GSB Adds Successful Young Alumni to List of DAA Winners

To recognize alumni with outstanding achievements early in their careers, Chicago GSB has created a fourth Distinguished Alumni Award (DAA), honoring an individual who has graduated in the last 10 years. The criteria for the Distinguished Young Alumni Achievement Award include extraordinary career success since graduation, recognition of outstanding leadership by peers and colleagues, and use of influence in the business community to support the school and current students. The inaugural award went to Immanuel Thangaraj, A.B. '92, M.B.A. '93 (see page 36).

This is the second time the DAAs have been expanded since the first alumnus was honored in 1971. In 1996, the GSB expanded the number of awards from one to three to recognize a wider range of career paths. Since then, the GSB has annually awarded the Distinguished Corporate Alumni Award, the Distinguished Entrepreneurial Alumni Award, and the Distinguished Public Service/Public Sector Alumni Award.

Selecting the DAA recipients remains a peer-driven process. In 2003, more than 70 GSB alumni determined the winners (see page 38). Selection committee members were linked by videoconference in Chicago, London, Los Angeles, and New York, poring over the accomplishments of about 30 alumni who had been culled by staff from nearly 80 nominations.

“So many Chicago alumni excel in their field that it’s a great challenge to select the winners,” said Charles “Dick” Shoemate, ‘71, this year’s selection committee chairman. The retired chairman and CEO of BestFoods and advisory director of Unilever, Shoemate received the Distinguished Corporate Alumni Award in 2003.

Caroline Karr, associate dean of alumni affairs and special events, said, “It’s this kind of effort that continues to make Chicago GSB unparalleled among business schools.” —P.B.

To learn about all of the winners of the 2003 Distinguished Alumni Awards, see page 28.

Facilities

New Campus Takes Shape

Construction on the new Hyde Park campus reached its peak last fall when workers installed the structures that form gothic arches atop the new facility’s six-story winter garden. Crews on site assembled the steel pieces, which were furnished by the German company Josef Gartner. From the base of the columns to the top of the arches, the tree-like structures reach approximately 90 feet and support the glass walls and ceiling that surround the winter garden.

“As a structural element, it will anchor the building,” said project consultant Leann Paul. “The winter garden is a space that we hope people will use often, where students can mingle with faculty and people can relax a little bit.”

Construction on the new building is expected to be completed this September. —A.R.
Chicago GSB is ready to take efforts to develop job opportunities for alumni and students to the next level, dean Edward A. Snyder announced in the fall. “Over the last two years, an active Chicago GSB network has been extraordinarily effective in posting job openings at their firms with the GSB. Encouraged by an aggressive outreach by the school, the number of companies posting job openings increased by 57 percent in the last year and is at an all-time high,” Snyder said.

Julie Morton, associate dean for M.B.A. career services, agreed. “It’s a classic win-win. Firms are looking at different ways of recruiting. Our students and alumni have access to a broader set of opportunities,” she said.

What’s the next level? In recent months, the GSB has launched the Corporate Contact Initiative. Snyder said he is appealing to alumni to identify corporate contacts inside and outside their own firms to expand the school’s corporate partnerships further. “If an alum believes that a firm that does not now recruit at the GSB would consider doing so, we’d like to get the lead and we’ll take it from there,” he said.

To develop new corporate relationships around the globe, the GSB has filled new permanent positions in the Career Development Office, which serves part-time M.B.A. students, executive M.B.A. students, and alumni. In addition, M.B.A. Career Services, which serves full-time M.B.A. students, now allocates about half of its resources to building relationships.

The GSB recognizes that recruiters don’t fit one mold, Snyder said. “The traditional on-campus recruiter who holds presentations and schedules interviews remains critically important. The indications from these partners point to more robust hiring. In addition,” the dean said, “the GSB is working with an increasing number of companies who do not hold formal presentations and instead find other ways of both raising their corporate profiles and connecting with potential new hires. Still other firms are choosing to take advantage of the easy access to the GSB talent pool by posting jobs and receiving résumés for review.”

