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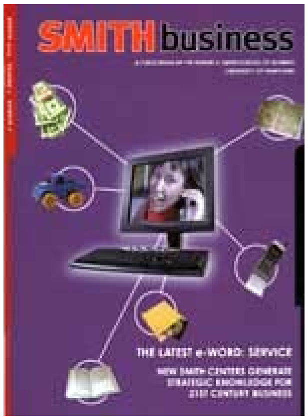

e-Service
The interactive qualities of the Internet and advanced IT applications have transformed business-consumer relationships. Providing customer service online is just part of the new deal in the digital age.

New Research Centers Established
Smith School focuses faculty expertise on key issues for organizations in the networked economy.

Spotlight: Bound for Success
As a teenager, Chris Kubasik chose to study business at the nearby University of Maryland. Now the Smith School alumnus is senior vice president and chief financial officer at Lockheed Martin.

Real Time
Meeting the expectations of online customers can be a real challenge, an expert suggests, but not an impossible task.

Connections
Smith School MBA consultants enhance organizational performance.

Academic Focus
Business simulation introduces new MBA students to cross-functional management skills.

Faculty Up Front
Professors' research forecasts bumpy ride for the airline industry.

Alumni News
Golf tournament report. Q&A with new alumni director.

The Latest Word: Service

By Rosemary Faya Prola

"Hello Rosemary F. Prola. Your December 17 order has been shipped. To view your order, please click on 'Your Account' ... We have some personal shopping recommendations for you. To see them, click on 'Your Recommendations' ... For special offers for the Prola family, click on 'Real Deals.' Thank you for shopping with us. Have a happy holiday!

Communicating with customers in such a highly personalized way is perhaps the most visible example of e-service, the provision of service over electronic networks. Most observers date the birth of e-service to the mid-1990s, when some companies, both dot-coms and traditional firms such as Hewlett-Packard, began to take advantage of the connectivity, speed, and convenience of the Internet to deliver services. Now organizations are exploiting the medium's interactive nature and the latest information technology applications to create more intimate relationships with consumers.

Convergence of technology and demand

"The move to the Web and the move to service are really the same thing," asserts Roland Rust, holder of the David Bruce Smith Chair in Marketing and director of the Smith School's Center for e-Service *(pictured, left)*. Over the last 100 years, he notes, advances in technology have shifted the economic focus from goods to services. "And in recent years, what has made the economy go is the information part of service," Rust states. "Information is the commodity of the 21st century marketplace."

While some companies have thought of the Web as another distribution channel or as a way to cut costs by getting rid of the customer service department, Rust notes, "The real promise of the Web is to expand revenues by providing better customer service." The Internet's interactive dimension is the key. He says, "Companies thinking about this in the right way are thinking, 'How can we close the loop, how can we make this an interactive process where we get information, do something based on this information, and then give back to the customer information that is most appropriate?'."

Powering this process are information technology applications that collect and analyze data, including data mining, recommendation systems, and collaborative filtering. Bruce Golden, France-Merrick Professor of Management Science, has studied data mining for many years. "Data mining involves the exploration and analysis of large amounts of data in order to discover meaningful patterns," Golden explains.

Data mining is a basic technique used today in customer relationship management (CRM). "Electronic CRM is a powerful marketing tool," Golden says. "You can use eCRM software to mine data about customers and use this information to sell more efficiently and to design new products. It mimics the old days when all shopping was local and shopkeepers knew your name." Worldwide spending on CRM software will grow from $40 billion at the end of 2001 to $76.3 billion in 2005, predicts The Gartner Group.

"E-service involves and impacts information technology, marketing, human resources, information systems, finance, and other areas," states Rust. He and P.K. Kannan, associate professor of marketing, Safeway Fellow, and associate director of the Center for e-Service *(pictured above, right)*, are co-editors of E-Service (M.E. Sharpe Publishers, forthcoming 2002). Contributors to the book, the first on e-service, include scholars in marketing strategy, information systems, and IT, as well as business and government executives.

According to Kannan, CapitalOne and Amazon.com are two of the innovators in the field of e-service. "A leader in the financial services industry, CapitalOne has been extremely successful in using data it has collected to reach customers," he says, "and it provides a lot of consumer-centric services online. Amazon not only provides excellent service, it makes cutting-edge use of the Internet to reach customers and enrich its customer base." Kannan recounts a recent experience with the e-retailer.

"I purchased a videotape of one of my favorite movies. At checkout, I was asked if I wanted to recommend my choice to some friends. If I did, and one of my friends bought the title, I'd get a 10 percent credit on my next purchase," Kannan says. "Of course, Amazon would get my friends' e-mail addresses and video preferences and could create a database of personalized content."

E-service creates opportunity for all sorts of businesses
"E-service, like all services, first became more important in the B2B sector because B2B is all about relationships," Rust states. "Then it expanded strongly into the service sector and then the goods sector. The smart goods companies are all thinking about how to become more of a service provider and how to make their Internet presence an e-service. Now the phenomenon is growing in the government sector as well.

"To me, the most exciting e-service companies are purely information service companies, because that's what the Internet is all about: moving bits of information back and forth," Rust says. He cites IBM and Charles Schwab as models of traditional companies that have successfully transformed themselves into information companies. New information service providers spawned by the Internet include electronic marketplaces like Freemarkets and search engines such as Google and Yahoo, to name just two of the

IAs (intelligent agents) filtering our options online.

