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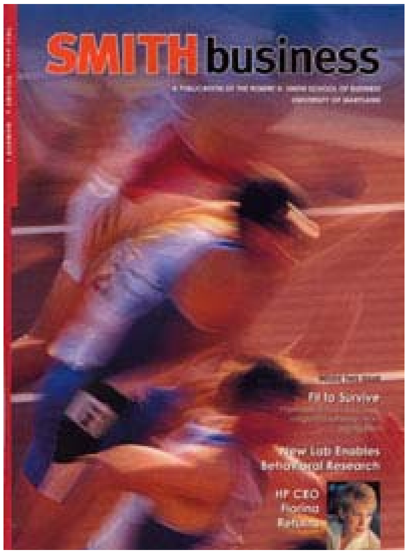

Fit To Survive

To succeed in the global digital economy, organizations must create competitive advantage on an ongoing basis.

Netcentricity Laboratory Launched

Lab enables new research opportunities for Smith School faculty.

Spotlight: Experience Inspires Sports Apparel Entrepreneur

Hot afternoons on the gridiron led Kevin Plank '97 to create the t-shirt that launched his company, Under Armour

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Dean's Column

Smith's Management Professors Are Thought Leaders

Real Time

A global financial services executive describes how a merger created new competitive advantages for his firm.

Connections

Relationships between the Smith School finance department and outside organizations are mutually rewarding.

Academic Focus

MBA study trips facilitate a deeper understanding of concepts in global business management.

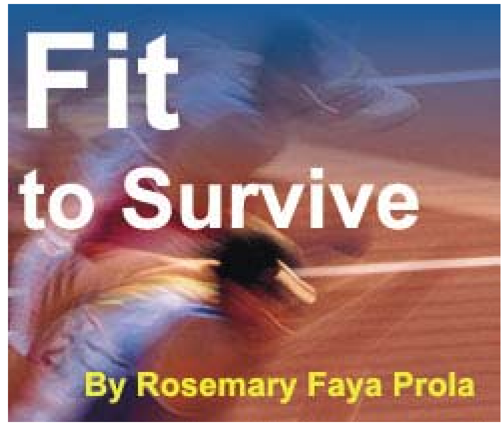
Faculty Up Front

Research identifies some of the characteristics of firms likely to commit accounting fraud.

Alumni News

Report on networking events. Volunteer opportunities.

The days when an organization could rely on its competitive advantage are gone forever



The sign on the wall of the tech company CEO's office is simple: the word "No" with a diagonal line slashed through it. The message is direct: all ideas are worth consideration.

The reason for her openness to new products, practices, and processes? Competition in the digital economy.

"Competitive advantage is eroded at a faster rate today than was the case even 10 years ago," explains Anil K. Gupta, Ralph J. Tyser Professor of Strategy and Organization at the Smith School of Business. "Because of the all-around greater transparency created by digital technologies, what a firm does gets imitated at a faster rate. So, competitive advantage either gets neutralized, or is made irrelevant by changes in technology or in the environment. What organizations really need to do is to create advantage on an ongoing basis.

"Companies are constantly trying to imitate away what Dell and Southwest do," Gupta notes. "What Dell and Southwest do is to try and constantly re-invent their business models, and this unceasing re-invention is as much a critical part of these firms' success as what they decided many years ago."

Capturing the Attention of Scholars

The demand to constantly innovate to achieve competitive advantage requires a dramatic change in business practice and offers a new challenge to management scholarship.

"For a long time, scholars looked at competitive advantage as depending on an organization's market position or control of a rare resource. From this perspective, the critical challenge a firm faces is, how to maintain its control over this great position or valuable resource," says Violina Rindova, assistant professor of management and organization. "In the hypercompetitive environment of the digital economy, holding on to such a position or resource becomes an ever more elusive task. As a result, strategy scholars have started to develop models of process-based advantages instead of position-based advantages."

"We're recognizing that no position is sustainable, that there's no safe or defensible place," says Ken G. Smith, Dean's Chaired Professor of Business Strategy. "If you're successful, you'll have competition. The challenge then is not even thinking about getting a safe position to sustain, but creating new advantages, always one step ahead of the competition, and firms like Dell, Southwest, Wal-Mart, and Intel are one step ahead."

To stay ahead of the game, organizations need to combine exploitation of existing resources with exploration that can create new advantages. It takes an incredibly "fit" organization to manage both processes and thrive in today's competitive environment, according to Rindova.

Identifying "Fitness" Factors

Scholars developed the concept of "dynamic capabilities" to describe such fit organizations that have the ability to generate new competitive advantage as old ones are depleted or eroded through competition. Researchers at Smith and elsewhere are exploring the relative importance of different organizational factors in constant value creation. For example, there is the idea of efficiency, which pertains to utilization of existing routines or resources. In their recent case study of Yahoo and Excite, efficiency took on a new meaning for Rindova and co-investigator Suresh Kotha of the University of Washington.

"I began the study with an interest in the dynamics of competitive advantage and how these companies adapted to a rapidly changing environment," Rindova says. "In the course of their first three years of existence, both Yahoo and Excite morphed into three distinct business models, which required different resources and capabilities in order to execute.

"As we started analyzing the data, we found that they did exactly the same things in terms of strategic positioning in the marketplace. For example, they developed very similar services and targeted very similar markets. But what was very different were the internal processes through which they went about doing that," she notes. "What distinguished Yahoo from Excite was that Yahoo really leveraged its resources into new capabilities while Excite tended to buy new capabilities in the marketplace and that was very expensive. It wasn't surprising that Excite ran out of money at a faster rate. Yahoo was more flexible, and therefore, more efficient." The ability to be flexible is a hallmark of organizations skilled at ongoing creation of competitive advantage, such as Intel, which is already working on several future generations of its microprocessor as its latest version is launched.