Bob Wilcox, associate dean for the Career Development Office, echoed the thought. “We can support recruiters in a variety of ways,” he said.

With the Corporate Contact Initiative, alumni and students can provide valued leads for mutual benefit, Snyder said. “This is the kind of effort that benefits the entire GSB community.” —PB.
How do you change the culture of a company? We decided to develop a blueprint for behavior, because behavior is culture.

We wanted to give everyone a sheet of paper saying, ‘When you come to work, you behave like this. If you can’t, this might not be the place for you. We’re not going to worry about output, quality, control of inventory—we’re going to worry about behavior.’ We believe that changing the collective behavior will influence the metrics beyond anything that can be done by focusing on those metrics directly. And we proved that right. Over a 10-year period, we went from a $100 million loss to a $250 million profit on the same volume. We took quality to the highest level in the company’s history. We reduced the grievances filed by the union from 1,500 a year to 100. Our safety improved by 100 percent. Everything we measured got better.”

Jim Despain, retired vice president of the Track-Type Tractors Division of Caterpillar. Despain spoke to alumni and students at Gleacher Center last spring at an event sponsored by the Career Development Office.

The New Definition of Strategy

Businesses aren’t competing the way they used to. Sustaining profitable growth in the current competitive environment requires more than efficient implementation—it requires strategic direction. However, the concept of strategy is losing its meaning in most companies, keynote speaker C. K. Prahalad told nearly a thousand alumni and other business professionals at the GSB’s 51st Annual Management Conference in Chicago last spring.

“Many times I go to companies, and managers describe their business as strategic. What they mean is, ‘I’m losing money and I have no idea why.’”

“Strategy is about searching for new sources of advantage. No advantage is sustainable over a long period of time. Second, strategies are not generic. Strategy is about being unique.”

“Third, strategy is about creating wealth. It’s about reducing risk, reducing investment, and reducing time. But it’s about creating market impact, which is disproportional to the effort expended.”

“To read about other events, visit gsb.uchicago.edu/media/heardatgsb.htm.
Shultz, Fama Join Schwarzenegger’s Team

George Shultz, dean of the GSB from 1962 to 1969, joined Arnold Schwarzenegger’s California gubernatorial campaign team as co-chair of his economic recovery council, the Daily News of Los Angeles and the San Francisco Chronicle reported on August 15, 2003. “His depth and breadth of experience will be invaluable to me,” Schwarzenegger said. Shultz served as secretary of the treasury under Richard Nixon and as secretary of state under Ronald Reagan. The August 22, 2003, Los Angeles Times reported that the 23-member council also included Eugene F. Fama, Robert R. McCormick Distinguished Service Professor of Finance. The council helped Schwarzenegger develop ideas to boost California’s economy. Upon winning the gubernatorial recall election, Schwarzenegger named Shultz to his 65-member transition team, according to the October 10, 2003, Washington Post.

Thaler Champions SMarT Decision Making

Richard Thaler, Robert P. Gwinn Professor of Behavioral Science and Economics, is one of many academics who are looking at sports to understand human decision making. “My justification for doing this is that it’s the one really high-stakes activity where you get to watch all of the decisions,” he said in a July 30, 2003, New York Times article. “If Bill Gates invited me to watch all of his decisions, I’d talk more about that.” Last spring, Thaler and about 25 other economists, psychologists, and statisticians met for a two-day academic conference to discuss sports and decision making. “The professors say that coaches and managers often go awry when faced with a decision involving an obvious, yet ultimately sensible, risk. They seem to focus too much on the worst-case scenario: the Bonds home run, the game-ending brick, the failed fourth down,” the Times reported.