The Internet has also created new opportunities for outsourcing. “Since service providers don’t have to be in the same location, companies can farm out elements of their service operation,” Rust says. “All kinds of service providers emerge. They’re very, very good at very small things, and can be very, very good at very small things all over the world.” He cites MapQuest as an example. “Companies that went to the trouble and expense of creating a map of their location can now provide a link on their site to MapQuest, and satisfy their customer’s need for driving directions.”

The latest e-service frontier is wireless, and Rust, Kannan, and other experts see huge opportunities for new and existing companies in this area. Wireless uses the radio-frequency spectrum for transmitting and receiving voice, data, and video signals. “Mobile” is an application of wireless technology, usually by means of a handheld device.

“Wireless, like the Internet, is another information medium that’s interactive, the ideal environment for e-service,” Rust asserts. Some of the acceptance problems that wireless companies are running into, in addition to a slow economy, are of their own making, the professor believes.

“(Wireless) companies think about packing as many capabilities into the device as possible, but to the customer’s point of view, the more features the more confusing it is,” Rust states. “The wireless industry should be thought of from the customer side rather than the engineering side, completely the opposite of the way it is now. I think the Japanese probably have grasped this idea better than anyone else,” he says, citing the country’s mobile communications pioneer, DoCoMo, “but they’re also the ones who have actually created the market.”

Jonathan Palmer, Smith School assistant professor of decision and information technologies, worked with Finnish mobile phone manufacturer Nokia in 2000 as it formulated its electronic commerce and Internet strategy.

“We considered potential revenue streams in the mobile Internet environment,” Palmer says. “In some countries in Europe, people are using mobile devices to buy consumer goods, stocks, even to make vending machine purchases.” Will a mobile market for information services develop in the U.S. as it has in Japan? The jury is still out on this issue, Palmer states, noting that part of DoCoMo’s success is because there is not a great deal of at-home PC use in Japan.

With new businesses related to e-service appearing (and in some cases, disappearing), it’s difficult to believe that these business models are less than a decade old.

“Information services have become a huge part of the economy,” P.K. Kannan states. “Some companies are doing badly, yes, but new business models will come along and make good. What's just emerging is the best way to provide services. That's what we're trying to study."

E-service issues touch everyone

E-service is an integral part of electronic commerce, a broad term that applies to transacting business over electronic networks. Issues in electronic commerce frequently have an e-service connotation.

A key issue facing business, government, and nonprofit organizations in e-commerce and e-service is how customers respond to the online interface. The Center for e-Service sponsors the annual National Technology Readiness Survey (NTRS), which discerns the beliefs of U.S. adults about new technologies.

The survey is funded and administered by Rockbridge Associates, Inc., a center partner (www.rockresearch.com). Professor A. Parasuraman of the University of Miami and Charles L. Colby, MBA '80, president of Rockbridge, formulated NTRS and the Technol-ogy Readiness Index (TRI). TRI groups NTRS responses into four dimensions, which define an individual's overall technology readiness or inclination to adopt new technologies. Both Parasuraman and Colby are senior fellows at the Center for e-Service.

"In the 2001 survey, we found that computer use is widespread, with 72 percent of households reporting that they have a computer at home," Colby states. "Of those without computers at home, 33 percent plan to get one in the next 12 months."

NTRS reveals interesting facts related to consumers' use of the Internet for their information needs. "Fully 50 percent of Americans with online access have visited a Web site for a local or state government in the past year," Colby reports.

E-government sites at the federal level are also popular. According to the 2001 NTRS, 33 percent of online Americans have visited a Web site for a federal government office in the past year. Consumers also go online for education needs, with high percentages seeking health information (61 percent) and to read a newspaper or magazine (54 percent).

With regard to e-service, the survey found that most online consumers still have a desire for "the human touch" in their dealings with companies. "When customers need help," Colby states, "84 percent find it at least somewhat desirable to call a customer service representative on the phone, although most are amenable to any type of help option that is offered." The implications for companies: "It's critical to keep the market open and expand lines of business communication through human contact," he says. "The human touch will be needed to ensure that a company does not alienate itself from other waves of (online) customers."

Smith School marketing professors are studying various aspects of managing customer relationships using the online medium. Two of the key areas under scrutiny are online privacy and e-loyalty.

“Privacy on the Internet is an important aspect of e-service,” Rust states. “While the American people are less sensitive to privacy as an issue since the terrorist attacks on September 11, as security concerns recede, privacy will become very important again.” Rust, Kannan, and doctoral student Na Peng recently completed a study of privacy on the Internet.

“Our work indicates that there will be the emergence of a significant privacy industry, but that ultimately, it will be very difficult and expensive for people to preserve their privacy,” says Rust. Interestingly, a recent experimental study by Kannan and Judy Frels, assistant professor of marketing, reveals that e-service in the form of personalization and customization can actually decrease the privacy risk perceptions of online customers.

The relationship of e-service to e-loyalty, the process by which consumers become committed to retailers, is a continuing area of study for Kannan and for Janet Wagner, associate professor of marketing. Wagner and undergraduate honors student Gabrielle Rydstrom conducted a study of the effects of e-retailer characteristics on customer commitment in 2000. They presented their findings at the 2001 European Association for Consumer Research Conference in Berlin.