However, the traditional notion of efficiency still holds. In fact, it's as important as ever in creating advantage. "Companies find that they have to be brutally cost-efficient and yet they have to be flexible at the same time. Look at Dell," Gupta states. "Their computers are customized and built to order; therefore, Dell's supply chain needs flexibility in order to respond to incoming orders. But at the same time, given the commodity nature of its products, Dell must be extremely cost-efficient. In fact, Dell has the most flexible and the most cost- efficient supply chain in the computer industry."

Gupta has studied how organizations in different industries around the world grapple with competition, from global steel manufacturer Nucor to small Silicon Valley tech start-ups. His work has appeared in major scholarly journals and in books, including Global Strategy and

Organization (John Wiley & Sons, 2003), co-authored with Vijay Govindarajan of the Tuck School of Business at Dartmouth College.

"I see increasingly a direct connection between the macro and the micro perspectives, that is between the strategy and organizational behavior/human resources, in the dynamic capabilities research," he says. "I think a major part of creating new competitive advantage on an ongoing basis is to get smarter at sensing the need for change on one hand and being able to respond rapidly. Responding rapidly often means creating new combinations of existing resources, and that is done by people."

People Play a Key Role

"One of the primary resources for innovation is human capital, an organization's employees," agrees M. Susan Taylor, Dean's Professor of Human Resources and director of the Center for Human Capital, Innovation, and Technology at the Smith School. "It's a resource that can provide ideas for you, provide motivation to innovate, and so forth. One of the keys is to encourage them to help you with this constant change process, to become another ear to the customer, another hand internally to help you with reconfiguring.

"It used to be when people in organizations talked about change, they talked about a process they couldn't wait to end," Taylor says. "I don't think anyone at the Smith School has that luxury. We know that it won't end, and our situation is not unlike what is happening in many organizations."

Taylor and Rindova recently completed a theory-building study of how top managers in dynamic industries conceive of the evolution of their firm's capabilities. (The CEO in this story's first paragraph was one of the participants in the study.) The professors' research was supported by a grant from the National Science Foundation.

"Of the four companies that we have studied, the one that is the closest to what one might characterize as having real dynamic capabilities has a management team that just loves change," Rindova says. "We are now developing a model that relates the dynamic capabilities of a firm to the attitudes toward change in its top management team. Attitude toward change is a characteristic on which individuals vary significantly," she notes. "It will be interesting to understand how it plays out in the ability of a firm to thrive on change."

IT Facilitates Decision Making

Ken G. Smith's research in business strategy has focused on the areas of competition and innovation. He says, "Not long ago when scholars talked about companies that were models of adaptability, they would describe them as 'fire, ready, aim,' but of course, that's not the way you run a business.

"The question becomes, how can you make decisions-that is, 'ready, aim, fire'-more quickly and do it on a timely basis?"

Smith can readily provide the answer: through access to the latest information, with information technology and information systems as the mechanisms that enable data collection, information sharing, and knowledge creation, and facilitate decision making.

The many ways that leading companies utilize IT to help create ongoing competitive advantage have already become business legend. But success is more than an efficient IT network, Gupta notes.

"We all know about the satellites and the IT that connects everything at Wal-Mart," Gupta says. "But at the same time, the department manager is given more freedom-to decide which merchandise to stock, how much to stock, at what price to sell-than other retailers. IT gives them the information, and the organization gives them the autonomy to use this information to make smarter decisions."

In addition to empowerment, employees need training to make good decisions, which implies that human resource practices also have a role to play. In turn, the organizational structure must also facilitate sharing information and decision making. Ultimately, it's difficult to limit the factors that contribute to creating ongoing competitive advantage.

"In our Strategy course, we teach the Wal-Mart case," Rindova says, "and we show students that Wal-Mart has a very tightly integrated value chain of mutually reinforcing activities.

"I think we are really just beginning to learn about these things with the companies that are trying to do them," she states.

No Finish Line in Sight

"As competition in most industries becomes increasingly intense, companies are finding that they have to become smarter at managing multiple agendas simultaneously," Gupta offers. "Look at Intel or Nokia. These companies have to excel at R&D, at supply chain management, as well as at consumer level brand marketing-remember 'Intel Inside'?

"I have heard people at Nokia say that they are always just six weeks away from disaster," Gupta says. "They often have a mere few weeks' technology lead over competitors. Not surprisingly, Nokia executives believe they don't really have a choice about what's most crucial to their competitive advantage. All the primary activities in the value chain are because they are so tightly interconnected."

"The practice of creating ongoing competitive advantage is still relatively new," Smith states. "Dell, Wal-Mart, Southwest, and Intel are among the few so far that have very clearly set the standard.

"The concept itself is not new," he says. "The 'futuristic' management books have been talking about this for years.

"But now, you see, it's real. To survive in this marketplace, an organization has to think simultaneously about creating sustainable advantage and creating new ones. The most effective companies stand out because they seem to be able to do both."

New Lab Powers Smith School Behavioral Research

Can a high-tech product have too many features? With the opening of a new research laboratory in spring 2003, Smith School scholars may soon have the answer to this and other questions. The school's new Netcentric Behavioral Laboratory utilizes state-of-the-art technology to facilitate advanced behavioral research in business.

The lab is located in the new $38-million wing of Van Munching Hall, and is the third major component of the Smith School's Netcentricity Laboratory, which also includes the Supply Chain Management Center and the Netcentric Financial Markets Laboratory.

"The addition of the Netcentric Behavioral Laboratory is an important step in the Smith School's strategy to advance research excellence by providing an infrastructure that stimulates prolific, top-quality business research," states Dean Howard Frank. "Supporting the many faculty conducting behavioral research with a first-class research facility is a must for Smith-and any top business school-to maintain a position among the nation's elite research institutions."

