Ethics: Figuring where it fits in business education

PLUS: Why Business Plans Are Useless • Get China and India Right • A Silver Lining to Layoffs
Looking for Lost Alumni!

Can you help solve any of our Lost Alumni mysteries? Nearly 3,000 Smith School alumni have lost contact with us. If you know the current address, phone number or maiden/married name of an alumnum on this list, please send an e-mail to alumni@rhsmith.umd.edu.

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REMAKING ETHICS EDUCATION

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IN JUST FIVE MINUTES, YOU CAN HELP US IMPROVE SMITH BUSINESS MAGAZINE AND OUR SERVICE TO YOU.

SMITH BUSINESS MAGAZINE ALLOWS SMITH SCHOOL ALUMNI TO CATCH UP ON CAMPUS ACTIVITIES, READ ABOUT THE SUCCESSES OF FORMER CLASSMATES, AND LEARN ABOUT THE MOST RECENT FACULTY RESEARCH ON TOPICS OF BROAD INTEREST AND IMPORTANCE. YOUR THOUGHTS AND OPINIONS WILL BE OF GREAT HELP TO US AS WE PLAN FUTURE ISSUES AND CONSIDER HOW BEST TO SERVE THE NEEDS OF OUR ALUMNI.

PLEASE TAKE A FEW MINUTES TO COMPLETE THIS SHORT SURVEY, EITHER IN PRINT (ATTACHED TO THE OUTER COVER OF THIS MAGAZINE) OR ONLINE AT WWW.RHSMITH.UMD.EDU/MAGAZINESURVEY. YOUR RESPONSES TO THE SURVEY WILL REMAIN CONFIDENTIAL AND WILL BE USED BY SMITH SCHOOL STAFF ONLY FOR THE PURPOSES OF IMPROVING OUR COMMUNICATIONS WITH YOU.

WE’LL PUBLISH THE RESULTS OF THIS SURVEY IN THE FALL 2009 ISSUE OF SMITH BUSINESS MAGAZINE.

THANK YOU IN ADVANCE FOR YOUR PARTICIPATION!

WEB POLL:

Will there be an economic recovery in 2010?

Log on to the Web site and let us know at www.rhsmith.umd.edu/smithbusiness.

Last issue’s Web poll results: Are you thinking about telecommuting more often in response to higher fuel prices?

Yes: 72%  No: 28%
Brian Childs, a 2010 MBA Candidate, has charted many dangerous courses in his career. Before beginning the full-time MBA program in Fall 2008, Childs was a pilot working for military subcontractors and humanitarian groups in the Middle East. He picked up aviation as a hobby while studying anthropology at California State University–Chico, but soon found it was an expensive pastime, so he decided to make it part of his career. Childs was preparing for graduation when the Sept. 11 attacks devastated the job market for commercial pilots. Having always wanted to “use his position for good” and desiring to work in the developing world, he spent the next six years flying across some of the world’s most dangerous territory: Iraq and Afghanistan.

Childs didn’t like many of the things he saw during his time in the battle zones. One of his major frustrations was the inefficient use of public money by non-governmental organizations (NGOs) and government bodies. “This is public money,” Childs says, “The Afghans deserved it, but it ran dry before it got to them.” He realized that money “is the world’s largest car sharing and car club service.

During his first year, Childs founded an Energy Club at Smith with fellow classmate Justin Trudel as an opportunity to create a student-learning forum about the energy industry. They have had a successful launch, gaining faculty support and bringing several prominent energy companies to campus. Childs also pursued projects during the first year with the aim of reducing the carbon footprint of the university as a whole.

This past summer, Childs worked for ZipCar, the world’s largest car sharing and car club service. He saw this internship as an ideal opportunity to work on two important causes: reducing gasoline consumption and reducing carbon emissions. Ever the spokesman, Childs contends, “Reducing use of automobiles is the number one easiest way to eliminate carbon gas emission.”

Childs, who is well known at Smith for his wit and self-effacing humor, downplays his role as a hero or humanitarian. “What I experienced was real,” he says, “and maybe it will motivate others as well.” He joins a growing group of MBA students who want to use their business experience to create social, as well as financial value. And that sense of purpose will surely help him chart his flight into the next phase of life. –TL
What kind of behavior should a government encourage in its citizens? Saving money for retirement? Recycling? Using less energy? Eating healthfully? No matter what the behavioral goal may be, the same research that marketers can use to influence consumer behavior provides powerful tools to help government influence citizen behavior.

Rebecca Ratner, associate professor of marketing, is helping policy makers develop more effective ways to get people to do what they should. Ratner recently led a three-day discussion with business executives and government officials at the Aspen Institute, an international organization that fosters values-based leadership. It encourages individuals to reflect on the ideals and ideas that define a good society, and provides a venue for discussing and acting on critical issues such as climate change.

Ratner helped her group learn more about key findings in decision making research that can help policy-makers influence public behavior. For example, research has shown that the defaults you present people with have a huge influence on their choices, because few people switch away from a default. Marketers might use this technique when presenting feature options or service plans on a new appliance.

Knowing this, some countries have set a default for organ donation: everyone is an organ donor unless they specifically opt out of the organ donation program. In this case, the default can save lives and may be better for society, according to Ratner, whose research has largely focused on the factors that underlie human decision-making. But it brings up some sticky issues. Chief among them: should the government be in the business of influencing people’s choices? Doing so implies a value judgment—that one choice (organ donation) is better than another choice (not donating organs). Who makes those value judgments? What issues should government bring influence to bear on choices?

Good questions, admits Ratner, and ones that policy makers ponder as well. –RW

Getting Citizens to Make Better Decisions

Education Yourself!
Interested in learning more about the mysterious factors that affect decision-making? Ratner suggests reading Paradox of Choice, by Barry Schwartz; Predictably Irrational, by Dan Ariely; and Nudge: Improving Decisions About Health, Wealth, and Happiness by Richard Thaler and Cass Sunstein, which was recently on the reading list for the Obama administration.

DIRECTORS’ INSTITUTE OFFERS ADVICE AND EDUCATION FOR DIRECTORS AND BOARD MEMBERS

The Directors’ Institute at the Smith School of Business is an intensive, innovative two-day program to address the critical issues facing boards today. This program, designed for board chairs, corporate directors and senior executive officers of publicly traded companies, offers participants a framework for making informed board decisions and exercising sound business judgment. Learn about issues such as succession planning, strategy, compensation, institutional investor activism, financial accounting and reporting, audit committee practices, ethics, litigation, D&O insurance, and crisis management, with insight from leading executives, corporate directors, policy-makers, legal and financial services experts, as well as academic authorities from the University of Maryland, the Directors’ Institute (ISS/RiskMetrics-accredited, and CLE-approval forthcoming).

News Flash: Business Plans Are Useless

**Perfect your business, not your plan, say researchers.**

Here’s something you’d never expect to hear from a business school: Don’t bother spending a lot of time on your business plan. According to recent research from David Kirsch and Brent Goldfarb, both associate professors of management and entrepreneurship, a business plan has zero value as a fundraising tool for new ventures. Entrepreneurs should be perfecting their business, not spending hours refining how their plan looks on paper.

“Spending time and energy tweaking your business plan is a waste of resources,” said Kirsch. “It’s a limited-use document that will in no way substitute for the hard work of actually building a business. You’re better off investing in your idea, your social network, finding potential investors, potential customers — the intangibles around your business that are going to make it more likely you succeed. Invest your time in any other business-building activity but working on your business plan.”

Kirsch and Goldfarb, with Smith doctoral student Azi Gera, studied the business plans of more than 700 dot-com companies from the late-1990s to early-2000s boom era. Kirsch maintains records from a broad sample of dot-coms in his Business Plan Archive, a historical research and preservation project supported by the Library of Congress’ National Digital Information Infrastructure Preservation Program. The researchers compared objective characteristics of each business plan — including the contents, team make-up and business model — and whether the plan received venture capital funding.

Kirsch, Goldfarb and Gera found that the content of the business plans does not predict which businesses get funded. They don’t suggest companies should totally forgo a business plan. They say the document may be useful for organizing thoughts and details of a venture, but they found no evidence that either the content or presentation of the plan influences venture capital funding decisions.

So why do venture capitalists even want business plans if they don’t use them to make funding decisions?

“I think VCs like the plans because they skim them to see what people are doing — to get a sense of what entrepreneurial activity is happening,” Goldfarb said. But an interested VC will learn the details of a business whether it is in the plan or not. —CH

Sustainable Smith Business

The Smith School takes sustainability seriously, and every issue of Smith Business Magazine is produced with an eye toward ecological responsibility.

We use paper that contains 30 percent post-consumer recycled content. The magazine is printed using vegetable inks with the lowest content of volatile organic compounds in the industry. And our printer purchases clean wind energy, so we aren’t using scarce fossil fuels.

By using green production techniques, this issue of the magazine saved:

- 51 full-grown trees
- 35 million BTU
- 5,667 pounds CO₂
- 3,047 pounds solid waste
- 425 gallons water

You can help keep the magazine green by recycling it when you’re done reading it, or by passing it along to friends or family. —RW
H. Kent Baker, MBA ’69, DBA ’72, is what you might call an over-achiever. Baker is University Professor of Finance at the Kogod School of Business at American University in Washington, D.C. He has earned eight degrees: four masters degrees, three doctoral degrees, and CFA and CMA designations. In the last 25 years, he has been one of the most-published faculty in the field of finance. He has authored or co-authored more than 140 articles in top journals, and his latest book, Dividends and Dividend Policy, is considered the definitive work in its field. He has consulted or done training with more than 100 organizations in both the public and private sectors. And in his spare time—hard to believe he has any!—Baker is a professional jazz pianist who has toured and recorded.

How does he find the time? It helps to be an expert in time management, but it also helps to love what you do. Baker is devoted to his work. “Education is my business,” says Baker. “In my professional life, my first priority is my students and then my research. Teaching and research have never been a burden, but always a pleasure.”