“We found that the development of customer commitment is a process,” Wagner says. “It begins when the e-retailer is able to satisfy the customer and demonstrate that it is trustworthy. Our respondents reported that they were most satisfied by their shopping experiences with e-retailers who communicated information about new products and promotions and who maintained Web sites that were user-friendly.” In addition, she says, “A privacy guarantee was essential to building trust.”

Wagner and Kannan are now conducting a major project on e-loyalty. “We are trying to relate e-loyalty outcomes to investments that online companies are making in their Web sites to build loyalty,” Kannan states. “We call these e-relationship investments.” Since research shows that online customers are highly disloyal, Wagner notes, “it is incumbent upon online retailers to find solutions to this problem.” The researchers are currently analyzing data collected from more than 800 shoppers in a January 2002 online survey.

Venkatesh (Venky) Shankar, Ralph J. Tyser Fellow and associate professor of marketing, is deeply involved in studying different aspects of e-business, with a particular focus on customer satisfaction. In a recent paper with Amy K. Smith of Georgetown University and Arvind Rangaswamy of Penn State University, Shankar compared customer satisfaction and loyalty in online and offline environments. They used two data sets of online and offline customers in the lodging industry.

“Our results show that whereas the levels of customer satisfaction for a service chosen online is the same as when it is chosen offline, loyalty to the service provider is higher when the service is chosen online," the authors write. Based on their finding that depth of information at a Web site has a positive impact on customer satisfaction (and ultimately, loyalty), they suggest, "Firms should develop Web sites with multi-layered, deep content to exploit the ability of the online medium to provide much richer information than is available offline."

Drop the e?

As more and more people logon to conduct the business of their lives — including shopping, banking, and filing income taxes — it's quite possible that e-service will simply become known as "service." In the meantime, "The challenge to companies is how to integrate service across multiple channels: online, face-to-face, and by phone," states Kannan. Companies that have successfully accomplished this, he notes, are financial services firms, including Charles Schwab and Fidelity Investments, and some retailers, such as Eddie Bauer.

"Getting e-service right (or wrong) will make (or break) a firm's e-strategy," write Rust and Katherine Lemon of Boston College in "E-Service and the Consumer," published in the International Journal of Electronic Commerce (spring 2001). "A firm's e-strategy must be centered on e-service: the interactive flow of information between customer and firm."

They conclude, for companies that "harness the power of instantaneous, multiparty, multidirectional flows of information, the possibilities will be astounding."

New Centers Generate Strategic Knowledge for 21st Century Business

Academic research centers play a crucial role in understanding the dynamic forces that impact business management in the digital economy. The Robert H. Smith School of Business recently launched two new research centers: the Center for Human Capital, Innovation, and Technology and the Center for Electronic Markets and Enterprises. The new centers bring the school closer to realizing its strategic goal of multidisciplinary research centers aligned with each academic department.

HCIT: Exploring complex interactions
The Center for Human Capital, Innovation, and Technology (HCIT) studies the ways organizations, especially those in highly competitive environments, create value through development and application of human resource systems, innovation, and technology.

“Think about business today,” says Susan Taylor, professor of management and HCIT director. “It’s a complex interaction among people, structure, processes, financial resources, and the external environment. When organizations get these elements working together effectively, there’s no doubt they achieve a competitive advantage.”

Utilizing multiple research perspectives, HCIT scholars work on both macro and micro levels to solve real-world problems. “Our goal is to translate this knowledge into actionable strategies that enable firms to enhance and maximize organizational effectiveness.”

The center’s cross-disciplinary research projects draw on the expertise of internationally recognized members of the Smith School faculty and University of Maryland colleagues in related areas, including strategy, human resources, organizational behavior, marketing, information technology, and organizational psychology. Smith School faculty members Paul Tesluk and Riitta Katila serve as associate directors of HCIT.

CEME: Getting e-markets right
With over $6.3 trillion in annual online activity projected by 2005, the stakes to get an electronic enterprise right-and not to repeat the mistakes of fallen dot-coms-are enormous. And now, with the help of the Center for Electronic Markets and Enterprises (CEME), organizations stand a much better chance of doing exactly that.

CEME’s mission is to provide a unique, cross-functional, multi-dimensional perspective on emerging electronic markets and enterprises. “We have brought together distinguished Smith School faculty and renowned scholars from the university at large to conduct cutting-edge research,” says Henry (Hank) Lucas, center co-director and holder of the Robert H. Smith Chair in Information Technology.

Working with corporate sponsors from a range of industries, CEME’s interdisciplinary faculty develops concepts and strategies to assist business leaders in meeting the challenges of succeeding in electronic enterprises. The research is shared with the academic and business communities through conferences, seminars, symposia, and an annual publication, CEME Reports.

CEME also provides valuable consultative services to corporate sponsors. “Private industry drives our research agenda, so our work is practical and results-oriented,” states G. (Anand) Anandalingam, center co-director and the Ralph J. Tyser Professor of Management Science. “We can work directly with a company to build its electronic enterprise literally from the ground up.”

For additional information, visit www.rhsmith.umd.edu/hcit/ and www.rhsmith.umd.edu/ceme/.

Bound for Success

By Lisa Gregory

[Winter 2002 Issue]

Growing up in Crofton, Md., Chris Kubasik ’83 looked forward to reading The Washington Post sports section each day. But he didn’t stop there. Next to the sports section was the business section, and young Kubasik “kept on reading,” he says.