The Netcentric Behavioral Laboratory enables Smith School faculty and doctoral students to conduct studies in a dedicated workspace, which features 18 networked computer workstations, leading behavioral research software applications, and videotaping capabilities. Four team rooms, also outfitted with computer workstations and software, complement the main lab space.

Researchers from across the school's academic departments will utilize the behavioral lab to administer computer-aided experiments, conduct Internet-based behavioral research, and videotape interviews and focus groups.

One study currently under way tests the effect of adding features to high-technology products on customer satisfaction, and serves to illustrate the impact of the lab's advanced technology. Conducting this experiment with virtual audio and video players at the workstations allows researchers to record users' clickstreams as they interact with the products.

"The lab's technology allows us to more fully capture the users' experiences than would other methods of data collection," notes Rebecca Hamilton, assistant professor of marketing. "In the lab environment, we can carefully control the stimuli users see, meaning that we can measure the effects of small but potentially important adjustments to the products on user satisfaction."

In addition to supporting research productivity, the lab serves as a resource for teaching at the undergraduate, MBA, and doctoral levels. Instructors can use the lab to conduct computer-aided demonstrations, run simulation games, and videotape team interactions. The laboratory also provides students with the opportunity to participate in research and observe firsthand how experimental research is conducted.

Entrepreneur's Cool Product is Hot, Hot, Hot

By Lisa Gregory

Kevin Plank has built a business empire on the idea of "building a better t-shirt." Plank, a former University of Maryland football player and a Smith School alumnus, is founder and president of Under Armour, a highly successful sports apparel company. Under Armour offers a revolutionary line of clothing, made of a microfiber that does not retain water or the weight of water and dries in minutes, and fits snugly, like a "second skin."

Since the company's founding in 1995-which saw Plank working out of his grandmother's basement and maxing out his credit cards- he has guided Under Armour to annual sales of over $100 million. In June 2003, Plank was named Ernst & Young Maryland Entrepreneur of the Year in Manufacturing. He is a candidate for the national honor, to be announced in November.

"This has been a phenomenal ride," he says from his office on the waterfront at Baltimore's Inner Harbor.

Plank, who received his bachelor's degree in marketing in 1997, drew from his own experience as a football player at Maryland in coming up with the idea of the original Under Armour t-shirt. After practice, Plank, a walk-on who went on to become a team captain, "couldn't wait to get out of those wet, heavy and soaked t-shirts," he says with a cringe in his voice. "It drove me crazy. I thought, there has to be a better way."

There was. Plank found it by studying the content label of a pair of spandex shorts, which offered him the comfort he sought, and then purchasing 10 yards of fabric and hiring a tailor to create an undershirt to Plank's specifications. This was followed by numerous trips to New York City to test fabrics and submission of the sample shirts to his fellow athletes for feedback.

Finally, Plank had the product he wanted. Now he had to sell it. This was mostly accomplished, he says, by word-of-mouth among former teammates and other acquaintances and by visiting countless locker rooms, hawking his wares. Those who gave the t-shirt a try were hooked. "Under Armour was one of those products whose time had come," Plank says.

Plank developed the entrepreneurial spirit early on. His mother was the mayor of Kensington, Md., and his father, a land developer. The youngest of five boys, Plank sold t-shirts at concerts as a teenager. While a student at the university, he set up a business selling roses for Valentine's Day. "I learned that I was a pretty good manager," he says. Plank sold 100-dozen roses his first year, 250-dozen the second, 600-dozen the third, and 1,100-dozen the fourth.

He also learned a valuable lesson. "When you're selling a dozen roses, make sure the folks working for you can count," he says with a chuckle. He recalls the Valentine's Day of his senior year when he gave his then-girlfriend and now-wife, Desiree, a dozen roses. "She thanked me and then said, 'But Kevin, there are only 11 flowers here,'" he recalls. Thinking it was a fluke, he counted a different dozen … of 14.

Nevertheless, his venture was a big success. "I was able to put this business project together, prepare a strategy, and execute it. I found that very satisfying," Plank says. "University of Maryland was a great training ground for me. I learned the business of business there."

With his entrepreneurial experience and his education, Plank says he was primed for his next project- the Under Armour t-shirt. Within a year of starting his company, he had developed five other product lines to cover every climate and condition an athlete could possibly face, from hot to cold, football to lacrosse. In 1998, NFL Europe signed Plank's company as the official supplier of performance apparel for its teams.

Today, Under Armour has become the official league supplier to Major League Baseball, the National Hockey League, Major League Soccer, 30 NFL teams, and all but nine of 117 NCAA-Division 1A football programs. It is also worn by Olympians, NASCAR drivers, and members of law enforcement agencies and the military. Under Armour is sold in more than 4,500 retail stores. In January 2003, the company launched its first women's line.

Plank credits much of his success to his ability to put together a good team. In creating his business, he has surrounded himself with former classmates and fellow athletes, people he trusts and admires for their varying talents and abilities.

While the career highlights have been many, Plank says he was especially thrilled when Under Armour apparel was used in Oliver Stone's movie, Any Given Sunday, and then later in The Replacements. Ever the businessman, for Any Given Sunday, he didn't offer the apparel for free, even though the product would reach countless potential customers through the movie.

Plank envisions the use of Under Armour becoming embedded into our culture. "Imagine if you went on a road trip and forgot your running shoes," he says. "You wouldn't run. That's the way we want you to feel about Under Armour. You can't work out without it.

"We believe we have a better product for the person wearing a cotton t-shirt," Plank asserts. "That's our challenge and that's our opportunity."

Dean's Column

Smith's Management Professors Are Thought Leaders

by Dean Howard Frank

The Academy of Management's (AOM) annual meeting in Seattle this past August offered an impressive glimpse of the respect enjoyed by the Robert H. Smith School of Business in the management field. Consider the following:

Five members of the Smith faculty are AOM Fellows, leading scholars recognized for their distinguished service to the AOM. One of those fellows, Kathryn A. Bartol, Robert H. Smith Professor of Management and Organization, is dean of the fellows.