Thaler also was mentioned in the April 21, 2003, U.S. News & World Report for the SMarT plan, also known as “Save More Tomorrow,” which he developed with Shlomo Benartzi of UCLA. The plan automatically increases participants’ contributions to defined contribution plans, such as a 401(k), on a routine basis, often timed to coincide with pay raises. The plan was also recommended by Nobel Prize winner Daniel Kahneman in the May 14, 2003, Financial Times. “It’s the greatest thing in behavioral finance, a perfect application,” Kahneman said. To read more about “Save More Tomorrow,” visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.

Companies Pay for False Earnings in Taxes

Research by Merle Erickson, associate professor of accounting, found that companies willingly paid extra taxes in order to report fraudulent earnings. The study, which involved 27 companies charged with fraud, showed that on average, the companies gave up an extra 11¢ in taxes for every dollar they falsely claimed to have earned. The research was featured in a front page article in the May 2, 2003, Wall Street Journal. The story also reported that companies including MCI and Enron are now filing for tax refunds for taxes paid on billions of dollars in false earnings.

Becker, Murphy Support Tax Cuts

In an October 7, 2003, story in the Wall Street Journal, Gary S. Becker, Kevin M. Murphy, and Edward P. Lazear argued that tax cuts will decrease government spending on inefficient programs and increase human and physical capital. Progressive income–tax structures, they said, decrease take-home pay and discourage individuals from investing in the skills that lead to high-paying jobs. “Cutting taxes will have beneficial effects,” they wrote. “Tax cuts will keep government spending in check and will provide the incentives necessary to produce a highly skilled, productive work force that enables high economic growth and rising standards of living.” Becker is University Professor of Economics and of Sociology, and Murphy is George J. Stigler Professor of Economics.

Culp Defends Derivatives

Derivatives can be an effective way of managing risk, adjunct professor of finance Christopher Culp wrote in the August 12, 2003, Financial Times. “Rather than calling derivatives weapons of mass destruction, we might equally describe them as smart bombs that corporations can use precisely to remove unwanted risk,” he said.
Amazon.com Defies the Competition

Contrary to what economists expected when Internet retail took off in the late 1990s, competition among Internet booksellers has not led to uniform, cost-covering prices, according to professor of economics Austan Goolsbee and Judith Chevalier. As a result, price increases do not affect all Internet booksellers in the same way. Goolsbee and Chevalier recorded prices and sales ranks and used them to estimate sales figures for more than 18,000 titles on Amazon.com and barnesandnoble.com at three different points in 2001. They found that both sites lost sales as prices increased, but barnesandnoble.com lost a lot more. “A one percent price increase at BN.com pushes sales down four percent, making price rises a bad idea. By contrast, the same increase at Amazon reduces sales by only 0.5 percent—a net revenue gain,” wrote the September 11, 2003, New York Times, quoting from the June 2003 issue of Quantitative Marketing and Economics. “Except for Amazon, the online bookselling business is extremely competitive,” Goolsbee stated. “If they mess up the pricing, they’re just going to die.”

Business School Rankings Roundup

Last fall, the GSB found itself at the top of multiple business school rankings compiled by business publications. BusinessWeek Online named the GSB a top business school in finance and marketing on September 12, 2003. “The best place to start a discussion of standout schools for finance probably is in Hyde Park at the University of Chicago,” the story said.

The Wall Street Journal ranked the GSB first in accounting and in quantitative analysis, second in finance, and fifth overall in the September 17, 2003, edition, noting that the GSB “received its strongest ratings for its faculty’s expertise and for its graduates’ analytical and problem-solving skills and leadership potential.” The Journal also named the GSB one of five “elite business schools” in a September 26, 2003, article.

The Economist Intelligence Unit ranked the GSB first in the quality of the educational experience, first in student assessment of career services, and fifth overall in its October 3, 2003, edition. Forbes’s October 2003 issue ranked the GSB third on the magazine’s list of the top 50 business schools.—A.R.