Baker was one of the first students to receive a doctoral degree from the Smith School. At the time, it was the College of Business and Public Administration, housed in Tydings Hall. Baker appreciates the fact that Maryland made an effort to keep him, back when he was considering whether to accept a fellowship to pursue a doctoral degree at the University of Wisconsin. Professor Charlie Taff convinced him to stay at Maryland by getting him a job in then-Dean O’Connell’s office as his full-time assistant. “At the time my office was in an attic in the journalism building,” says Baker. “I was very happy to move into the Dean’s office and to gain first-hand experience being an educational administrator.”

Baker has been teaching at American University for the past 34 years. He works with both undergraduates and MBA students, and enjoys the challenge of keeping his material fresh and relevant. “Every day is a challenge and a reward,” says Baker. “I’m like an educational farmer. A farmer plants certain seeds and sees them grow. I enjoy planting ideas in students’ minds and seeing my students grow in competence and their ability to make certain kinds of linkages. I pride myself in being able to make learning fun and exciting for them, as well as relevant. Given the dramatic changes in the financial landscape, some of the things I taught several years ago are now obsolete, so I have to work to keep my courses current.” —RW

Preparation a New Generation of Scholars

Debra L. Shapiro UMD ’82, Clarice Smith Professor of Management and Organization, is artistic by nature—a concert-level pianist, a theater enthusiast, and an art collector. But it is in academia—and business school at that!—that this artist found a way to merge her varying interests into a rewarding career.

Shapiro’s initial academic interest was psychology, following in the footsteps of her grandfather, a renowned psychiatrist and psychoanalyst, because she liked the idea of helping people deal with interpersonal challenges. But Shapiro found her true calling when her studies turned her toward workplace-related challenges involving people: “I realized I could help managers as they dealt with employees who are unhappy; who are unproductive; who aren’t fully committed or engaged. It gave me an avenue to help people in a broad way,” says Shapiro.

It wasn’t until graduate school that Shapiro found that she really enjoyed teaching, too. This was a natural fit, given Shapiro’s involvement with theater and the tendency for great teachers to be great performers. Her classes tend to be lively, because Shapiro would rather have students engaged with one another than merely listening to a lecture: “People learn best when they are actively engaged in the learning process.”

Shapiro came to the Smith School after seventeen years at the University of North Carolina’s Kenan-Flagler Business School, where she was the Willard J. Graham Distinguished Professor of Management. Shapiro teaches at all levels—undergraduates, full- and part-time MBAs, executive MBAs, custom programs, and PhD students—and has been recognized for excellence in teaching with consistent top rankings and a 2008 Krowe Teaching Award.

Shapiro also heads the Smith School’s prestigious PhD program, recognized as one of the best in the nation. Last year, the Smith School committed $12 million in additional resources to its PhD program.
as a result of a gift from Robert H. Smith ’50. Shapiro, who was associate dean of doctoral programs at the Kenan-Flagler Business School, has been head of Smith’s PhD program since July 2008.

“The PhD experience is a lot like an apprenticeship,” says Shapiro. “We intentionally admit a very small number of students to maximize the quality and quantity of faculty-student interactions. There is a depth and intensity to the program that is unmatched in any other type of educational training. In fact, one of the reasons I came here is because I knew the Smith doctoral program was one of the strongest anywhere.”

Shapiro is working to build an increasingly connected intellectual community that supports and encourages cross-functional research. In the Smith School’s informal environment, students spend a lot of time working with faculty one-on-one, and there is a significant amount of joint research going on. But much of it is concentrated within academic disciplines. Shapiro recently began an intranet community that she hopes will ease the ability of students and faculty to gather across, as well as within, discipline-based areas around shared research interests. She believes it will help students and faculty discover their common research interests outside their functional silos.

Shapiro’s own research focuses on identifying strategies including negotiation, third-party interventions, and explanations that help to overcome workplace-related challenges associated with managing employee perceptions of injustice and resistance to organizational change. This includes unwanted or new management initiatives, such as self-managing work-team assignments or expatriate assignments. Shapiro is particularly interested in examining these challenges when they involve culturally different and globally dispersed employees, for whom talking openly about differences may be logistically infeasible or unequally comfortable for people of different cultural back-

Great Placements
One of Shapiro’s key concerns is helping doctoral students get placed in top business schools around the world. Over the past five years, 99 percent of Smith’s PhD students have been successfully placed immediately after they graduate—about 95 percent as tenure track assistant professors at an accredited university, and the rest as researchers in either private or government organizations.

Recent placements include:

**ROTTMAN SCHOOL OF BUSINESS,**
University of Toronto

**KELLEY SCHOOL OF BUSINESS,**
Indiana University

**ELI BROAD COLLEGE OF BUSINESS,**
Michigan State University

**TERRY COLLEGE OF BUSINESS,**
University of Georgia

**NANYANG UNIVERSITY,**
Singapore
Anil Gupta, Ralph J. Tyser Professor of Strategy and Organization, spent a lot of time last spring traveling to promote his new book, *Getting China and India Right: Strategies for Leveraging the World’s Fastest-Growing Companies for Global Advantage*. So did his co-author and wife, Haiyan Wang, MBA ’95—which took them away from their other joint venture, their 7-year-old twin daughters, more often than they’d like.

The book is their second together, following the highly-regarded *The Quest for Global Dominance*, now in its second edition (and whose Chinese language edition was released recently in mid-May).

Writing this book was a no-brainer for the couple. “While there are country books about China and India and operational books about the tactics of doing business in China or India, there wasn’t a single book that addressed both economies from the lens of corporate strategy,” says Wang.

“We were well positioned to write this book because we bring insider perspectives and insights regarding both India, where I was born, and China, where Haiyan was born,” says Gupta. “At the same time, we know how western businesses work, having lived in the U.S. for 20 years and consulted for many multinational companies.”

If hanging wallpaper together can strain a relationship, writing a book together must be a real struggle. “Well, it’s 70 percent joy, 30 percent pain,” laughs Wang. “We are much more open to criticism, and we criticize each other without reservation or politeness. A discussion can go on from breakfast to dinnertime! We are constantly exchanging ideas, and we know each other’s strengths and flaws.”

“I bring research depth,” says Gupta. “Haiyan brings practical business experience.”

“I think about how we can make the message more readable and easy to digest,” says Wang. “Are we providing answers that address business questions?”

Yes, say readers and reviewers both in the U.S. and abroad. The book explores the commonalities between India and China in order to help business leaders understand the unique challenges that accompany any venture into these diverse and ancient cultures that are also the world’s two fastest-growing major economies.

“India and China are different from the west on multiple dimensions—culture, language, political system,” says Gupta. “They are rich and poor at the same time. China has the 3rd largest economy in the world, and India the 10th, yet per capita income in China is one-fifteenth of the U.S. and in India about one-thirtieth of the U.S.”

Most companies’ global strategies fall short in India and China because they have a legacy mind-set, say Wang and Gupta. They persist in seeing the two countries solely through the lens of off-shoring and cost-reduction, but forget that they are vast markets in their own right, with a rapidly-growing middle class. By 2025, China’s economy will very likely overtake that of the U.S.; India will be about to overtake Japan to become 3rd largest economy in the world. So there are significant opportunities for companies that can develop winning strategies for China and India.

“We live in an increasingly multi-polar world,” says Wang. “The U.S. is no longer the sole growth engine for the world economy. Companies must evolve to have a multi-polar structure as well. As they evolve into truly global enterprises, national identity will become less and less important. By 2020, we expect a high degree of convergence across the leading global enterprises in most industries, even though specific companies may have their origins in the U.S., Europe, Japan, China, or India.”

Anil Gupta, Ralph J. Tyser Professor of Strategy and Organization, is widely recognized as one of the world’s leading experts on strategy and globalization. Haiyan Wang, MBA ’95, is managing partner of China India Institute, a research and consulting organization. They are the co-authors of *Getting China and India Right: Strategies for Leveraging the World’s Fastest-Growing Economies for Global Advantage* (Jossey/Bass-Wiley, 2009). –RW
Doing Business Around the Globe

While the College Park campus was covered in snow and ice last winter, many Smith students got a taste of global business through a variety of international study trips.

A group of Smith students toured Dubai and Abu Dhabi as part of the course “Doing Business in the Middle East: Islamic Finance and the Arab World,” led by Hassan Ibrahim, Distinguished Tyser Teaching Fellow. A trip to the Al Ain Oasis Desert Date Farm was an insightful reminder of the social impact of Dubai’s explosive growth. Fifty years ago, the region’s culture and lifestyle were epitomized by the date farm’s relaxed lifestyle, but Dubai has since developed a complex urban lifestyle along with its tremendous growth in global business. Students also visited a traditional business with thousands of years of history—the local camel market.

“Competitive Advantage through an India Strategy,” led by Professor Sunil Mithas, assistant professor of decision, operations and information technologies, took students to meet senior management and visionaries from global companies such as IBM, Tata Steel, Bharti Telecom, Coca Cola India, Infosys Technologies, Apollo Hospitals and Avery Dennison in the cities of Mumbai, Bangalore and Delhi. Students also visited cultural centers such as Agra and Jaipur and participated in some of the unique festival celebrations that are such an important aspect of the Indian way of life.

“Doing Business in Brazil” focused on small entrepreneurs and dynamic multinational companies. Led by Paolo Prochno, Tyser Teaching Fellow and a native of Brazil, students researched specific companies in Rio de Janeiro and Sao Paulo, visited their operations in Brazil, and made presentations as visiting consultants.

Gurdip Bakshi, Dean’s Professor of Finance, led the course “Doing Business in China.” Students toured companies and met with executives in Shanghai, Hangzhou, and Suzhou, getting an insider’s experience and advice through a tremendously immersive experience peppered with practical insights from business leaders who are growing their businesses in China.
Alumni participation through giving is not just a measure of satisfaction with your educational experience.