AOM Fellow Ken G. Smith, Dean's Chaired Professor of Business Strategy, will assume the association's presidency in 2007.

Timothy Pollock, assistant professor of strategy, was invited to join the editorial board of the prestigious Academy of Management Journal. AMJ also invited Anil K. Gupta, Ralph J. Tyser Professor of Strategy and Organization, and Smith, along with a Georgia Tech colleague, to guest-edit a special issue on "Managing Exploration and Exploitation."

More than 60 percent of Smith's management and organization (M&O) faculty and Ph.D. students presented papers at the annual meeting.

The major roles of Smith faculty within the AOM-the leading professional association for scholars in management and organization-illustrate the faculty's wide-ranging impact and influence.

The scholarly expertise of the M&O faculty is evident in several broad areas, including strategy, innovation, organizational behavior, entrepreneurship, and human resource management.

Chairing the faculty is Anil K. Gupta, a world-renowned scholar in strategy and organization. Gupta is co-author of The Quest for Global Dominance (Jossey-Bass, 2001), a guide for executives leading organizations in today's global marketplace.

M&O faculty research is having a significant impact on business practice. For example, Smith and Cynthia Stevens, associate professor of human resource management, recently examined the knowledge creation capability of regional high-tech companies. CEOs who participated in the study are using the findings for benchmarking purposes.

Bartol, with colleagues Ian Williamson, assistant professor of human resource management, and Viswanath Venkatesh in Smith's decision and information technologies department, are studying the retention of information technology professionals, especially female and minority workers. A three-year, $673,959 National Science Foundation grant is funding this work.

M. Susan Taylor, Dean's Professor of Human Resources, is the founding director of the Center for Human Capital, Innovation, and Technology, which held its first knowledge-sharing conference this past spring.

And a current project by David Kirsch, assistant professor of entrepreneurship, has attracted wide attention. Kirsch is collecting dot-com, business-planning documents and interviewing participants in the Internet boom and bust as part of an Alfred P. Sloan Foundation-funded project. The goal is to understand how people learn from failure.

Effective leadership and the creation, development, and management of strategic resources are keys to success in the digital economy. The management and organization experts at Smith are advancing these areas through research, knowledge sharing, and consulting.

Building One Belief, One Team, and One Focus

By Charles H. Nobs '73, MBA '74

Executive Vice President and Director of Corporate Administrative Services for the Americas, Wealth Management, USA, UBS

This is an exciting time to be part of a global financial services powerhouse that is delivering on its promise to clients and shareholders against an increasingly competitive landscape.

The UBS story exhibits equal parts vision and execution. UBS is a firm whose global orientation mandates that new ideas and cultures be embraced across 70,000 employees and where organic and acquisitive growth strategies have been successfully intertwined.

With a market capitalization of about $60 billion, $1.5 trillion of client assets worldwide, and one of the highest credit ratings in the world, UBS embodies financial strength with a global perspective. In the investment banking and securities businesses, UBS is among the select bracket of major financial houses. As an integrated firm, UBS creates value for clients by drawing on the combined resources and expertise of all businesses.

Evolution of Wealth Management Business

UBS is the world's largest wealth manager, created by the merger of UBS and PaineWebber. This union produced a new breed of competitor that leverages client franchises in wealth management, investment banking, and asset management. In the U.S. alone, UBS has a client base of more than two million investors served by more than 8,500 financial advisors.

The complementary impact of the PaineWebber merger gave UBS several competitive advantages:

- a leading position in the U.S. municipal securities market;
- a leading position in the U.S. mortgage-backed securities market;
- the 4th largest retail force in the U.S. and financial advisors ranked among the most productive in the industry.

UBS also gained greater penetration in the U.S. and advanced its wealth management platform to a higher plane.

From a client perspective, PaineWebber's combination with UBS enabled corporate capabilities in lending, structured financial products, asset management, and research. A holistic approach emerged that helps clients to accumulate, preserve, and transfer wealth through an advisor-centric model.

Tools of Reinvention

UBS is very much a combination of several major firms, but guided by a consistent strategy with fundamental principles. The heritage includes the 1998 combination of Swiss Bank Corporation (SBC)-which included earlier combinations of O'Connor, Brinson Partners, S.G. Warburg, and Dillon Read-and Union Bank of Switzerland. The PaineWebber merger followed in 2000. Fundamental to the success of this ongoing reinvention process are the will and skill to:

- integrate and leverage talent, core processes, and technology;
- institutionalize risk management in every aspect of decision making;
- adopt a single brand strategy.

The global rollout in June 2003 of our single brand strategy ("One Belief, One Team, One Focus, Now One UBS") accelerated the evolution of the integrated firm. The UBS brand now signifies new strength to support client relationships and new resources to help clients build wealth.

Charles H. Nobs earned a B.S and MBA from the Robert H. Smith School of Business. After starting his career at Ford Motor Company in the mid-70s, Nobs moved to Citicorp and spent several years in finance, marketing, and technology. This was followed by 13 years at Bankers Trust Company where he served as managing director for Global Corporate Operating Services. When promoted to senior vice president at age 30, he became the youngest SVP in Bankers Trust's history.

In the early 1990s, Nobs founded his own consulting boutique, CHN Resources, which led restructuring programs for prominent financial services firms. In 1997, PaineWebber recruited him to head the firm's first centralized Corporate Services function. He was subsequently promoted to executive vice president and membership on the UBS PaineWebber Management Committee. Following the merger of PaineWebber with UBS in 2000, Nobs was chosen to lead the integration effort for Corporate Administrative Services in the Americas. An executive vice president at UBS, he is also a member of the management committee of UBS Wealth Management USA.