Pricing Organs Would Attract Donors

In a May 16, 2003, news report on Chicago CBS affiliate WBBM, David Cronin, assistant professor of surgery in the Biological Sciences Division, advocated implementing a system for paying organ donors, or, in the case of a posthumous donation, their families. “It would have to be very tightly regulated and very transparent. There has to be the trail. There has to be accountability. And there has to be maintaining of anonymity,” he said. Gary S. Becker, University Professor of Economics and of Sociology, told WBBM that putting the right price on organs would attract donors and close the gap between the supply and demand for transplant organs. Currently, thousands of Americans wait for organ transplants while organs are being sold recklessly on a worldwide black market, according to the news report. Becker suggested pricing kidneys at $15,000 and livers at $32,000 and pointed out that while buying and selling organs is illegal, patients already pay for blood, sperm, eggs, and other body tissues. “We have a system that isn’t working,” he said. “Maybe this will make the system work a lot better.”—A.R.
Economy on the Way to Recovery

The economy appeared poised to make a recovery, according to the three panelists at the 2004 Business Forecast Luncheon in December. The question was, How significant would the progress be?

Robert Z. Aliber, professor of international economics and finance, predicted a moderate change. While estimated corporate profits would increase 6 percent, he said, the economy would struggle against a host of factors including an unemployment rate of 6 percent posted (7 percent real) and the $500 billion trade deficit. “The bubble in the Nasdaq has come back, the fiscal deficit is too large to be sustainable, and our domestic savings rate is much too low,” he said.

Fellow panelist Joel M. Stern, ’64, managing partner and CEO at Stern Stewart & Co. in New York, countered that the economy would make a comeback large enough for tax revenues to cut into the federal deficit. “We’ve had our slowdown. Now we’re off to the races,” he said. “I expect there to be a truly continuous, robust recovery, with tax revenues pouring in like crazy from a lot of sources. And I don’t believe the stock market is experiencing a bubble. I believe the market is responding to the expected improvement in corporate profits, both this year and next.” The one downside, Stern said, was that inflation is likely to reach 3 percent and stay there for a few years. “I believe there’s not much we can do about it,” he said.

Aliber and Stern outlined their financial predictions before a crowd of about 1,200 alumni and business executives gathered for the 42nd annual forecast at the Chicago Marriott, moderated by dean Edward A. Snyder. They were joined by Marvin Zonis, professor emeritus of business administration, who predicted that election year politics around the globe in 2004 would follow the “year of war.”

Zonis noted that the war on terrorism defeated the global terrorist network but also created a number of smaller terrorist networks that will not be defeated by conventional combat methods.

Further trouble is on the horizon, but not at home, he said. “We’ll see major terrorist attacks in 2004,” Zonis predicted, “probably in the United Kingdom and Asia.”

The presidential election in the United States will be “a referendum
on [George W.] Bush,” rather than a vote for the candidate who promises to do the most for the country, he said. Zonis predicted Bush will move Dick Cheney to the role of senior advisor and choose Secretary of State Colin L. Powell as his running mate.

During the campaign, “We’ll see a continuation of the vast fiscal deficit and barriers to free trade,” Zonis said. “If the president wins [re-election], he will pull back from the flood of government spending absent the revenues to pay for the new programs.

Not having to buy off the American people, the president will begin a return to fiscal sanity. The result will be a credit squeeze, with the government beating the private sector to finance its debts and inevitably, slower U.S. economic growth,” he said.

In the international marketplace, he called attention to China, “which has become the principal scapegoat in 2003 and will be more so in 2004. The European Union’s trade surplus is approaching the same as that of China, but no one’s beating up on Europe.” Zonis said overproduction of goods in China will become a problem sooner rather than later. “There are now 118 companies there manufacturing automobiles,” he said. “They are producing more than China—and the rest of the world—could ever dream of consuming.”

In conclusion, Zonis told the crowd, “The likelihood of a major terrorist attack remains, particularly outside the United States. But on balance, 2004 will be a year vastly more peaceful than 2003. Electoral politics will be the driving political force. Poor public policy will rule. But that beats invasion, destruction, and death.”—P.B.