His preferred reading material was a sign of things to come. “I made up my mind early on that I wanted to go into business,” says Kubasik. True to his word, he would go on to a successful 17-year career with Ernst & Young LLP and more recently, with Lockheed Martin Corporation.

Kubasik chose to attend the business school at nearby University of Maryland at College Park, majoring in accounting. “I realized that accounting would probably give me the greatest chance of securing a job,” he says. In the accounting program, Kubasik also met his future wife, Jane ’84.

Kubasik, who worked part time throughout school as a salesman and night supervisor for a local hardware store, graduated magna cum laude in 1983 and was hired by Ernst & Young. While there, he gained extensive business experience, including involvement with acquisitions and divestitures working with a wide range of clients. His largest client was Lockheed Martin, and Kubasik was involved in making major contributions to the corporation’s various financial endeavors, such as the Lockheed- Martin Marietta merger; Lockheed Martin’s purchases of GE Aerospace and Loral; and the corporation’s divestitures of L-3 Communications and Materials.

By 1996, Ernst & Young had named him a partner. Ernst & Young, however, wasn’t the only company impressed with his work. In 1999, Lockheed Martin came calling.

Headquartered in Bethesda, Md., Lockheed Martin is a global enterprise engaged in the research, design, development, manufacture, and integration of advanced-technology systems, products, and services. Its clientele includes the U.S. military, as well as allied countries throughout the world.

“You work your whole career to become partner, and I had done that,” Kubasik states. “But, Lockheed Martin is recognized as one of the premier corporations in America and a top government contractor. I always had a lot of admiration for the corporation and its management team.

“It was an opportunity to work on the same challenges, but on the inside. I felt I had a lot to contribute,” he says.

Kubasik went to work for Lockheed Martin as vice president and controller. He was appointed senior vice president and chief financial officer in February 2001, responsible for all aspects of the corporation’s financial strategies, processes, and operations.

“When I joined the corporation,” Kubasik says, “management had set out to develop a strategy that would generate cash and enable us to pay down our debt.”

“Externally,” he continues, “we focused and reaffirmed our commitment to customer satisfaction and mission success as a number one priority. Internally, we streamlined by creating more central processes and setting up a shared services organization to handle some of the more routine financial transactions, such as payroll.” This included educating employees on new and better cost-cutting measures. “We went out and explained to our employees, many of them non-financial, why we as a corporation needed to do this and what we were trying to accomplish,” the Smith School grad notes.

The strategy proved successful. Lockheed Martin has generated over $7 billion in revenue and eliminated over $4 billion in debt during the last two years. “There’s a strong sense of accomplishment and satisfaction within this corporation,” Kubasik states.

And the future looks brighter still. Recently, an international team led by Lockheed Martin was named by the Pentagon to build the Joint Strike Fighter, a stealthy, supersonic, multi-role fighter, designed for the United States Air Force, Navy, and Marine Corps, as well as the United Kingdom Royal Air Force and Royal Navy.

The team of Lockheed Martin, Northrop Grumman, and BAE Systems will produce an initial 22 aircraft in the program’s $25 billion System Development and Demon-stration phase. The total program is valued at approximately $200 billion and will be the cornerstone of future defense capability for the United States and its allied partners.

“It’s an enormous honor that our government customers have entrusted our team to build the Joint Strike Fighter. Their confidence is essential to our success as a company,” says Kubasik.

During this time of national crisis, Kubasik finds the work of Lockheed Martin and its support of the military all the more meaningful. “You get a sense of pride and patriotism working for a company that is such an integral part of our country and what it is trying to accomplish worldwide,” he says.

He compares the continued growth and success of his employer with that of his alma mater. For Kubasik - who keeps a “tasteful turtle” collection in his office - has remained loyal to the university and the business school “that was so critical to me and my career.” He serves on the Smith School Dean’s Advisory Council and on the University of Maryland Foundation Board of Trustees.

"This corporation is continuously improving," Kubasik says of Lockheed Martin, where he is one of many Maryland alumni employed there. "And, the University of Maryland is doing the same. The business school is a top school, clearly, and is always getting better. We're all moving in the same direction. I'm glad to be part of both organizations."

Is Your Customer E-Care System Giving you a Black Eye?

by John Goodman, president TARP
with Cynthia J. Grimm, directior, benchmarking and industry research, TARP

In three recently completed studies of e-customer service1, we found that customers have very high online service expectations and that poor e-care practices are having a devastating effect on customer loyalty. Here is a brief summary of our findings and the implications for your e-business.

E-Customers Have High Expectations and are Often Disappointed

E-customers generally expect an acknowledgement that their e-contact has been received within one hour after they send the e-contact and usually expect a final response to their e-contact within one to four hours! One-third of customers finally phone the company, saying, “I want to talk to you about the e-mail I sent you.” Unfortunately, more than half the time the response they get is, “What e-mail? That’s a different part of the company.” We found that response in one contact is a major driver of online customer loyalty. Only 43 percent of e-customers are very satisfied with the overall electronic contacting experience.

E-Loyalty Suffers with “Word-of-Mouse”

Poor e-service can cause a significant drop in customer loyalty. E-customers who are dissatisfied with their e-care experience are 55 percent less likely to buy from the company than customers who are completely satisfied with the resolution of their electronic inquiries. Dissatisfied e-customers tell about twice as many people about their online experience as satisfied e-customers. What’s worse, however, is that dissatisfied e-customers can spread even more negative word-of-mouth through postings in Web chat rooms, and that they are almost four times more likely to discuss their experience in a chat room than satisfied e-customers.