Nobs serves on the Smith School's Board of Visitors.

Convergence of Interest
The ongoing relationship of Smith's finance department with government agencies and financial organizations has mutual rewards

By Pamela Yee

What common thread is woven among government agencies, business entities, and Smith School finance students, linking them together? The finance faculty, whose connections affect global finance policy and practice, and enhance the education and career prospects of undergraduate, graduate, and doctoral students.

Teaching professor Lou Gattis, Ph.D., (r) shares the wisdom and experience gained in his 15-year career in corporate finance and investment management with Smith School students.

Members of the department conduct leading-edge scholarship with far-reaching results. For example, the research of Lemma Senbet, the William E. Mayer Chair in Finance and chair of the finance department, brings corporate finance paradigms to public domain issues. In collaboration with World Bank economists, he has conducted a large-scale empirical study on the effect of deposit insurance and regulatory schemes on financial development and stability across countries. Last December, Senbet discussed financial sector reforms with the prime minister of Ethiopia, Miles Zenawi, at the invitation of President George W. Bush.

The Smith School faculty has developed some of the leading quantitative models employed today throughout the financial industry. Dilip Madan, professor of finance, created the Variance Gamma Model, which is used daily by Morgan Stanley to value its books of options contracts worldwide. Madan and Haluk Unal, professor of finance and a senior fellow at the University of Pennsylvania's Wharton Financial Institutions Center, have published their joint research on credit risk in the center's working paper series and served as panelists on the center's financial engineering roundtable on the quantification and trading of credit risk. Madan also has taught seminars on credit risk in London and New York.

The faculty's influence extends beyond their own work. Smith School-trained Ph.D.s are at work building financial models for such institutions as Swiss Re Financial Products, Morgan Stanley, and The World Bank.

In recent years, the Smith School has made it a priority to recruit finance faculty whose solid industry background further strengthens the real-world content delivered to students.

Executive-in-Residence Margaret (Meg) VanDeWeghe, a former managing director at J.P. Morgan, teaches courses in equity analysis and portfolio management. She also advises the Mayer Fund, a select group of second-year Smith MBA students who manage a portion of the school's endowment. Steven Heston was hired last year from global investment broker Goldman Sachs, where he was vice president of arbitrage and quantitative equities for the U.S. market. Louis Gattis Jr. served as Freddie Mac's market risk oversight director, managing a $500-billion leveraged mortgage-and-bond portfolio, before coming to Smith in 2002 to teach MBA finance classes. This fall, Elinda Fishman Kiss joined the school, bringing experience as assistant vice president of capital markets for Citicorp Investment Bank, and as acting treasurer and CFO of Resolution Trust Corporation.

The ongoing academic-industry relationship has helped to strengthen career networks of Smith students and enhanced the value graduates deliver to the school's corporate partners.

As the finance department's Unal states, "Measuring credit risk is the hottest research topic in finance, and every company wants a credit-risk model to measure default risk." The professor served as faculty advisor to the Smith MBA Consulting team that developed a credit-risk model for Constellation Power Source (CPS), the wholesale power marketing and risk-management subsidiary of Constellation Energy Group Inc. The team's efforts garnered the 2003 Best MBA Consulting Project award and praise from CPS management. "I was overwhelmed by the quality of the team's work," states Andy Kiss, MBA '99, CPS vice president.

For more information on the Smith School's finance department, visit www.rhsmith.umd.edu/finance/.

At Home in the Global Marketplace

Smith's MBA study trips bring to life concepts in global business management

By Rosemary Faya Prola

On their trip to Chile, the Smith MBAs visited Rucarary, the produce company owned by 2001 Smith MBA alumnus Miguel Vial (front row, fourth from left) and his family.

"The president of DaimlerChrysler Argentina related the challenges of trying to manage during a period of tremendous uncertainty," says Richard Keith, MBA '03. "Other managers shared their frustration with having to manage for the short term rather than being able to grow their businesses. It was a great opportunity to understand how leaders deal with adversity."

Keith was describing the Q&A sessions between Smith MBA students and corporate executives during a March 2002 visit to Argentina. Since 1999, Smith MBAs have had the opportunity to explore concepts in global business management on study trips to Europe, Asia, and South America.

While not as dramatic as the Argentine experience, other visits have been just as enlightening, according to Smith students. Most trips are filled within a few weeks of opening.

"Students have different reasons for going on the study trips," says Victor Betancourt-Santiago, associate director of the Smith School's Center for Global Business, who directs the global study program. "Since the trips are from 7 to 10 days, for part-time MBA students especially, it's an efficient way to earn three credits of electives. But, whatever their reasons for signing up, once they're in the program, students realize the tremendous amount of information they're getting from it."

"I'm interested in a career in global trade and saw the study trip to Chile as an opportunity to learn about all aspects of the field firsthand," says MBA student Louise Hayden.

Prior to every trip, students are assigned readings on the country's history, culture, and economy, as well as the particular business topic that serves as the focus of the program. Meetings and lectures on the College Park campus help students get the most from their visit.

"This preparation is key," states William DeWitt, teaching professor of logistics, who led the trip to Chile over the 2003 spring break that focused on the global supply chain for perishable goods. In three class meetings before departure, DeWitt lectured on logistics issues; the group visited a cold storage food wholesaler in Jessup, Md.; and students made presentations on the movement of products through the U.S. "cold chain." DeWitt says, "If they have a working knowledge of the topic before they go abroad, they can ask better questions of the managers they meet and make the best use of their time in the country."

On the trips, the students' days are full, encompassing lectures by business experts, meetings with corporate executives, visits to local companies, and work sessions on their final team presentations. There are also opportunities to personally experience some of the challenges facing global business travelers, for example, finding taxis and identifying a good restaurant for dinner.