Rankings publications use alumni participation as a metric in their measurements of b-schools and universities, and foundations and corporations consider alumni participation rates when making grants. How does alumni giving at the Smith School measure up to our peers?

### SMITH AT A GLANCE

#### ALUMNI GIVING AT SMITH’S PEER SCHOOLS

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### SMITH IN THE NEWS

- **Salon** – May 20, 2009 – **DAVID KIRSCH**, associate professor of management and entrepreneurship, talks about the history and future of electric cars.
- **New York Times** – May 14, 2009 – Research finding VCs don’t use business plans to make funding decisions by **BRENT GOLDFARB** and **DAVID KIRSCH**, both associate professors of management and entrepreneurship, and doctoral student Azi Gera, is highlighted in a column that quotes Goldfarb and features a photo of the trio.
- **NPR, Morning Edition** – May 8, 2009 – **PETE KYLE**, the Smith Chair Professor of Finance, talks about the stress test for banks.
- **Information Week** – April 28, 2009 – New research by assistant professor **SUNIL MITHAS** and **HANK LUCAS**, chair of the decision, operations and information technologies department, finds foreign IT pros working in the U.S. earn more than their American counterparts.
- **BusinessWeek** – April 20, 2009 – Professor **ANIL K. GUPTA**, the Ralph J. Tyser Professor of Strategy, and alumna **HAIYAN WANG** write about why declining exports won’t doom China’s economy.
“Perspective is everything,” says the common wisdom, and it explains why people aren’t capable of making completely rational decisions. People perceive whether an event is positive or negative—and categorize decisions as gain or loss—based on a reference point. Called the framing effect, this notion predicts that people tend to avoid risk when viewing a choice in a positive framework, but seek risks if viewing a choice through a negative framework.

But according to recent Smith School research from Brent Goldfarb, associate professor of management and entrepreneurship, and Myeong-gu Seo, assistant professor of management and organization, feelings at work may help correct for the framing effect, allowing people to make less biased decisions.

Seo and Goldfarb incorporated aspects of both lab experiments and field work in their study. Participants were real-life day traders recruited from investment clubs who received $10,000 in play money to invest. If their stock picks did well, they were able to win up to $1,000 dollars, and even if they lost all their play money they still received $100 for participating in the study.

Participants experienced a range of pleasant and unpleasant emotions during decision-making and were prompted to report and record those emotions. “Researchers often talk about the effect of emotions on decision-making, but few studies have actually measured emotions,” says Seo. “Instead of speculating, we were able to capture information that allowed us to directly measure the impact of emotion on decision-making.”

Seo and Goldfarb found that when participants felt very happy or very sad, the framing effect was mitigated or even reversed. When participants experienced large gains and were also very happy, they were less risk-averse or even risk-seeking. When sad participants experienced a large loss, they became less risk-seeking.

This may be because experiencing a gain may increase the perceived possibility of potential gains—increasing the willingness to take risks.

In contrast, experiencing a loss often puts individuals in a situation where future losses seem more real. In this case, pleasant feelings may increase how much value they attach to avoiding further losses, which overwhelms their perception of potential gains—and thus decision-makers become less willing to take risks.

When unhappy participants in the study experienced a large loss they became more risk-averse, also in contrast to the type of behavior predicted by the framing effect. “When you’re already down, you shouldn’t be cautious. You should just try for the Hail Mary pass to make up the loss,” says Goldfarb. “But we found that people who were experiencing unpleasant feelings at the same time as a loss actually become more risk-averse.”

The effects of unpleasant feelings had less of an effect on decision-making than pleasant feelings, Seo and Goldfarb found. But extremely intense feelings, both pleasant and unpleasant, didn’t just correct for the framing effect, but actually reversed it—creating a different type of decision-making biases. In the financial world, this helps illustrate how traders may be misled by their intense feelings into mishandling their funds. Stock traders naturally feel happy when they experience a gain, and unhappy when they experience a loss. But in extreme cases, the happiness they feel may drive them to continue making risky decisions, even though they should be risk-averse—fueling stock bubbles. When the economic landscape looks bleak, traders naturally take more risks to recover from their losses, but the strong unhappiness that they also experience may drive them to become more risk-averse, exacerbating crashes or prolonging economic downturns.

What can managers learn about how best to encourage more rational decision making within their organizations? It may be worthwhile to foster a broad range of affective experiences at work, say Seo and Goldfarb, particularly pleasant feelings. In other words, creating a happy workplace may result in better performance by individual employees and benefit the organization as a whole. But don’t take it too far, they caution: experiencing extremely intense feelings at work results in biased decision-making too. –RW
Strapped for Cash

Economic woes got you trying to cut back on your spending? Use cash.

If you want to spend less cash, skip the twenties and stock your wallet with hundred-dollar bills, says Joydeep Srivastava, professor of marketing. Srivastava co-authored recent research that found people are more likely to think twice about making a purchase when they carry one large denomination of cash rather than many smaller denominations equal to the same amount of money.

This is because there is a greater “pain of paying” associated with breaking a large bill. “If you want to cut back on your spending in this tight economy, keep your cash in a few big bills vs. a number of smaller ones,” said Srivastava. “You’ll be more reluctant to break that hundred-dollar bill, so you’ll end up saving it.”

However, Srivastava also cautions against the consequences of a “what the hell” effect that kicks in once self-control has been overcome. He conducted three studies with co-researcher Priya Raghuvir of New York University, and found that once consumers decide to spend money, those carrying large bills actually spent more than those with small bills.

“Unfortunately, once you break a big bill you’re less likely to pay attention to the total amount you spend,” he said. “You’re more likely to throw self-restraint to the wind once you’ve released the impulse to buy.” –CH

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A Silver Lining to Layoffs
Losing an employee may bring unexpected benefits to your firm.

Many firms have been forced to lay off valued employees this year, and watched with dismay as all of that knowledge, experience and expertise walked out the door. But Rafael A. Corredoira, assistant professor of management and organization, says that a firm that loses an employee may also reap some unexpected gains—knowledge from the firm the employee goes to.

That’s a counter-intuitive thought for many of us. Employers hate to lose employees(5,10),(993,989).

Even the language we use, “losing employees,” pre-disposes us to think of outward mobility as entirely bad for the organization.

But it turns out that when an employee leaves a company, he often takes with him the relationships he made while there—colleagues and co-workers with whom he may remain in contact. And the employees left behind learn from the new knowledge their ex-co-worker gains at his new place of employment.

Corredoira explored the linkages between firms in the semiconductor R&D industry. He examined patents granted by the U.S. Patent and Trademark Office, obtained from the National Bureau of Economic Research, U.S. Patents, and National University of Singapore Patent databases.

Patents are a good way to track the movement of knowledge from one firm to another. Around all codified knowledge there is a lot of tacit knowledge—information that is not written. A new firm requires not just the knowledge codified in the patent, but also all the knowledge created while developing it, to effectively use the patent—knowledge the inventive firm gains when tacit knowledge is passed informally from one worker to another.

Corredoira measured how often a firm that lost an employee used the patents of the firm to which its former employee went. He found that Firm A is about 20 percent more likely to use Firm B’s knowledge once a former employee is working there. This is about the same increase in the utilization of Firm B’s knowledge that Firm A would gain if it hired away one of Firm B’s employees.

How are firms that lose employees benefiting from the knowledge at the employee’s new firm? Ongoing relationships with former co-workers are one reason; knowledge is shared informally through social networks. But it also appears that when an employee moves to a new firm, his former colleagues may be more motivated to pay attention to the knowledge generated at that firm.

But if an employee moves to a firm within the same geographical region—the New York or Washington, D.C., metro area, for example—there is less benefit to be gained. Outbound mobility to a more distant region is more likely to create a unique channel through which knowledge can flow. This is probably because workers in the same industry located in the same area probably already share information through established social networks such as professional associations. Workers in companies that are geographically distant don’t have these established networks through which knowledge can be transmitted, making the employee’s social network a more powerful vehicle for transmitting knowledge.

So should managers be setting up formal alumni networking opportunities for current and former employees? That’s not really the answer, says Corredoira. “Beyond the legal issues due to confidentiality agreements, it would also strain relationships between firms,” he says. Knowledge-sharing at this level appears to happen informally and organically through existing social networks. But it is important that employers work to minimize negative feelings toward the company when an employee leaves to work elsewhere, whether that transition is voluntary or involuntary. That makes it more likely that the employee’s social networks will be maintained.

And employers must also be open to capturing the information as it “trickles up” through the organization from current employees through their social connections. Managers must be willing to harvest that knowledge by being receptive to new ideas and opinions coming from below them in the ranks.

“We are in a learning economy. Everything we used to know becomes obsolete in a matter of years. In addition, last year’s financial and economic events have changed the economic and business landscape in ways that we still are trying to make sense of. You have to adapt and find answers to unstructured questions. That is where it becomes very useful to have scouts around the world giving you information that can help you learn,” says Corredoira. “Trying to solve problems using information from your friends is more efficient than trying to go it alone. Even across industries this knowledge can be useful.”

So the diaspora of finance industry employees from Wall Street to smaller financial firms, or to other industries entirely, may bring useful knowledge back to Wall Street as well—if management has ears to hear. –RW
Celebrating Top Teachers

Smith Recognizes Teaching Excellence with Krowe and Legg Mason Awards

Smith has excellent teaching faculty, but each year the school honors those who go above and beyond the usual standards of excellence to motivate and inspire as well as educate. Smith salutes its top teachers by recognizing them with the Krowe Teaching Excellence Awards and the Legg-Mason Awards in Teaching Innovation. Congratulations to all 2008–2009 winners!

Krowe Teaching Excellence Awards

Henry C. Boyd, Tyser Teaching Fellow in marketing, recognized for outstanding teaching in a large lecture section: “The first day of Prof. Boyd’s lecture blew me away, and I never missed a single lecture.”