Implications for Managing Your E-Interface

Don’t believe all the e-folklore - Over the last few years, industry publications have proclaimed the e-channel as the ideal solution that will decrease workload and costs while increasing customer satisfaction and loyalty. In the companies studied, while e-mail went up 35 percent in 2001, phone volume remained constant, implying that e-care will NOT supplant phone customer care. The cost of handling an e-contact is only slightly lower than the cost of handling a phone contact and customer satisfaction and loyalty are much lower.

Response in one contact is the key to success - The median closed-on-first contact by phone centers is 85 percent, while a median of only 60 percent of e-contacts closed on first contact. Handling a first contact to completion raises satisfaction by 10-20 percent, contributing to e-customer loyalty and improving productivity.

The Web is good for conveying simple information but not for handling complex issues - For checking the status of a shipment or learning the details of health benefits, the Web works well. However, if you have a problem getting your car repaired, or wish to find out why your health insurance claim was rejected, using the Web will require multiple contacts and probably will create significant dissatisfaction. Some companies make e-care more user-friendly by providing e-mail templates where the customers pre-code the nature of their e-mail. If the communication is about a problem, the e-care system automatically replies, asking the customer to call the 800-number to get more personalized service.

Poor e-customer service has a major impact on overall customer satisfaction and loyalty - The impact of e-customer service on loyalty is similar to that in more traditional contact channels, with dissatisfied contactors showing approximately a 55-percent drop in loyalty as described above. As e-contact volumes increase, the future loyalty impact could become even more pronounced, with customer switching only a click away.

Effective electronic service requires effective measurement - Most companies do not measure customer satisfaction with the e-contact experience. Companies must measure satisfaction by type of contact and channel, to appropriately understand customer satisfaction, loyalty, and behavior.

One “view” of the customer is critical - Customers are frequent channel-hoppers. This creates the need for a unified customer information file across multiple points of contact. Customers expect that, when they contact the company via e-channel and phone, the company representative will have information from both sources readily available.

Use available technology to facilitate communication - Customized Web templates greatly enhance efficiency since they provide a structured e-mail that the customer fills in. E-mail routing and management systems can increase productivity, decrease response time, and allow for better tracking of contacts. Response guidelines and standardized responses can also greatly enhance productivity and satisfaction, but satisfaction tracking must be used to assure that standardized responses are not overused.

John Goodman is the founder and president of TARP, a company recognized as an innovator in the measurement of customer satisfaction and loyalty. Cynthia Grimm is TARP’s director of benchmarking and industry research. Founded in 1971, TARP (www.tarp.com) has served clients throughout the world in every major industry, including airlines, automobiles, telecommunications, and health care.

MBA Consulting Teams Help Organizations Thrive

When Sunburst Hospitality Corporation wanted to better utilize technology for its human resources needs in 2000, the company hired a consultant. However, they didn't contract with a global consulting firm, but with a group of Smith School MBA students.

Greg Miller, senior vice president of marketing and human resources, Sunburst Hospitality, couldn't have been more pleased with the result. "The team did high-quality work," he says.

The MBA Consulting Program offers second-year students a chance to step into the business world as active participants. "This is where students learn how to interact with clients, manage teams, and work amongst their peers," says Dorothy Emanuel Gardner, co-director of the program. "It's a very effective real-world study for them."

Working under the direct supervision of a faculty member, MBA students spend a semester helping clients solve complex business problems and explore new initiatives. Associate Professor of Information Systems V. Sambamurthy is director of the MBA Consulting Program.

An MBA consulting team works for 14 weeks on a client's project with a level of effort equaling approximately 600 hours. "We are a real value," says Gardner. "Our fees in comparison to other consulting firms are very reasonable."

Sambamurthy terms the arrangement "a win-win situation," with students getting valuable industry experience before graduation and companies benefiting from the up-to-date business knowledge and fresh ideas of Smith MBAs.

Since the program's inception, student teams have completed more than 250 consulting projects, working for leading regional businesses, Fortune 500 companies, and government organizations.

A description of some recent projects displays the depth and breadth of the students' consulting activity. Consulting engagements have included: working with a leading applications service provider to introduce new perspectives regarding strategic pricing models; developing a marketing plan to launch a new product for a telecommunications company; and designing productivity metrics to help motivate managers and measure progress for a leading aerospace and defense corporation.

More specifically, the project for Sunburst Hospitality, parent company of Comfort Inn, Holiday Inn Express, and other brands, "addressed the use of computer-based training tools in the low-tech environment of a small hotel," explains Miller. The student team researched a wide range of technology options for the company, providing executives with both technical information and examples of how technology had been used in similar workplace settings.

“The project enabled us to resolve questions about future technology investment and design,” says Miller. “Our technology strategy now has a specific human resource component, both at the hotel level and in a corporate-wide network design.” He adds, “The project was well designed, the work detailed, and the presentation clear.”

In fact, Sunburst Hospitality was so impressed that the company signed on as a fall 2001 client. “This year,” says Miller, “we’re working with a team to improve our interviewing and screening of frontline employees, with the objectives of reducing turnover and improving customer service through better employee selection.”

No doubt, the group of Smith MBAs will be up to the challenge. After all, says Gardner, “I really think this program is about preparing the next generation of business leaders.”