Hayden notes, "The trip was a great deal of work and the schedule was hectic at times, but being in a new country, experiencing new things, with a great group of people made all the early mornings and long days worthwhile."

"The experience exceeded my expectations," says Joseph Bailey, assistant professor of logistics, business and public policy, of the trip he led to Ireland in 2001. "Our students came away with a sincere respect for their Irish colleagues and a realization of the possibilities that exist in the global market for new business ventures."

Upcoming study trips include January 2004 programs on global financial markets (England) and global management and corporate social investment (El Salvador), and May 2004 programs on freight transportation in the European Union (The Netherlands) and technology and international entrepreneurship (France).

For further information, visit www.rhsmith.umd.edu/global/.

AlertUS Technologies, a new venture co-founded by Smith School junior accounting major Jason Volk (l), was awarded the second place prize of $15,000 in the University of Maryland Third Annual Business Plan Competition. The company is developing a secure wireless communications system for emergency warning information in closed communities such as universities, large corporations, and government campuses. Volk and co-founder Sandeep Mehta (r), a 2002 graduate of the university's A. James Clark School of Engineering, will apply their award toward the cost of manufacturing system components.

Predicting the Firms That Will Bend the Rules

By Jeff Heebner

Firms that violate accounting rules are more likely than their peers to provide extravagant stock options to their CEOs, to have a history of making numerous and risky acquisitions, and to have younger CEOs, according to a two-and-a-half year study conducted by a Smith School student for her doctoral dissertation.

Carmelita Troy, Ph.D. '03 (right), looked at 71 companies subject to Securities and Exchange Commission enforcement action for alleged accounting violations between 1992 and 1999. Each of these "violator" companies was compared to a carefully matched industry peer that had not been accused of accounting irregularities.

The study found that on average, the CEO of a violator firm had options valued at more than three times the CEO's cash compensation, compared to the non-violator firms, which on average, were valued the same as the cash compensation. At the high end of the violator firms, the options were valued at 30 to 35 times the amount of the cash compensation the CEO received.

"With such large amounts of the CEOs' personal wealth tied to company stock price, the incentives for overstating profits and financial condition are clear," says Troy, now an assistant professor at the Naval Postgraduate School in Monterey, California. "Our findings paint a picture of greed on the part of executives at these firms. When they were no longer able to report healthy financial returns through lawful means, many resorted to making up the numbers."

The study, co-authored by Ken G. Smith, Dean's Chaired Professor of Business Strategy, and Lawrence A. Gordon, Ernst & Young Alumni Professor of Managerial Accounting and Information Assurance, also found striking similarities with regard to the acquisition strategies and ages of the CEOs at violator firms when each was compared with their non-violator peers.

The violator firms, on average, made two acquisitions in the three years prior to the alleged accounting violation, compared to an average of only one by the non-violator firms during the same period. Some violator firms made well over 10 acquisitions, and as many as 20. The maximum number of acquisitions made by the non-violator, control firms was seven.

In addition, the CEOs at the violator firms tended to be younger, with nearly 24 percent of them under the age of 45, compared to just over 14 percent under the age of 45 at the non-violator companies.

Says Smith, "We find inexperienced decision makers attempting to grow the firm through acquisitions. The negative consequences of these acquisitions in terms of cash flow, which may be putting pressure on stock prices, along with dependency on stock options, may be driving CEOs to make up their own numbers."

"These findings are significant because they identify red flags which investors can use to help evaluate a company and its stock," Gordon asserts. "The research shows that an environment of excessive stock options and deteriorating corporate financial condition, preceded by a history of growth through acquisitions, provides conditions ripe for accounting violations."

The research also found that, compared to the non-violator firms, the audit committees of the boards of directors of the violator firms had more directors who were either employees of the firm, did significant business with the firm, or were otherwise affiliated in ways that interfered with their independence from management. Under the Sarbanes-Oxley Act of 2002, audit committee members may not have ties to the company that lead to a conflict of interest that hinders the audit committee from discharging its duties.

Troy notes, "Our findings provide support for this legislation, showing that the more affiliated the audit committee members are with the firm, the less likely they are to be able to effectively govern the management and thereby deter or prevent accounting violations."

The Smith School graduate presented a paper on her research at the Academy of Management annual meeting held in Seattle in August.

"E" May Improve Personal Health Outcomes

Managing U.S. healthcare costs is an ongoing concern of employers, insurers, providers, and politicians. But, while other industries have utilized information technology to realize cost efficiencies, the healthcare industry has not been very innovative in its use, says Ritu Agarwal (left), Ralph J. Tyser Professor of Information Systems at the Smith School of Business. Issues in e-health, as it's called, are just beginning to be explored.

"In the last few years, there's been a tremendous amount of health-related information available on the Internet," the professor notes. "In addition, technologies are emerging that enable individuals to have greater control of their health care, which is particularly important to those with chronic illnesses."

Agarwal and Corey Angst (above, right), a doctoral student in information systems, are currently exploring the impact of technology on personal health outcomes. Last fall, they worked with CapMed Corporation to study the acceptance and use of its Personal Health Record™ (PHR) software. PHR allows patients to track, manage, and monitor health information such as doctor visits, personal medical history, medications, and treatment plans on their personal computers. It also allows patients to communicate this information with providers via printed or e-mailed reports.

Their survey of PHR users examined acceptance and usage of technology for personal health management and perceptions of the system and its value. The researchers report that nearly all of the respondents, 95.1 percent, believed it was valuable to locate medical information in one repository, and nearly 80 percent preferred to store health information on a PC rather than the Web.

"People also felt they were getting a lot of value from the system," Angst states. "Close to 40 percent thought their use of the software would contribute to improving their physical health."

Recently Angst and Agarwal began a follow-up study focusing on the impact of technology on health outcomes of those with chronic illnesses. Funding for the project comes from Christiana Care Health Systems, one of the largest health systems in the mid-Atlantic region.