Gary Cohen, lecturer in logistics, business and public policy, recognized for informing and inspiring his students: “He gives us real-world advice and helps us see the applications of what we’re learning.”

Michael Lawless, Tyser Teaching Fellow in management and organization, recognized for providing a unique learning experience: “Professor Lawless was hands down the finest professor that I encountered at the Smith School.”

James McKinney, Tyser Teaching Fellow in accounting and information assurance, recognized for dedication to students and ability to clarify difficult concepts: “An excellent professor. … I was very inspired by him this semester.”

Gordon Phillips, Bank of America Professor of Finance, recognized for teaching a highly complex subject well: “His approachable and conversational teaching style helped to de-mystify concepts that otherwise would have been impenetrable and intimidating.”

Rhonda Reger, associate professor of management and organization, recognized for challenging the class: “Dr. Reger is the most organized teacher I have ever had.”

Doctoral students Jahangir Boroumand, Scott Livengood, and Jie Mien also received Krowe Teaching Excellence awards.

Legg-Mason Awards in Teaching Innovation

Hugh Turner, Tyser Teaching Professor in logistics, business and public policy, recognized for strong support of innovative approaches to learning, including inter-university case competitions.

Susan White, Distinguished Tyser Teaching Fellow in finance, recognized for teaching innovation, including development of an extensive and resourceful student Web site.

Read the profile of Allen Krowe ’54—former fighter pilot with the U.S. Air Force; CFO and senior vice president of IBM; vice chairman of Texaco, and also the alumnus who endowed the Krowe Teaching Excellence Awards—online at the Smith Business Web site. –RW
Coming Forward

Industry norms are more effective than sanctions in encouraging good corporate behavior.

CEOs are under immense pressure to deliver on earnings performance, a pressure which only intensifies in difficult economic times. So it is not surprising that so many CEOs—up to 74 percent in one study—believe it is acceptable to manipulate their earnings reports to achieve performance goals. Manipulation of corporate earnings through income smoothing, earnings management, or explicitly fraudulent behavior is more common than many would like to admit, but it is easy to understand. It is hard to be honest when the alternative is to lay off workers or close the doors.

When discrepancies between report and reality become apparent, some public firms restate their reported financial earnings voluntarily. Others are forced to restate by a law enforcement body like the Securities and Exchange Commission (SEC). Voluntary disclosure of wrongdoing creates an initially negative response from stakeholders, often reflected in a decline of the firm’s market value. It can generate civil lawsuits and result in the loss of income or position for corporate executives. What would motivate a firm to voluntarily restate its earnings despite the negative impact?

Recent research by two Smith School professors, Ken G. Smith, Dean’s Chaired Professor of Business Strategy, and Kay Bartol, Robert H. Smith Professor of Management and Organization, indicates that social forces may be more effective than sanctions in compelling firms to do right. In other words, good behavior is catching.

Bartol and Smith examined 919 firm restatement announcements from 845 firms between 1994-2001, taken from a report issued by the U.S. General Accounting Office (GAO). The publicly traded, relatively large firms were selected from the Execucomp database, which includes more than 2,500 past and present members of the S&P 1,500. Firms in the database restated their earnings due to accounting irregularities that included aggressive accounting practices, intentional misuse of facts, and fraud. Of these restatements, 170 were considered to be voluntary. Restatements due to innocent mistakes, human error or discontinued operations were excluded from the sample.

Firms were more likely to voluntarily restate earnings when their peers, industry leaders and network associates also voluntarily came forward to restate earnings. Coming forward voluntarily can mitigate punishment and lessen the damage to a firm’s reputation, a process that everyone in the industry can observe. Seeing peers, industry leaders and other members of their network weather the initial negative impact and emerge stronger and healthier for it encourages other firms to also brave the initial negative consequences that accompany a voluntary disclosure of wrongdoing.

Network connections also play an important role. Indirect connections such as personnel exchange, board interlocks, membership in trade associations, and shared auditors may communicate norms and values through a social context. When network members voluntarily restated earnings, it increased the likelihood that a firm in the network would follow suit.

Some argue for additional or more stringent oversight, controlling firm behavior through stricter regulation and control. But Smith and Bartol found that formal regulatory forces actually discourage voluntary restatements, a result the authors found surprising and counter-intuitive.

“If you were speeding on the freeway and saw other cars being pulled over, you’d slow down,” says Smith. But seeing other firms being prosecuted for wrongdoing doesn’t seem to inspire firms to amend their behavior or come forward to restate their earnings. It may be that CEOs believe that enforcement agencies have the whereby to prosecute only a certain number of wrongdoers. CEOs may be gambling on the chance that their firm will not be among the small number caught and prosecuted.

The authors also found that the higher the status of a firm, the less it feels pressure to conform to industry norms or social regulatory forces. “These companies—the Enrons of the world—may feel immune to the negative consequences of restatement because of their history of success and their status in the industry,” says Smith. So neither the fear of punishment nor the effect of peer pressure seems to influence the behavior of the biggest and most influential firms.

Bartol agrees. “Our finding, that network connections influence firm behavior, suggests that it may be possible to identify better connected firms in an industry and elicit their aid in encouraging more positive corporate citizenship,” says Bartol. “Such a direction is warranted because strong regulatory sanctions do not seem to work and may even be counterproductive.” –RW
Most business practitioners you’ll meet are honest, fair-minded and generous, but that’s not the way business people are perceived these days. Hollywood is a good barometer of public opinion. Conniving schemers of the Gordon Gecko, Wall Street high-roller variety are pop culture staples, but recently even small business owners have been tarred with the same brush. In the indie film “Sunshine Cleaning,” cleaning-company-owner Rose is surprised when her father puts a false starting date on the side of the cleaning truck to convince customers the company has been in business for a long time. When Rose objects to this bold-faced lie, her father tells her cheerfully, “But it’s just a business lie, it’s different from a life lie!”

It’s revealing of the way society views business leaders: more than willing to shade purple prose into white lies if it will gain them a bit of advantage. Whether or not this view is justified, there’s a deep distrust of all business leaders, a conviction that anyone in a position of corporate responsibility has to be coerced into honest and upright behavior. More and more, an MBA is not being viewed as a badge of honor, demonstrating knowledge and competence; instead it’s an early warning sign of pernicious greed, corruption and self-aggrandizing ambition. It is frustrating for anyone who holds a business degree to see the MBA being cast in such a negative light. We hear the same frustration from many hard-working, ethical Smith alumni, who now see their profession tarnished and worry that talented young people will be turned off from pursuing a business career.

It is painful to see the scathing indictments of corporate misdeeds that are now common fodder in every publication and on every TV news show. Business schools have also come in for criticism—after all, every MBA has a proud degree from somewhere. Have business schools failed somehow to convey basic ethics to their students? What have they been teaching all these years? These questions are now being asked by many of the faculty and leaders in business schools themselves.

As a result of this self-examination, many business school deans are beginning to acknowledge that students need a more thorough, more holistic ethics education—one which takes into account wider issues of social value, sustainability and stewardship. What are the best business schools going to teach about business ethics and corporate social responsibility?

**BUSINESS ETHICS REDEFINED**

Is it merely compliance—a checklist that ensures the business practitioner stays out of jail? Under this definition, business ethics exist to provide a boundary for corporate behavior determined on the basis of law. Many consulting companies define ethics this way. Their ethics arms serve as compliance advisories, helping companies...
meet their legal responsibilities.

But thinking of ethics as a checklist of legal responsibilities is no longer adequate in the post-meltdown business world. Shrevardavan Lele, Ralph J. Tyser Distinguished Teaching Fellow of decision sciences, is convinced that business schools need to broaden their understanding of the term ethics to encompass a wider range of behaviors that benefit society. “We do our students a great disservice when we confuse ethics and compliance in their minds,” says Lele. “Compliance with Sarbanes-Oxley is not about ethics, it is about legalities. It is about how not to fall afoul of the law. Good law needs to have an ethical component, but for the most part our MBAs aren’t designing laws.”

Philip Livingston ’79, senior vice president, U.S. Practice Management with LexisNexis, actually helped design sections of the Sarbanes-Oxley legislation in his prior role as CEO of Financial Executives International, a professional association of CFOs, controllers and treasurers. Livingston feels strong that education and a common compliance framework for management is an important baseline for any discussion of ethics. Early in his career as a CFO, Livingston found himself in the unenviable position of having to blow the whistle on a vice president who was clearly in violation of company policy and accounting practices. It was a deeply uncomfortable time for Livingston, as the VP was a personal friend of the company’s CEO.

“At some point in a career, many managers find themselves asked or pressured to do something that falls into a gray area,” says Livingston. “Your antenna should go up and one should be very careful. Making the wrong decision, allowing social pressure to sway you and then being unable to undo the damage is a common slippery slope. Once exposed in this age of detailed and complete databases, you can be tainted for life and no longer hirable. Your lifelong investment and personal career assets can vanish. People need to study the rules and think about what happens to people’s careers when they break the rules.”

But it’s clear that when he faced an ethical challenge, legal issues weren’t the only thing on Livingston’s mind—his conscience was also at work. Donta Wilson, MBA ’05, Battlefield Regional President of BB&T, also described an ethical challenge where his conscience was his guide. Early in his career he won a trip because of his high sales performance. In reviewing the data he found that his sales had been miscalculated, so he informed a supervisor and lost the trip.

“Doing that very early on in my career built trust with the team I was working with, and with my manager. That trust created future opportunities for me, ones I might not otherwise have gotten as such a young person,” says Wilson.