InForum

Top executives shared their visions of the e-business future at InForum, a student-led business conference at the Smith School of Business held October 4 and 5, 2001. Right, Jay Nussbaum ‘66, former Oracle executive who is now executive vice president, KPMG Consulting, addresses the InForum audience. The informational/networking event drew more than 160 MBA students from business schools across the region.

Oracle Corporation was the corporate sponsor and business participants included leaders from Oracle, Sytel, America Online, Allfirst Bank, i2 Technologies, MdBio, Inc., and the Federal Communications Commission.

Exploring the Business Universe

Class provides MBA students with intensive introduction to business skills

It was a critical time in the brief life of the new tech venture. Members of the management team huddled over a laptop computer, reviewing the company's financial performance, the results of its recent marketing initiative, and their firm's competitive position in the marketplace. They asked themselves, "What's our next move?", "How can we reduce costs?", and, "They let us do this again before we graduate, don't they?".

Introducing new Smith School MBA students to the cross-functional nature of business is the goal of the Business Foundations Experiential Learning Module (ELM), offered the week before the start of the fall semester. The program uses "The Marketplace Simulation," a business training simulation developed by Ernest Cadotte of the University of Tennessee that has been adopted by business schools and corporations worldwide. The Smith School of Business began incorporating the simulation into its MBA student orientation program in fall 2000.

"This ELM is a critical part of the new MBA student's experience since it helps the student to see the value of all business functions and the interrelationships among these areas," states Joyce E.A. Russell, distinguished teaching professor of

management and organization and Business Foundations faculty director. Students also begin to learn how to work effectively in teams, and to understand the critical steps in founding a company and guiding it through its early years. These three elements - the cross-functional nature of management, teamwork, and technology-related entrepreneurship - are key themes of the Smith MBA Program.

The simulation begins with the entering class divided into five- or six-person teams distributed among four "universes." Teams comprise students from different cultural backgrounds, work experiences, and abilities.

The exercise proceeds through eight decision rounds representing two years in the life of a technology start-up. Industry data and information on company performance to assist in strategy development are displayed on the teams' networked laptops. Business decisions are entered into the system for faculty review. Corporate executives, second-year MBAs, and Smith School faculty contribute to the simulation in the role of venture capitalists.

New students have been very positive about the Business Foundations experience. "The 2000 ELM gave me a great opportunity to team up with my new classmates and practice our business skills," states Una Flannery Kelley, now a second-year student with a concentration in finance. "It was beneficial to gain a broad exposure to the many different functional areas of business before studying the subjects in depth."

Kelley returned in 2001 to give the new MBA students a hand. "I was GA (graduate assistant) for an entire universe!" she says. With the core MBA courses behind them, Kelly and other GAs were able to assist teams when guidance was needed.

Full-time Smith MBA students are required to take four ELMs during their two-year program of study: Business Foundations, Career Development, Washington Week, and Case Competition.

MBA Club Seeks to "Use Business to Do Good"

MBA student Deidre Lee spent last summer working in marketing and business development for Honest Tea, an early-stage company located in Bethesda, Md. In many ways, it was not the usual business school internship.

“We took the tea on the road in a 24-foot Winnebago, which I was privileged to drive for a week,” Lee says good-humoredly.

Honest Tea emphasizes social responsibility as part of its corporate mission. Lee states, “This internship presented me with a great opportunity to experience several aspects of a young and growing company with a commitment to more than profit.”

Lee was one of the first students to be awarded a grant from the Smith School MBA student organization, Net Impact. The group’s new internship fund is designed to partially support students who work with socially responsible businesses and not-for-profit companies.

Net Impact is a national organization of MBA students, originally founded as Students for Responsible Business in 1993. Since then the organization has grown to 50 chapters nationwide.

“Net Impact provides a broad umbrella,” says Smith chapter Co-president Bonnie Kornberg. “The people who become involved are interested in a variety of topics, including socially responsible investing, nonprofit management, and corporate social responsibility. What we all have in common is a desire to use business to do good.”

The chapter’s initiative to add socially responsible content to the MBA curriculum has received faculty support. Other activities have included recent participation in a Habitat for Humanity project in Baltimore, and training more than 20 Smith School students and representatives from local school systems to teach children about business through a program called “BizWorld.”

“I think there has been a growing interest among companies in corporate citizenship and philanthropy,” says chapter Co-president Suzanne Pardue. “This trend affects every

MBA graduate, whether or not they work directly in a mission-driven organization or nonprofit organization. Net Impact gives all students the opportunity to be aware and informed of this facet of today's business organizations."

For Lee, who will graduate this spring, her experience with Honest Tea made a lasting impression. "It has dispelled the myth that social awareness and action are solely the realm of nonprofit and government organizations," she says.

Stormy Weather for the Airline Industry

By Alissa Arford-Leyl

The storm was brewing long before September 11, 2001, but the terrorist attacks of that day struck like lightning bolts, sending shock waves through the already-ailing U.S. airline industry.

Robert Windle, professor of logistics, business and public policy, recalls similar industry-changing events. “The Pan Am bombing in 1988 and the Gulf War both had serious impacts on the airline industry, particularly international travel,” states Windle. “In both cases it took approximately six months for demand to return to pre-event levels.”

Windle and Martin Dresner, associate professor of logistics and public policy, have been studying the airline industry separately since the early 1980s and joined forces at the Smith School in 1988.

