher." —P.B.

### Real-World Experience

The lab's first clients were consumer product giants like Oscar Mayer and Kraft. Over the past 25 years, the list has expanded to include Argonne National Laboratory and Honeywell. Students enroll in either an advertising or a new product development project.

No matter what types of clients participate, real-world problems have sometimes intruded into the classroom. In 1992, one student team worked on a proposal for Gerber Children's Wear, but before they could make their final presentation, the company's lone production facility burned to the ground. On a different project, a student team faced the dilemma of making a recommendation that would eliminate the job of the executive assigned to work with them. "The University of Chicago is primarily concerned with understanding empirical reality, and they came face to face with political reality," Frenzen said. "Helping students balance the results of their research with the consequences of those results was a very challenging lesson."

Frenzen understands the lab experience both as a student and as a professor. He spent two quarters in the lab as an M.B.A. student developing a promotional campaign for

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Kraft and SC Johnson consumer products, and after graduation he worked as an assistant coach, a faculty member who offers guidance and helps keep the team focused. He was a visiting assistant professor at the GSB in 1995 when he was named director.

Under Frenzen's leadership, the lab has expanded. It now offers two projects each quarter that focus on a new product or strategy. The change has required student teams to become diversified. "Depending on the technical requirements of the project, we work with graduate students from the medical school, law school, the physical and biological sciences divisions, and the computer science program," Frenzen said.

Clients value the multidisciplinary approach. "I was very impressed with how smart and diverse a group of students they brought together," said Keith Hendricks, vice

president of portfolio analysis and assessment in the global pharmaceutical research and development organization at Abbott Laboratories. "I was a little skeptical at first that they could learn enough fast enough to add much value, but they were exceptionally bright."

Being "quick studies" is imperative for students to succeed. Over the years, the course was pared down to a single quarter, and even that timeframe has sometimes struck clients as too long.

"We were approached at the height of the dot-com era by companies who regarded a 10-week course as too slow for them to develop a new product," Frenzen said. "They wanted one in 30 to 40 days."

### Heading East

One of the biggest steps the lab has taken recently is exploring foreign markets for clients. The Team Yao project is the third to focus on China. The first was in 2000 with Renessen, a venture of Monsanto and Cargill to develop and market quality-enhanced grains and oilseeds. Executives asked GSB students how to price Renessen's premium product, a quality-enhanced corn grain, in South America and China.

Before they could look at the price, they had to think through some important logistical issues in grain handling. Cargill had established a sophisticated infrastructure in South America. But in China, the system was preindustrial—sacks of grain carried on the backs of workers, farmers performing tasks mostly by hand. "We realized that the ability to sell premium grain was heavily dependent on the ability to store, handle, and distribute it differently," Frenzen said. "Just getting it out to the field and keeping it separate from traditional grains greatly changes the cost."

As a result of the GSB students' research, Renessen decided its initial opportunity was greater in South America. The student work also helped the company realize there was an immediate large market for traditional hybrid seed products.

Pleased with the Management Lab's work, Renessen has returned twice with additional projects, both international and domestic. "The coaches are usually experienced industry professionals who can bring a very broad and in-depth view to guide the students," said Francis Adriaens, director

## FEATURE MANAGEMENT LAB

for sales and marketing for North America at Renessen. “And if needed, they draw on external contacts as well, whether it’s alumni who work in a certain field or others who really help keep students on the right track.”

Another client who has brought several projects to the lab is **Frits Seegers, '89**, Asia Pacific group head of Citibank Consumer Bank. He first sought the lab’s input in 1998, asking students to study the impact of electronic banking on loyalty. In 2002, he asked the lab to study the issue in China (students used the GSB’s Singapore campus to prepare their presentation) and last spring brought them to India to tackle a similar question there. Other international projects involved travel only for faculty, who collected data that students could study in Chicago, but Citibank has twice covered the cost of supporting students on another continent for 10 weeks, permitting them to dedicate themselves to the project. The expense, Seegers said, was well worth it.

“The GSB’s Management Lab has provided the intellectual horsepower required in strategic projects that test the

boundaries of my organization,” he said. “They are given the opportunity to critically challenge real-life business issues, and they deliver innovative solutions that can be tested with live data and business logic.”

At least partly as a result of Seegers’s continuing involvement with the school, Citibank has hired more GSB graduates than has any other firm—about 250 people, Frenzen said. Among them is **Karen Roth, '02**, a management associate at CitiCards in New York. “The [Management Lab] experience gave me a greater understanding of the world’s most important emerging market,” she said. “I also developed unique relationships with my Citibank colleagues in Asia.”

Frenzen is pleased with how the lab has succeeded on various fronts, but he is focused on ways to expand the course in the future. “We haven’t done a project for a European-based company in Europe yet,” he said. “But with our Barcelona campus and our I.M.B.A. program, we’re in a great position to take on those kinds of projects.”

## Clients Find Real-World Solutions at the GSB

Over the past two decades, more than 80 companies have called on the GSB’s Management Lab for solutions. The first clients were consumer product giants; later, high-tech and industrial firms joined the list. Many clients have returned with new assignments. The first client, Kraft, paid \$18,000 in 1979. The current fee is \$60,000 per project.

### MANAGEMENT LAB CLIENTS THROUGH THE YEARS

1970s	1980s	1990s	2000s
<ul style="list-style-type: none"> <li>▫ Kraft</li> <li>▫ Sherwin-Williams</li> <li>▫ Gatorade/Stokley-Van Camp</li> </ul>	<ul style="list-style-type: none"> <li>▫ Sears</li> <li>▫ Quaker Oats</li> <li>▫ Kimberly-Clark</li> <li>▫ Northwest Airlines</li> <li>▫ Imperial Chemical Industries</li> </ul>	<ul style="list-style-type: none"> <li>▫ MCI</li> <li>▫ Nutrasweet</li> <li>▫ Snap-on Tools</li> <li>▫ Dow Chemical</li> <li>▫ Golden Rule Insurance</li> <li>▫ Chicago Board of Trade</li> </ul>	<ul style="list-style-type: none"> <li>▫ Eli Lilly</li> <li>▫ Citibank</li> <li>▫ Renessen</li> <li>▫ Accenture</li> <li>▫ W.W. Grainger</li> <li>▫ Roche Diagnostics</li> <li>▫ Abbott Laboratories</li> </ul>