Everyone who works in the business world expects to face these kinds of issues, and they are relatively simple to navigate. It may not be easy to act as conscience demands—simple is not the same thing as easy—but most people understand the right thing to do. That is the bare minimum of ethical education a student should take out of business school: don’t break the law. But what about when an action is legal? Subprime mortgages were legal to sell and legal to buy, and the buying and selling went on merrily for several years before the weight of all that bad debt collapsed the economy. But many people now believe that lenders and sellers may have been acting unethically, even if their actions were legal. Certainly, there is no disputing that many people made money by providing mortgages that they knew were not going to perform.

People can disagree on what ethical behavior in these situations would entail precisely because there is no legal boundary. In the presence of a regulation, there is no ethical question about what is right to do: the ethical path is to obey the law. But when there is no legal boundary, how do you decide what is right?

FIRST, DO NO HARM
There is no formal consensus on what ethical business practices look like. Professions like law and medicine have a basic code of ethics by which all practitioners swear to abide, and doctors and lawyers risk losing their licenses if they transgress that code. But business leaders don’t have any set ethical code on which all practitioners agree. Social responsibility is not usually high up in the minds of corporate leaders when they make business decisions. You can’t lose your MBA even if you’ve made your fortune by swindling everyone you know.

Ethics classes also don’t get a lot of respect from students—that’s another barrier to teaching the subject effectively. “The field of ethics is not really viewed as
a legitimate course of study by business students. It has been seen as something that belongs in the social sciences or humanities department. Students believe that people can be perfectly functional business managers without any formal training in ethics,” says Lele. “So it hasn’t been viewed in the same way, or considered as important, as courses in marketing or strategy or finance.”

The Smith School, like many other business schools, is convinced that ethics education must change to be effective. So we are feeling our way toward a new approach.

**TEACHING ETHICS: SMITH HISTORY**

If you took an ethics course while at Smith, it was probably through the accounting and information assurance (AIA) department. Ethics is a natural fit with accounting, where compliance issues are a key part of the accountant’s professional life. Business law professors in the Logistics, Business and Public Policy department also offered a business ethics course at the undergraduate level: Business, Ethics and Society, which was open to all students but was not required for anyone but general business majors. In recent years ethics courses were enriched with role plays and co-curricular activities, and in the last two years the Freshman Fellows program has offered ethics-related speaker events.

For alumni of a certain generation, Charles Edelson, a professor of accounting through the ’60s and ’70s, is the person they think of in connection with ethics. Edelson’s commitment to ethics and his reputation for ethical behavior was so well known that one student reported, “When I have a moral dilemma I think to myself, ‘What would Professor Edelson do?’”

For more recent alumni, ethics at the Smith School is associated with Stephen Loeb, Ernst & Young Alumni Professor of Accounting and Business Ethics, who has been at the school for 39 years, longer than any other professor. He first taught ethics as part of his accounting courses, and later as a stand-alone elective; it is now required. Under Dean William E. Mayer’s tenure, Loeb helped develop the ethics experiential learning module (ELM) as part of the MBA curriculum, a signature aspect of which was a visit to prison.

But the world has become more complex—bigger, faster, stranger. And in the new information economy, the ethical issues at hand are far more complicated. Here’s an example: studies by behavioral economist Dan Ariely have shown that people who wouldn’t think of stealing a dollar bill from a drawer don’t cavil at taking a Coke from a fridge. It is easier for humans to be honest with money than with the material things that also cost money. And in an information economy, most transactions are symbolic. So it was easier for Wall Street CEOs to rationalize fraudulent behavior, like back-dating stock options, because they were dealing with symbolic money rather than cold hard cash.

It is vital that future business leaders learn to think their way through this kind of ethical complexity. And business schools must give them the tools to do it effectively.

“Past studies have shown that while in school students’ beliefs, and to some extent their values, move closer to those of their professors, while after graduation they shift closer to those of significant others in the workplace,” says Susan Taylor, senior associate dean and associate dean of faculty. “That’s why it is important that our ethics courses provide students with structured frameworks and multiple exercises to explore their own values, see the impact of different managerial actions on a variety of constituencies, and debate with others the appropriate actions in the face of difficult situations.”

Given the changing role of government in business, being sensitive to the social responsibility born by corporations is more important than ever, says Gerald Suarez, associate dean of external strategy and Ralph J. Tyser Teaching Fellow. “In an era of hyper-skepticism, where people are questioning both the role of government and the purpose of the enterprise, learning how to lead cannot be separated from learning how to do the right thing. Our focus on teaching the methods distanced students from the purpose of learning the methods—to discover how the methods can be used to give back value to society,” says Suarez.

And the notion of what ethics education encompasses will continue to change, says Robert Krapfel, associate dean of MBA/MS programs. “What is truly forward-looking is the
ethics and corporate social responsibility, there isn’t consensus on how to achieve that goal. How can the content be made relevant? How do we challenge students’ thinking without dictating what they should believe, or what they should value?

The answers will differ for each program.

**Undergrads**
A committee of faculty members reviewed the undergraduate curriculum last year and recommended that the school require an ethics course for every undergraduate student. “We begin an exploration of ethics through a required course early in the Freshman Fellows curriculum, and are discussing how to extend that to all of our undergraduate students,” says Patricia Cleveland, associate dean of undergraduate programs.

“We are challenged to find more ways to actively involve students in the learning process and provide them with avenues for reflection and collaboration, as a key aspect of their intellectual and professional development.”

Ethics-related co-curricular activities last year included several ethics speakers, including BB&T Chairman and immediate past CEO John Allison, and a well-attended Symposium on Social Entrepreneurship sponsored by the Smith School’s new Center for Social Value Creation.

**MBA**
Three years ago, the school began to require an ethics course as part of the core curriculum. “Content-rich” was the watchword. “Lots of classes, lots of content, lots of deliverables,” says Lele.

The course consists of 14 sessions. Students first develop a framework for moral reasoning, followed by 10 weeks of case studies that considered different stakeholder groups—not just investors and customers, but also employees, communities, the environment, the international community, and more.

While this core course is rooted in traditional corporate social responsibility, Rachelle Sampson, assistant professor of logistics, business and public policy, teaches an MBA elective that is even more forward-looking—challenging students to consider issues of sustainability and re-

think what constitutes value. “In the context of sustainability, to achieve change, it’s not enough to tell people to do the right thing; we have to make a business case for doing the right thing,” says Sampson. She believes re-thinking business models can provide a potent financial incentive for companies to support sustainability and stewardship. “There are real benefits to companies in terms of profits. But it can also have a positive effect on a company’s workforce—greater productivity, lower turnover—when employees feel that their work has social value or that their company is socially responsible.”

**Executive MBA (EMBA)**
The Smith School EMBA curriculum is geared around a systems perspective, and executives learn that all stakeholders are part of the system. Ethical considerations are addressed throughout the program during mastery sessions, which take place between regular courses.

Executives appreciate hearing from other executives, so the program brings in speakers such as former Southwest Airlines Chairman and immediate past CEO Jim Parker, author of Do The Right Thing. Parker spoke to a large group of EMBA, MBA and undergraduate students last spring about the importance of principled leadership and how
that has worked for Southwest.

“Southwest does right by its people, and that is the right thing to do but it is also the smart thing to do. It’s smart for their business,” says Robert M. Sheehan, Jr., academic director of the EMBA program.

PhD
For PhD students, says Debra Shapiro, Clarice Smith Professor of Management and Organization and director of the doctoral program, academic integrity matters more than anything else. Every piece of research a student publishes must be above reproach.

“Nothing will kill a career faster than misreporting or inflating data,” says Shapiro. “There’s no coming back from that.” Because the relationships between students and faculty advisors is so close, most discussions of ethics and integrity take place in the context of one-on-one mentoring relationships.

VISION FOR ETHICS EDUCATION AT SMITH
However they will be teaching the content, Smith faculty share a common hope: that students will learn to approach ethics and corporate social responsibility not from a negative filter but from a positive one. Rather than just trying to figure out how to stay out of jail, Smith students will choose to use their prodigious talents for the betterment of society, in their own backyard and across the globe.

“Why are we here? The Smith School doesn’t exist to teach people how to make money,” says Sheehan. “It exists to teach people how to create value—for customers, communities, employees—for all stakeholders, in a way that is profitable and sustainable over the long term.”

Doing that effectively will require a different, more demanding form of leadership, says Wilson: “This wasn’t really part of business curriculum in the past. If you want to reshape the way people see ethics, you need to reshape the way you teach leadership—to focus on a bigger call and a bigger purpose. You have to make a profit, but that can’t be the reason why you do what you’re doing.”

And that is part of what must change about business education, says Dean Anand. Business schools need to develop a philosophy about their role in society, a sense of purpose and identity that goes beyond “making money” to “making a better world.”

It is time for a new paradigm for ethics education, and the Smith School can’t afford to be behind the curve. Because unlike many other disciplines, business schools graduate people who have an immediate, profound, lasting effect on other people’s jobs—and thus their lives. Business school alumni have the power to use their training, their skills and their ambition to create a better world. If they leave the Smith School determined only to create a better world for themselves, we have failed in our responsibility to inspire and equip them.

At its best, the Smith School’s ethics programs will function as an articulation of our shared ideals, and challenge students to think seriously about some important questions: What kind of world do we want to live in? What kinds of companies do we want to do business with? And what kind of people do we want to be?

Don’t miss Dean Anand’s take on the notion of ethics and education—see his Last Word, on page 32, for his opinion.

Tell us what you think about this article, share a story from your career, or give us your view on ethics and corporate social responsibility on our companion Web site, Smith Business Online. Your remarks may be used in the spring 2010 issue of Smith Business magazine.

Interested in sharing the stories of how you’ve met and faced ethical challenges throughout your career? The Smith School brings in alumni to speak with and mentor students as part of its ethics program, and we’d love to hear from you. For more information on how you can help, call 301.405.4900, or send e-mail to alumni@rhsmith.umd.edu.
Chad Gillenwater ’72
Takes His Business Global, Big Time
Around 70 million people attended an event wired for sound by alumnus Chad Gillenwater’s company last year. If you visited Nationals Stadium, or Oriole Park at Camden Yards, or Yankee Stadium, or any major casino in Las Vegas, you were probably one of them.