Over the next 16 months, the researchers will monitor the health of two groups of patients suffering from chronic diabetes. Individuals in one group have been given the Personal HealthKey™, another CapMed product, which makes the vital health information stored in PHR portable on a keychain device and accessible on any computer. The second group will not be given the technology intervention and will be used as a control. "Our hypothesis is that individuals with access to technology will have improved health outcomes," Agarwal states.

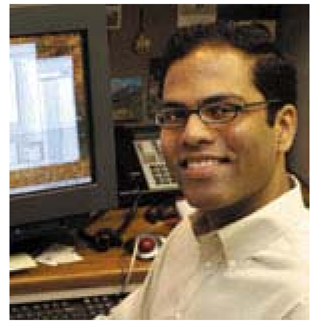
If they're proven right, technology-enabled personal health care could have a significant impact on costs as well as on patient well-being.

"Improved health means fewer doctor visits," notes Agarwal. "To the insurance provider, reducing doctor visits can create a huge cost advantage."

Multiply that savings thousands of times over within the multi- trillion-dollar U.S. healthcare sector, and the potential savings are great indeed.

Patent Strategy Key to High-tech Company Success

By Lisa Gregory



In today's knowledge economy, Deepak Somaya (right) says, it is only natural that ownership rights of knowledge assets or intellectual property such as patents, copyrights, and trademarks are becoming more important. Therefore, he says, it is necessary to integrate intellectual property considerations into business strategy.

"Many new technology-led industries and companies depend on their patent strategy for their very survival," notes Somaya, an assistant professor of logistics, business and public policy at the Smith School of Business.

As yet there is no well-developed body of knowledge that businesses can turn to for guidance. Somaya is hoping to change that. His current research focuses on firm strategy in high-technology industries, with an emphasis on intellectual property and patents. "There has been this attitude regarding patents to let the lawyers handle it," he says. "But it's too important now for business managers not to be involved. It's too important for it not to be part of the strategic planning process."

According to Somaya, who recently received research funding from the Organisation for Economic Co-operation and Development, he is hoping to provide answers to such questions as: how to develop a patent strategy; how best to protect a technology-based business; when to share a patent or hold it exclusively; and when to sue over a patent.

"Companies have ways of doing this already," he notes, "but it is not necessarily formally motivated. My hope is to provide a more solid theoretical and empirical basis for making these decisions."

Thus far, his work has been well received. Somaya, who has a Ph.D. in business administration from the University of California at Berkeley, won the 2001 Best Paper Award from the Academy of Management's Technology and Innovation Management Division for a paper on patent litigation decisions. He also received the group's Best Dissertation Award in 2003.

Somaya became interested in intellectual property research as a graduate student working on a case study of patent use around the world. "I found it really fascinating how central intellectual property was to investment decisions, licensing, joint ventures, and even acquisitions," he says, "especially as the use of patents had begun to flourish." This was in part the result of a series of important legal developments, starting in 1980 when the Supreme Court upheld GE's patent for a bacteria that could clean up oil spills. "The court was saying that an invention which was a life form could still be patented," he says. "This really opened up the bio-tech industry."

Another key development was the major reorganization of the U.S. federal courts, resulting in a more uniform and pro-patent case law.

These changes, combined with the growth of high-technology industries, says Somaya, led to a doubling of patenting in the United States from the 1980s to the mid-1990s. "Technical innovation is the primary driver of this economy, enabling firms to be successful and grow," he notes.

He hopes his research will contribute to that continuing growth and success. Says Somaya, "I want to help businesses make informed decisions about their patent strategy rather than rely on mere precedent or costly experimentation."

Networking Events Brightened Rainy Spring

The alumni chapter of the Robert H. Smith School of Business presented two regional alumni events in spring 2003. At these events, held annually, alumni catch up with classmates, network with other Smith School alumni, and identify new talent for their organizations. Current students discover mentors to help guide them in their careers. All attendees enjoy discussions of current issues with dynamic business leaders.

The first spring networking event took place in Washington, D.C., April 10. Eric Billings '77, vice chairman and co-chief executive officer of Friedman, Billings, Ramsey, spoke to about 150 guests on industry sectors to watch. This event was co-sponsored by the alumni chapter and the Smith School Office of Career Management. OCM provided résumé books to showcase current Smith MBA students seeking internships or employment. Marriott Metro Center offered a convenient and elegant setting for the evening.

An afternoon rain shower didn't deter Smith alumni and students from gathering June 11 in New York City at the UBS Financial Services' (formerly UBS Paine Webber) mid-town Manhattan offices. Charles H. Nobs '73, MBA '74, executive vice president and director of corporate administrative services for UBS, hosted more than 100 guests in the 14th floor art gallery with its impressive collection of contemporary art. Guests mingled before and after a presentation by 2003 MBA graduates Filip Liharik, Tsvetan Petkov, and Tim Forrester of the Mayer Fund, the school's student-managed investment portfolio. They presented a report on the fund's 2002-03 performance and offered insight on investment opportunities in the current economic climate.

Stay tuned to what's happening with Smith alumni at www.rhsmith. umd.edu/alumni/.

More than 100 guests attended the New York networking event, June 11. Among the attendees (l-r): Bob Kinney ’82, managing director, UBS Financial Services; Lemma Senbet, holder of the William E. Mayer Chair in Finance and chair of the finance department; David Saunders ’81, co-founder and managing director, K2 Advisors; Charles H. Nobs ’73, MBA ’74, executive vice president and director of corporate administrative services, UBS..

Eric Billings ’77 (l), vice chairman and co-CEO, Friedman, Billings, Ramsey, talks with alumni and students after his presentation at the Washington, D.C., networking event April 10.