“Our research indicates that, in the long run, passenger demand is a function of population, income levels, and fares,” Windle says. “The September 11 event can be thought of as an exogenous shock. The question is whether past relationships between passenger demand and the above factors have fundamentally changed as a result. Some of our past research has shown that airline demand tends to revert to the typical growth rates after events like recessions and the Pan Am bombing.”

Crashes due to security breaches have a deeper effect on the industry as a whole than those due to mechanical problems. Commenting on the November 2001 American Airlines plane crash in Queens, N.Y., Dresner says, “Certainly, the incremental fallout should be shorter lived, since the crash is suspected of being an accident rather than another terrorist incident.”

Windle predicts that the events of September 11 may precipitate consolidation in the industry, making mergers easier to get through the U.S. Department of Justice. For example, the previously rejected US Airways/United merger might be acceptable in an environment where the choice is bankruptcy versus merger.

The last major restructuring in the airline industry occurred more than two decades ago with the passage of the Airline Deregulation Act of 1978, which called for a complete deregulation of all economic aspects of air transport. “The trend over the past 20 years has been toward fewer airlines and more consolidation in the industry,” notes Dresner. “The consolidation often takes place in waves, likely tied to general economic conditions.”

Before September 11, the airline industry, cyclical by nature, was already feeling the effects of a slowing economy. It is a very competitive business, with low margins due to high fixed costs, homogeneous product, slow industry growth, and cyclical demand. During the third quarter of 2001, the nation's nine largest carriers reported a loss of around $2.5 billion. The federal government's $5 billion cash bailout prevented losses from being much worse.

"The airline is very vulnerable to the overall economy," comments Kenneth G. Smith, chair of the management and organization department and Tyser Professor of Business Strategy. "When the economy is healthy, airlines do well. They earn higher profits, which prompts more entry. But when demand slackens, overcapacity and the high fixed cost of flying exert huge pressures."

In dealing with a marked decrease in airline travel, the primary problem facing the airline industry is the high fixed costs. "This means that when the economy slows, resulting in slower revenue growth, it is difficult for the airlines to reduce costs," states Windle. "Even if the planes are grounded, they still have to be paid for. The hub-and-spoke operations of the major carriers also involve a large amount of fixed costs. It is difficult to reduce flights on one spoke without adversely impacting revenue from other spokes."

The constant barrage of "bad news" in the media only adds force to the storm for the airline industry. In an unpublished paper, Smith School Ph.D. candidate Tom Quasney used national polling organization surveys to study news reports and consumer expectations as related to the Pan Am bombing. Quasney found a high degree of correlation between air traffic and "terror" articles. "As the frequency of bad news declined, traffic rose," he says. "Similarly, as aviation security waned as a critical issue in surveys, traffic rose." Quasney notes that "bad news" affects consumer preferences and, in turn, that affects demand.

"It is unclear exactly what regulations will change as a result of September 11, but it seems likely that they will be related to security at the airport and on the airline," states Windle. "The most difficult part of the entire exercise is to determine which regulations will be effective in improving passenger safety in a cost-effective manner."

To learn more about Windle and Dresner's research, e-mail rwindle@rhsmith.umd.edu or mdresner@rhsmith.umd.edu.

'Best Paper' Awards Bring Prestige

They are the Oscars of academia: the coveted "best paper" awards, which recognize outstanding research articles by college and university faculty members. Capturing this prize not only contributes to the renown of the honored professor, but also boosts the standing of the individual’s school. The Smith School faculty has won its fair share of best paper awards over the years.

“Certainly, the papers that win awards are objects of scrutiny by the academic community,” says Kenneth G. Smith, chair of the Smith School’s management and organization department and Tyser Professor of Business Strategy. As former editor of the Academy of Management Journal, Smith oversaw its best paper awards program from 1996 until 1999. He believes the growing number of awards earned by Smith faculty has helped the school earn high marks for research. The Financial Times ranks the Smith School #6 worldwide in faculty research.

Best paper awards are presented by a variety of sources, including scholarly journals, academic associations, and academic conferences. To win the award from a journal, the most prestigious of the honors, the work must have appeared in that publication. At the leading journals, the editor initially decides whether to reject a research paper, accept it, or send it back for revisions.

“In our journals, it’s never ‘accept’ after the first round,” notes Smith. “If you’re lucky, the paper’s not rejected.” If the editor asks for revisions, the publication process can take about two years. In the end, a very small percentage of papers submitted to each journal gets published and only one is named “best paper” each year.

Smith has had more than 50 works published in the last 18 years, but only recently did he take home the “Oscar.” Along with Curt Grimm, professor and chair of logistics, business and public policy, and Wally Ferrier, Smith School Ph.D. ’95, an associate professor at the University of Kentucky, Smith won a best paper award for an article published in the Academy of Management Journal in 1999. “It was quite a celebration,” recalls Smith, who was also a best paper finalist - though not a winner - in 2000.

Academic associations also recognize outstanding scholarship with best paper awards, and a number of Smith faculty were so honored in 2001 by the Academy of Management. The best paper award in technology and innovation management went to Deepak Somaya, lecturer in logistics, business and public policy. Scott Shane, professor and chair of the entrepreneurship department, and co-author Rakesh Khurana of Harvard University, received the honor in organization and management theory, while Smith, Edwin Locke, professor emeritus, and Pino Audia, Ph.D. ’00, now a faculty member at the London Business School, garnered the best paper award in organizational behavior.