Chad Gillenwater ’72 is vice chairman of AVI-SPL, a leading provider of audio-visual technology, and was founder and president of SPL. His company is big-time now, but his entrepreneurial journey began when he was an undergraduate at the Smith School.

Gillenwater, like many of us, worked his way through college. His primary job involved convincing restaurants to accept credit cards as a means of payment—not so easy to do in the late 1960s, when credit cards were still a relatively new and untried technology. While doing that, he noticed that the restaurants he was wooing needed soft-shell crabs, and Gillenwater had connections with fishermen on Smith Island. So he started buying soft-shells for 50 cents each, trucking them into the District, and selling them to high-end restaurants for $1. It was his first business, and he never got over the thrill of creating a new enterprise out of his own wits and hard work.

It would be a while before Gillenwater launched his own company again. He worked for a number of years as CFO of DynArabia, a subsidiary of DyneCorp, in the Middle East; the organization built hospitals, phone systems, and media support. Gillenwater was based in Riyadh, Saudi Arabia, but spent a great deal of time traveling—so much that his infant son’s pediatrician suggested putting a picture of Gillenwater in the baby’s bed so he would recognize his father’s face. That was when Gillenwater decided to come home to the U.S. He found a new home with Maryland Sound, a company that supplied speakers and sound equipment to entertainers. A few years later Gillenwater took the knowledge about audio-visual technology gained from the rock-and-roll world, combined it with his expertise from the world of construction, and struck out on his own, forming SPL in 1992 with a couple friends.

Supporting Entrepreneurship in Maryland

Universities can serve as engines for economic growth, as evidenced by the strong partnerships between Silicon Valley and its regional universities. Just look at the way Stanford influenced the development of the electronics industry.

Here in the mid-Atlantic region, the Smith School’s Dingman Center for Entrepreneurship is leading the university’s charge to grow and support entrepreneurial activity. The Dingman Center is working to help the university achieve one of its crucial goals: to increase the number of ventures created from the university community, with an aim to launch 100 startups in the next 15 years.

“The university has over $400 million of annual sponsored research, and there are many opportunities to create businesses from that research,” says Asher Epstein, managing director of the Dingman Center for Entrepreneurship. “But professors who develop technology often don’t have the skill set to develop it for commercialization.”

The Dingman Center has partnered with the A. James Clark School of Engineering MTech Program and the Office of Technology Commercialization (OTC) to create the Tech Transfer Program. Its key differentiator is a quarterly review process driven by the commercial sector and including technical experts, venture capitalists, entrepreneurs, key members of MTech and OTC, Epstein, and the Dingman Entrepreneurs-in-Residence. Smith MBA students assist with technology commercialization from its earliest stages.

Another big challenge for technology commercialization, as for any start-up, is funding. The Dingman Center’s Capital Access Network fills a critical gap in the early stages in the region’s entrepreneurial ecosystem by helping start-up companies connect with active, accredited private equity and regional angel investors to pitch for capital.
And you know how most start-ups start small? Gillenwater started big. SPL began wiring large projects in amusement parks owned by Universal Studios and the Walt Disney Corp. and moved on to even larger projects—stadiums and casinos.

In 1998, Gillenwater sold the company. The infusion of cash allowed Gillenwater to expand nationally, and to begin offering services to Fortune 500 companies and other corporate clients. It was a fast ride from startup to the world's biggest provider of audio-visual technology, but Gillenwater is quick to point out how much work was invested into the project from the get-go.

"When we started this company I would stay up and do an income statement every night," said Gillenwater. "We knew where we were, what our cash flow was—we were very plan-oriented. That was important in keeping everybody focused and having a clear vision on where we were going, and what the process was for getting there."

Entering the private equity world had its own trials and complications. “When you’re in a private equity situation, there is more short-term thinking, more emphasis on targets both realistic and unrealistic,” says Gillenwater. “Everything is more focused on an exit plan, instead of the continuity of ownership that comes with a privately owned company. You’re always focused on the financial impact of your actions.”

Gillenwater learned how to manage both expectations and his employees. Today AVI-SPL has 1,500 employees in 40 U.S. offices, and locations or staff in 70 other countries around the world. The management of his international employees has been teaching Gillenwater lessons about working across cultures with virtual teams.

The biggest obstacles he faces now are common for many companies expanding globally. “Communication, culture and the ability to have everyone on the same page at the same time,” says Gillenwater. “When you’re doing a system with five or six locations that have to work together via video-conference, the key is understanding the method and the process of communication directed toward the objectives you’re trying to achieve.”

So are entrepreneurs like Gillenwater born, or made? In Gillenwater’s case, it may be a little of both. He obviously came hard-wired with plenty of drive and determination, but he credits the business school with teaching him how to “plan your work and work your plan,” a piece of advice that had a huge impact on the development of his career. Gillenwater believes the most important value the Smith School is inculcating in today’s budding entrepreneurs is creativity. His daughter graduated from the Smith School recently, and Gillenwater was beyond impressed with the education she received and the ambition and enthusiasm of her classmates.

“If you look around and talk to these kids, they get it,” Gillenwater said. “I see a lot of programs in the business school that are really geared toward teaching kids how to be creative. They’re having fun, they’re enjoying becoming entrepreneurs. That’s important. An entrepreneur’s life is so tough that you have to really like it to stick with it.”

Get in Touch! Gillenwater lives in Ellicott City, Md., with his wife Mary Ellen. He has three children, Chad, Lindsay and Heather, and two grandchildren, Max and Lexie. Contact information is available through the eAlumni Network.
SPOTLIGHT: NETRINO

Zero Bugs… Period.

When someone asks Michael Barr, MBA ’06, what he does for a living, he tells them, “I’m an embedded systems expert—whatever that means.” Barr is the owner and founder of Netrino, which was recently named Baltimore’s second-fastest growing company by the Baltimore Business Journal. Barr knows exactly what embedded systems are: “they are computers, hidden away inside a product.”

Barr says his classic example of an embedded system is a microwave oven, with its own internal computer and software. This example has become somewhat archaic, however, as customers become more tech-savvy and better understand the computing components of their products. In the digital age, our lives are increasingly dependent on embedded systems in products like pacemakers and antilock brake systems. So Barr and his company aren’t just putting computers into products: they’re putting perfect computers into products. “Zero bugs… period” is the watchword for all Netrino’s services.

Netrino’s first phase began in 1999, when Barr broke away from the engineering consulting firm where he was working and began his own business. He had already written the industry’s first book on programming for embedded systems. During Netrino’s first phase, where Barr was the sole employee, he consulted with clients while concurrently serving as editor-in-chief for an industry publication for several years. “After six years,” Barr says, “Netrino had grown larger than my ability to grow it.” He chose to come to business school to learn how to scale up services and be an efficient manager of employees.

After graduating from EMBA Cohort 5, Barr launched “Netrino 2” in January 2007, now with a complete business plan and a concept of how to grow the company. “My Executive MBA provided me with a specialization in generalizing,” says Barr. “Every day, I am doing or managing different parts of the business. As an entrepreneur, I have to know all of these things.”

Netrino, which currently has ten employees, is housed in the Howard County Technology Incubator, where the company is allowed flexibility as it grows. The firm sells expertise and time in four major areas: training, consulting, product development, and expert witness.

How did a computer engineer get to be in the court room? “It started inadvertently during the Netrino 1 phase,” Barr explains. “I received a phone call from a lawyer. He asked, ‘Do you know anyone who could be an expert witness on embedded systems?’ I said, ‘Yes, Me.’” Since then, Netrino has been involved in over 25,000 product lawsuits, examining over 125 embedded system devices.

But, at the core, Barr is focused on teaching others his zero bug methodology. “The biggest challenge facing the embedded systems industry,” says Barr, “is a lack of qualified people who really understand embedded systems and the unique challenges. You get someone who doesn’t understand what they’re doing and makes an early poor design decision—that can have long-range impacts on the product.” He shares his knowledge and best practices with individual engineers at public trainings and consults with large engineering companies, helping all of them to change their software development process by implementing “overlapping layers of easy-to-do things.”

What keeps an embedded systems expert awake at night? For Barr, it’s concerns over the safety of medical equipment and automobile control systems. He recounts incidents of pacemakers with defective software, requiring patients to undergo another surgery to install updated software. In products with such critical embedded systems, there is high risk and the potential for disastrous results. “I could help to change that,” says Barr. –TL
Liam Brown, MBA ’05, executive vice president of development for Marriott Corp., came to the U.S. in 1989 for a friend’s wedding, intending to return home to Ireland in a few days. But he was wooed away from his homeland by a job opportunity with Appleton Inns, a small hotel chain that was purchased by Marriott shortly thereafter. Over the next twenty years he found himself firmly entrenched in both the country and Marriott. Earning his executive MBA (EMBA) at the Smith School helped him move to the next level in the organization, says Brown.

At the time he began his EMBA, Brown was running the Fairfield Inn and Suites brand for Marriott, which was challenging in all areas—growth, performance and guest satisfaction. Brown’s EMBA classes provided a framework for setting strategy and direction that he found helpful in addressing the problems with the Fairfield brand. It helped him consider the question: Are you working on the right problems or not?

It was a challenge to identify the “right” problems. It was also a challenge to make changes, because the Fairfield hotels were all franchise-owned. Brown ended up cutting 20% of the hotels from the Fairfield system in order to rejuvenate the brand. “A brand is only as good as its weakest link,” said Brown. “If the brand is weak, you don’t have the ability to create confidence in your franchise owners. The core of the brand was financially sound. I made sure we had a value proposition that worked for our guests, an investor value proposition that worked for franchise owners, and a brand we could be proud of under the Marriott umbrella.”