Ready to Serve

As a successful business lawyer, Alan Cason is eager to offer his skills where he can. He does so in a variety of ways. There is his work providing legal assistance and advice to organizations working with individuals with mental disabilities. "I feel like I'm helping folks," he says, "not just doing corporate business work." There is also his commitment to his alma mater. Cason currently serves as president of the University of Maryland Alumni Association. "You have 35,000 members that you're leading and positioning to influence policy and help the university in the direction that it's attempting to move," he says.

Cason, who graduated from the business school in 1980, is a partner in the Baltimore office of the national law firm of McGuireWoods LLP. He admits that he came to his current profession in a rather roundabout way. Growing up in Havre de Grace, Md., he was encouraged by his mother to become a professional. "You know, engineer, doctor, lawyer," he says. And, he was also a big fan of the Perry Mason television show.

But, Cason didn't immediately pursue what seemed the obvious choice. A talented math and science student in high school, he was encouraged to major in engineering when he came to the university. He soon changed to business, even as he was active in a pre-law group on campus. By the time he had graduated, he decided to attend law school. But, he has never regretted his business education. "I'm a business lawyer," he says. "To this day, that remains the foundation for a lot of what I do."

Now Cason is using those same skills as alumni association president, primarily focusing on the university's new $26-million Riggs Alumni Center. "It's great to be part of the Maryland legacy right now," he says.

Become Involved with the Robert H. Smith School of Business Alumni Chapter

Are you feeling disconnected from the Smith School? Do you want to know more about current initiatives? Would you like to be part of our students' lives?

If you answered "yes" to one or all of the above questions, read on to learn how you can be a part of the success of the Smith School. Please contact the chairperson of each committee for more information if you are interested in volunteering.

Membership and Communications. This committee seeks to increase the alumni base at a rate equal to if not greater than the university's successful efforts, and identify new alumni who may want to play an active role in the chapter. Contact Membership and Communications Chairperson Jim Poulos '70 at jim.poulos@ host.marriott.com.

Professional Networking. The purpose of chapter networking events is twofold: to provide educational programs for alumni and regional opportunities for alumni and friends of the school to network. The committee organizes, implements, and promotes these gatherings of alumni, corporate partners, friends, and students. Contact Networking Chairpersons, Lisa Neuder '91, MBA '00, Lisa_Neuder@cch.com, and Aydin Tuncer, MBA '96, atuncer@ 34w.rjf.com.

Student Recruitment. This committee serves as the coordinating body for student recruitment and retention activities presented with the Undergraduate Studies Office, Masters' Programs Office of Admissions, and the Office of Career Management. Contact Student Recruitment Chairperson Kenyon Rogers '00 at kenyon.rogers@marriott.com.

Alumni Mentor Program. The alumni mentor program groups together alumni and students having common career interests. Each cluster is headed by a senior-level mentor who has extensive business or industry experience. This senior-level mentor interfaces with about five young-alumni mentors. These recent graduates have one-to-one mentoring relationships with current students. Contact Mentor Program Chairperson Kelly Nelson, MBA '01, at nelson.kelly@ bcg.com.

Special Events. This committee plans and implements reunions, Homecoming, Maryland Day, and gala events for Smith School alumni. Contact Special Events Chairperson Elmus Mosby Jr. '97, MBA '00, at Elmus.Mosby_JR@ bankofamerica.com.

Alumni Golf Tournament. This committee supports the chairperson of the annual chapter golf tournament with fundraising ideas, promotion, and coordination of the tournament. This event is the annual fundraiser for the Smith School alumni chapter. Contact Golf Tournament Chairperson Ted Rose '89, MBA '93, at rose@rosefinancial.com.

Nominations (by-laws, governance, awards). This committee reviews the by-laws as necessary to ensure chapter activities are in compliance, and reviews and recommends revisions and additions to the by-laws, written operating procedures, and/or duly promulgated regulations of the

University of Maryland Alumni Association. In addition, this committee recommends criteria and selects candidates for business school awards. It also selects the school nominees for university awards as requested. Contact Nominations Committee Chairperson Ab Krall '81 at albert.m.krall@accenture.com.

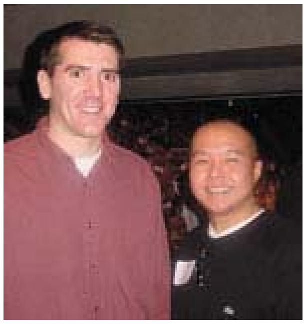
Finance. This committee oversees the chapter's finances by implementing internal control procedures and periodically assessing the chapter's financial condition. The committee also prepares a preliminary budget for the fiscal year that is ultimately submitted to the full chapter board for approval. Contact Finance Committee Chairperson Dave Covington '73 at dcovington@deloitte.com.

MBA. The mission of this committee is to improve the perception and awareness of the Smith School alumni chapter among MBA alumni and increase participation of MBA alumni in campus and alumni events. Contact MBA Committee Chairperson Michael Green, MBA '02, at michael.green@touchstone.com.

Ph.D. The Ph.D. committee is a new standing committee of the alumni chapter. This committee seeks to form a network of Ph.D. alumni who will work on issues of importance to Ph.D. graduates, including developing a working paper series and research conferences. Contact Reena Aggarwal, Ph.D. '85, for more information at aggarwal@georgetown.edu.

For the latest news on the Smith School and chapter activities, check out the alumni e-newsletter, Smith Newslink. To subscribe, e-mail alumni@rhsmith.umd.edu.

Mentors and Mentees

Mentor program participants socialize prior to a Terps men's basketball game. Pictured, (l-r): Dean Logan, MBA '03, and Soo (Billy) Chin '97; Dan Lader, MBA '01, and Sue Keffer, MBA '03; Steve Halligan, MBA '95, and Ravikiran Buddhavarapu, MBA '03.