It took four years to turn the Fairfield brand around. By the end of that four years Brown had more than replaced every hotel originally removed from the system, and Fairfield was the number one brand in the Marriott pipeline. It had doubled profit contribution to Marriott International, gone from last place to second place in customer satisfaction numbers and had enjoyed 40 consecutive months of market share growth.

During that time, says Brown, “The most valuable thing about the EMBA experience was the ability to come to the College Park campus every other weekend and sharpen the saw. Every weekend helped crystallize and shape my own thinking. Very challenging though; the first three months I thought I was going to die. But it’s amazing what you can get used to.”

Brown found his EMBA classmates to be as valuable a resource as the faculty teaching his classes. “There was a great group of guys there you could talk to about problems, and they were all but one in businesses unrelated to hospitality,” says Brown. “It was a great experience to see the commonalities across all businesses, but also the many different ways people dealt with problems.”

Get in Touch! Liam is married to Lillian and has two children, Patrick and Ciara. He lives in Darnestown, Md. Contact information is available through the eAlumni.
Connections

Alumni Notes

’50s
William F. Andrews ’53 has served as chairman of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001, and as chairman of the Singer Sewing Company, a manufacturer of sewing machines, since 2004.

George Q. Conover ’50 has served as a director of WSB Holdings, Inc. since August 17, 1989, and previously served as a director of WSB since its formation in January 2008. Since March 2008, he has served as product development manager for Financial Freedom, a reverse mortgage lender, which is a subsidiary of IndyMac. Prior to that, Conover was the CEO of International Mortgage Company for 25 years.

’60s
Daniel R. Hawbaker ’66 is the executive vice president of operations and chief operating officer of Extra Space Storage Inc.

Edward T. Tokar ’69 is a director at Beacon Trust Company. Tokar previously served as chief executive officer of Allied Capital Management, LLC, and as vice president-investments of Honeywell International, Inc. Tokar also serves as a director of Teton Advisors, Inc.

’70s
Sam R. Boone, Jr. ’76 has been one of the regional executive vice presidents at Brown and Brown, Inc., since January 2009 and serves in other high-level executive officer positions for several of the firm’s subsidiaries.

Frederick J. Boos ’76 has been the executive vice president and chief investment officer of ACM since September 2007. Prior to joining ACM, Boos was an executive vice president and director of Asset Liability and Capital Management for MBNA America from 2003 to 2006.

Karl Haas ’73 is the executive vice president of operations and chief operating officer of Extra Space Storage Inc.

Don Klein ’74 is the president of Chesmar Homes and has been recently named 2008 Builder of the Year by the Greater Houston Builders Association.

George W. Sarbacher III ’71 is the executive vice president and chief financial officer at Payroll Network.

Victor Schmitt, MBA ’72, is a venture partner at Bay City Capital. He also serves on the board of directors of a number of development-stage biotech companies.

’80s
Omar S. Anwar ’80 has been the CEO of Rio Tinto Indonesia since August 2008. He is also the deputy director at PT Pertamina (Persero).

Dave Borsos, MBA ’86, is a consultant at AES Climate Solutions. He is also the owner of DJB Enterprises, a company that invests in commercial real estate and provides consulting services for new business lines and project analysis in real estate, securitization and renewable energy.

Tom Burke ’87 is a software development director at Partners International. Burke has published a book on pro beach volleyball: Order on the Court.

Michael H. Comer ’89 is the senior vice president and chief accounting officer for First Potomac Realty Trust.

Chuck Crandall ’86 is the vice president of government services for Mind Over Machines.

Beverly Eichel ’80 is the vice president of Finance & Administration and chief financial officer for Hirsch International Corp. Prior to joining the Hirsch International Group, Eichel was the executive vice president and chief financial officer of Donnkenny, Inc. from October 1998 to June 2001.

Susan Eikenberg ’84 is the director of commercial market solutions of Mind Over Machines.

Jeffrey J. Fessler, ’85, married Jennifer Paige Guterman, an executive recruiter at Sales Consultants of Hudson County, in Hoboken, N.J. Fessler has served as the president and director of Mondo Management Corp. since its inception. Fessler has also been a member of Sichenzia Ross Friedman LLP, a New York City-based law firm, since November 2004.

Jim Flyzik ’75, MBA ’82, is the president of the Flyzik Group, a company specializing in strategic business consulting, performance based contracting consulting and training and thought leadership media events. Flyzik also serves as the chairman of the Information Technology Association of America Committee on Homeland Security, in addition to hosting the Federal Executive Forum, a monthly radio program, on WFED 1050 AM and www.federalnewsradio.com.

Corey J. Gottlieb ’85 is the president of EcoMedia LLC., a leading environmental media company. Previously Gottlieb served as chief operating officer of National Arbitration and Mediation Inc.

Robert Greenberg, MBA ’80, is the chief information officer and vice president for AGCO Corporation, a global manufacturer and distributor of agricultural equipment. Greenberg has also served as a member of Active...
Moore as chief financial officer.

David Stern '89

Media Solutions, LLC.

Power, Inc.’s board of directors since March 2009.

Mary E. Gross '82 was elected to the board of Unity Bankcorp, Inc. in March 2009. Gross is a partner and founder of Human Edge Resources, LLC, a management and human resources consulting firm.

Daniel Rosen '82, MBA '84, has been promoted to the position of managing vice president, funding and analytics, in the corporate treasury division of Capital One Financial Corporation.

Rajeev Mehta '87 is the chief operating officer of Global Client Services and is responsible for the company’s sales, business, development, and client relationship management organizations.

Joseph B. Rosenberg '81 is the counsel to the firm for Sahn Ward & Baker PLLC. Rosenberg was previously associated with Mudge Rose Guthrie Alexander & Ferdon and a partner at Herzfeld & Rubin, two prominent national firms.

Daniel J. Schrider '87 has been appointed president and chief executive officer of Sandy Spring Bancorp, Inc., the parent company of Sandy Spring Bank.

Gary Smith '87 has been appointed chief information officer for Ignite Media Solutions, LLC.

David Stern '89 has joined AC Moore as chief financial officer.

Josefina Padlan Simpson '84 has returned to her alma mater as the director of alumni relations at the James A. Clark School of Engineering.

‘90s

Andrew P. Bauer ’97 is the director for client service at Turner Investment Partners.

Rex Blankinship, PhD ’91, is the president of Blankinship Funds, Inc. Blankinship is also a member of the American Institute of Certified Public Accountants and the Virginia Society of CPAs.

Joseph A. Ferrara, MBA ’94, has assumed the additional role of chairman of the board for Tollgrade Communications, Inc. He is the president and chief executive officer and a current member of the Tollgrade Board.

David Fike ’91 is the regional vice president and publisher for the American Consolidated Media-Chesapeake Region which includes 17 publications in Maryland and Delaware with two community dailies, a variety of weekly and monthly publications, and two commercial printing plants.

John Giere, MBA ’98, has joined Medis Technologies Ltd. as chief commercialization officer. Giere was the chief marketing officer at Alcatel-Lucent.

Eric S. Lodge ’96 is a managing director with High Street Partners, Inc., an international business consulting firm headquartered in Annapolis, Maryland. Lodge has also served as a director of WSB Holdings, Inc. since November 2003 and a director of WSB since its formation in January 2008.

Laura Mooney, MBA ’98, is the vice president of corporate communications for Metastorm.

Andrew R. Siegel, MBA ’98, is the chief financial officer of Titan USA.

‘00s

Stephen Acott ’00 is the chief operating officer of Shadow Room.

Anna Bakalova, MBA/MS ’05, is the manager, strategy at AES Corporation.

Swaptak Das ’00 is the president and chief executive officer at Das Enterprise, Inc., a holding company for SolarConnect, AbsoluteAddiction and Shadow Room.

Alex Depetris ’02 joined Deutsche Bank AG in June 2008 and serves as a vice president in the Global Markets Investment Products Group.

Dan Fullem ’00 is a senior financial analyst at AES Corporation.

Ryan Guthrie, MBA ’03, former chief of staff for Congressman Baron P. Hill, has joined The Bockorny Group, one of DC’s leading government affairs consulting firm as a vice president.

Naomi Horak ’08 is the marketing and operations manager for Starfish Retention Solutions. She trains colleagues on company software, and how to develop targeted email campaigns, webinars, direct mailings, and other collateral.

Rajesh Rai, MBA ’01, is co-founder and a partner at New Markets Venture Partners. Rai also serves as a board observer for FortiusOne, Artifact Software and Innovative Biosensors and on the advisory boards of Arcern and M-Spectrum.

Darryl R. Oliver, MBA ’02, is an equity research analyst at Brown, currently covering the consumer staples sector. He is also a member of the National Association of Real Estate Investments Trusts.

Sung W. Park, MBA ’06, is an equity research analyst at Brown. He is also a contributing research analyst for the Fund.

Ryan Taibel, MBA ’04, has been appointed senior business development manager at the Frost & Sullivan consulting company in the Sydney office to provide a boost to the company’s analyst and consulting capabilities in the Australian and New Zealand markets.

Cupid’s Cup
April 2009
Asher Epstein with Kevin Plank ’97 and BOV member Donta Wilson, EMBA ’05, at the Cupid’s Cup Business Competition & BB&T Invitational.

Doctoral Awards Banquet
May 2009
Ritu Agarwal and Dean Anand with PhD alumnus Zhi-Long Chen at the Doctoral Awards Banquet.

Send us a photo of your Terp baby! E-mail editor@rhsmith.umd.edu, or send by mail to: editor, 3570D Van Munching Hall, University of Maryland, 20742-1815. Please include baby’s name, your name and graduation year, and relationship to baby (Parent, Grandparent, etc.).
YOUR CAREER

The ABC’s of Job Security  THESE DAYS, MOST OF US ARE A LITTLE CONCERNED ABOUT JOB SECURITY. MAKE YOURSELF TOO VALUABLE TO LET GO WITH THESE TIPS.

Ask for more responsibility.
Want to stand out? Ask for more work. Asking for additional tasks gives you a chance to showcase skills that may not be noticeable in your current position. Tackling a new project can demonstrate your managerial skills. Willingly and happily taking on new assignments that may result from downsizing, even if they are outside your normal job assignments, will show your commitment to the team. Of course, you need to be able to handle any new tasks you take on. But asking for additional responsibilities can help you create the job you want, and prove your value to your boss and co-workers.

Develop a positive attitude.
Gossip, complaining and negativity are all career-killers. People who aren’t supportive of their company’s leadership are never invited to be a part of that leadership. Your reputation is yours to create—so be known as a trustworthy, reliable, consistently encouraging person. If you’ve got a reputation that doesn’t shine right now, it’s never too late to turn your attitude around.

Evaluate yourself.
Here’s where honest opinions from others can be invaluable. Ask your manager for an assessment of your strengths and weaknesses outside of your normal review period. Then focus on an area of strength in which you can do a little more, and an area of development where you can improve. Get advice from a mentor or an inspirational peer. Make a plan for shoring up this weak point, and stick to it. You might be surprised at how much of a difference this can make in your day-to-day work performance and long-term career.

The Smith School is prepared to help you manage and accelerate your career. Contact Sharon Strange-Lewis, Director of Alumni Career Services, with inquiries and suggestions regarding alumni career resources at 301-405-9285 or pslewis@rhsmith.umd.edu. Or visit the Web site at www.rhsmith.umd.edu/career/alumni.

In a lively ceremony on May 22, 2009 at the Comcast Center, four PhDs, 100 executive MBAs, 300 MBA/MS, and 825 undergraduates graduated with business degrees from the Robert H. Smith School of Business. Former Smith School Dean William E. Mayer ’66, MBA ’67, delivered the keynote address as thousands of friends and family members gathered to cheer on the newest Smith Terp alumni.

Bill Mayer, senior partner of Park Avenue Equity Partners and chairman emeritus of the Aspen Institute, came to the University of Maryland for his undergraduate business degree and then his MBA after serving as a first lieutenant in the United States Air Force. After graduating, he began his career at the First Boston Corporation, now Credit Suisse, and during his 23 years with the company progressed from associate to president and chief executive officer. He served as dean and a faculty member of the Smith School from 1992-97.

Mayer is widely influential and deeply respected in the world of finance, and also at the University of Maryland. He serves as co-chair of Great Expectations: the Campaign for Maryland, which is raising $1 billion dollars to ensure the university’s future. He has served as chairman of the university’s Board of Trustees and is currently on its executive committee.

“In’ve been fascinated with the concept of leadership for a really long time,” said Mayer in his commencement address.

He presented two homework lessons to graduates: (1) find your unique gift, and (2) think back to when you really needed to “figure it out” all by yourself.

Understanding who you are and what makes you unique and different is vital to becoming a sustainable leader, said Mayer: “All of us have a special distinctive gift and it is important to identify it because it should be used in everything we do.”

Photo credit: James Kegley
Talking to Julia Cobey Gluck ’62 and Betty Cobey Joseph ’65 about their parents, William Wilfred Cobey ’30 and Mary Gray (Munroe) Cobey, is like peering through a window into the history of the University of Maryland.

Bill, a career Marylander, worked as the University of Maryland cashier from 1931 until 1948. He became graduate manager of the athletic office during the years when the Terps’ football team was bringing home national championships, and took over the reins as athletic director from Jim Tatum, where he capped off his career. Back in those days athletic directors did everything, from arranging team schedules to selling tickets. In fact, the whole family got involved, says Betty, helping out their father in the office.

Mary Gray was a homemaker, as was expected of women of her generation. She managed her six children and hosted frequent parties for the athletic department and the Terrapin Club, of which she and Bill were early members. Curly Bird, Jim Kehoe, Jack Faber, the Elkins and other iconic Maryland figures were frequent visitors to the Cobey home.

But Mary Gray was also a philanthropist. Her father had made some smart investments with Coca-Cola, leaving her a significant sum. Mary Gray managed the finances, and the family lived comfortably but without extravagance. That moderation, along with Mary Gray’s savvy investments over the years, allowed her to devote her sizeable fortune to the causes and places that meant the most to her.

In another time, Mary Gray might have turned her prodigious intellect to finance, say her daughters. “My mother would have been a wonderful CEO. She really understood how to invest,” says daughter Julia. “But she was a philanthropist. She gave so wisely to so many things.”

Among those were the University of Maryland-Baltimore Medical School, the University of Maryland Alumni Association, and her alma mater, Wesleyan College in Macon, Ga. Mary Gray was a champion of education because she valued learning so highly.

“She was a ferocious reader, able to absorb so much information,” says Betty. “Every table in our house had a pile of books. She loved books so much that for her 90th birthday, everyone in the family gave her a book.”

That was a lot of books, because by the time of her death Mary Gray’s family had grown to include six children, 19 grandchildren and 34 great-grandchildren. Mary Gray wanted both to create a legacy in her husband’s name at the Smith School and benefit her family. So she worked with the Smith School to create the Cobey Lead Trust, one of just two lead trusts ever given to the university.

Charitable lead trusts provide an annual income to the university during the trust’s term, and then the assets revert back to the donor or the donor’s heirs. Mary Gray’s gift benefits the Smith School by designating a scholarship to a graduate student who was an athlete. Her children, grandchildren and great-grandchildren will receive the remaining trust assets at the end of its term. As a bonus, Mary Gray’s family will pay reduced gift and estate taxes. Mary Gray’s daughters aren’t surprised that even in her estate plan, Mary Gray was working out the smartest way to benefit both the people she loved and the school that had meant so much to her husband and their family.

Bill passed away in 1998, and Mary Gray passed away in 2005, but their memory is alive all around the university, from the photo of Bill in the Comcast Center to the Cobey Lead Trust—an extraordinarily generous legacy from a family that has had such a positive impact on the university.
What lessons have we learned from the financial crisis?

One unfortunate lesson is that in a completely unfettered free market—produced, for example, when the creation of financial instruments outpaced regulation in the derivatives market—the norm that governed behavior was greed and narrow personal ambition. Business schools need to accept a measure of accountability for failing to produce leaders who were able to balance personal financial gain with the good of their company’s stakeholders and society at large.

Business leaders must operate under the most stringent ethical standards, but also recognize that they have a responsibility to society. They must understand that they are working in an increasingly diverse environment: diverse in terms of global impact, varying ethnicities and cultures, income levels, even outlook and thought. And business leaders must recognize that they have the power to do good in society using the business principles they were taught in school, especially in environments that are resource-challenged.

In the recent past, we taught students that increasing shareholder value was their main responsibility. The notion of paying attention to the impact of their decisions on other stakeholders in the system, employees, creditors, customers, and, of course the planet, has been downplayed. It is a viewpoint that equates success with short-term, quarter-by-quarter profits. For most managers, the way to succeed in their companies was to enhance their own private wealth, which was often tied to the share price.

But more and more, the good of society and the good of businesses are becoming aligned. It is the responsibility of business schools to help students make this important paradigm shift.

Often, what is best for society is also profitable. Some company was the first to offer maternity leave. At the time, this would have been a shocking move. Maternity leave was good for business, because it helped companies attract and retain valued female employees. But it was also good for society—better for children and families.

Doing what is best for society is not profitable in every case, but we must teach students that ethics, sustainability and social value are always part of the equation when making decisions. Not everything can be quantified. There are no metrics for decency. But it is what society expects of us, and our customers have the ability to discover whether or not we are holding up our end of the social contract. Consumers are interacting with each other through social networking technologies, and they are demanding more transparency and social responsibility from the companies to whom they give their business.

The Smith School is committed to challenging our students to place ethics and corporate social responsibility front-and-center when they become executives after receiving their degree from us. Being an ethical business leader is not merely complying with the law; it should encompass a wider range of behaviors that benefit society. We need to teach ethics from the ground up rather than merely focus on how to follow business law or comply with regulations. At the Smith School, we have decided to expand faculty hiring to include those who have degrees in ethics and social value, to help us challenge our students to be greater global citizens.

Business schools need to be aggressive in reclaiming our reputation. Business-as-usual is not good enough. In addition to rigorous principles and methods for managing companies, we also need to teach students that they have a responsibility to contribute to society at large, and give them the tools to do so.

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SEPTEMBER 18
Executive Compensation and Public Policy
Lemma Senbet discusses the reform of executive compensation and its role in the governance of financial institutions.

OCTOBER 16
Evaluating Visual Marketing
Michel Wedel discusses the latest research techniques for studying the impact of visuals in advertising and shelf layout, and will discuss the impact of findings on brands.

NOVEMBER 20
Transforming Healthcare through IT
Ritu Agarwal discusses the challenges and opportunities offered by health information technologies.

OCTOBER 9
Transforming Healthcare through IT
Ritu Agarwal discusses the challenges and opportunities offered by health information technologies.

NOVEMBER 6
Can the Financial System Support Growth?
Albert Kyle considers whether the current regulatory infrastructure and capitalization of the finance industry are able to support economic growth.

DECEMBER 11
Creating Success From Uncertainty
Hugh Courtney examines lessons learned from previous downturns and shares insights from the latest thinking on strategic planning and decision-making.

Discover big ideas for thoughtful leaders at the ThoughtLeadership@Smith Speaker Series, where our world-class faculty discuss their latest research on topics of broad interest and importance. Each presentation is followed by an opportunity to network with alumni and regional business leaders at one of Smith’s convenient local campuses in Washington, D.C., or Baltimore, Md. Presentations are 8 to 10 a.m., including breakfast. Cost is $15 for Smith School alumni; $25 for the general public. Learn more at: www.rhsmith.umd.edu/thoughtleadership.