Rain, Shine, or Tie - Chapter Golf Tournament Continues to be a Winner

The afternoon of Thursday, September 20, was cool and wet, but that did not deter 144 competitive golfers from teeing off at the 12th Annual Robert H. Smith School of Business Alumni Chapter Golf Tournament. The event was held at the University of Maryland Golf Course. By the time the last golfer left the banquet table, more than $20,000 had been raised to assist the Smith School of Business and its programs.

Competition in this year's tournament was stiff, resulting in an unprecedented tie for first place. However, the Ernst & Young foursome of Bob Bedingfield '70, Rich Holland, and Bill Murphy, Cliff Kendall '54 *(pictured above l-r)* broke the tie by a scorecard playoff and took home the crystal first-place trophies. The Vintage Settlements' Rick Phillips '81 (University of Maryland University College), John Ohly, Tim Meinhardt '79 (Undergraduate Studies), and John Register placed second; and third place went to the team from Otis Elevator: Glenn Rodenheiser, Lance Stillwell, Hall Sexton, and Dave Forberger. Other contest winners included Jodi Miller '87 (University of Maryland University College) who won the longest drive, and Dave Knorr '90 (College of Computer, Mathematical and Physical Sciences) who won the chipping contest.

As the golfers registered, they chatted with Smith School Dean Howard Frank and special guest, Maryland Men's Basketball Coach Gary Williams '68. Golfers also enjoyed a sumptuous gourmet buffet lunch donated by Chuck Corcoran of Corcoran Caterers. After completing 18 holes, golfers feasted on chicken and steak, courtesy of Bob Basham '70, CEO of Outback Steakhouse. During dinner, the players enjoyed "Eight Straight," the University of Maryland men's basketball team 2000-01 highlight film. The evening came to a close with the raffle drawing, and silent and live auctions. The coveted autographed "Final Four" basketball went to high bidder (and tournament chair) Bill Van Dyke '79.

In addition to corporate sponsors, the event was made possible by the hard work and generous contributions of our alumni, guests, and friends, including Bill Van Dyke and committee members Barry DesRoches '80 and B. Gary Dando '64, the board of directors of the Smith School Alumni Chapter, the alumni and development offices, MBA Association volunteers, and the University of Maryland Alumni Association.

See you on the greens for the 13th annual tournament, September 19, 2002!

Host Sponsor: Ernst & Young

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Lunch Sponsor: Corcoran Caterers

Dinner Sponsor: Outback Steakhouse

Fall Fest 2001

The Sixth Annual Fall Fest - an alumni career fair and tailgate party - was another great success. The afternoon of Saturday, September 8 was warm and sunny, and more than 1,500 Smith School alumni and students were on hand to enjoy wonderful food, great music, and the opportunity to network and share resumés with more than 33 corporate sponsors.

Dean Howard Frank greeted students, alumni, and corporate representatives. In addition, staff from the Smith School's QUEST program participated, answering questions and providing literature to companies, students, and alumni. Career Management Office representatives gave last-minute pointers to students and alumni seeking employment opportunities.

Attendees of this year's Fall Fest received a Smith School coffee mug, compliments of the alumni chapter. A limited number of mugs are still available, so if you neglected to pick up yours, contact Winnie Duncan in the Smith School alumni office, eduncan@rhsmith.umd.edu.

As all true Terrapins know, it isn't an official tailgate until Testudo, the marching band, and spirited cheerleaders stop by to give a private performance. Fall Fest attendees definitely caught "Fridge Fever" and headed off to cheer the Terps to victory over Eastern Michigan.

Fall Fest is hosted by the Robert H. Smith School of Business, University of Maryland Alumni Association, and A. James Clark School of Engineering. A special thank-you to all the volunteers who helped make Fall Fest 2001 a great success.

MBA Key to M.D.'s New Career

Lawrence Giventer admits, “I never dreamed of going back to school when I was in middle age.”

But Giventer was interested in pursuing a second career after retiring as a physician at age 58. “I wanted to do something interesting and use my health care industry knowledge,” states the 2001 MBA graduate.

While consulting seemed a logical choice, he says, “I learned that, lacking a formal business background, I would never get hired as a consultant.”

So, with his career as a physician in Plantation, Fla., behind him, the former honors graduate (B.A., Hamilton College, and M.D., Columbia University) headed back to school.
“Attending Smith was a really unique experience for me,” says Giventer, who chose the school for its national rankings. “It taught me a great deal about subjects I knew nothing about, and changed my patterns of thinking and working.”

Giventer now enthusiastically combines his medical experience and knowledge with his newfound business acumen as a health care consultant with Booz-Allen & Hamilton LLP. “That combination has been easy to apply,” he says. “The most interesting and also the most challenging part of my new job is playing a role in the major changes that are occurring in the health care industry. Booz consults for government agencies that make the health care policy that the rest of the industry will end up following.”

“Had I not gone to Smith,” Giventer says, “I could not possibly do this job.”

Entrepreneur Founds Online Financial Services Community

It’s about finding the right niche and need, says Robert Epstein, CEO, president, and co-founder of CareerBank.com, an award-winning Internet career site for accounting, finance, and banking professionals.

“What we noticed was that there were lots of general sites, but nothing targeted to just this community,” says Epstein, who graduated cum laude with a bachelor’s degree in accounting in 1986. “We wanted to make CareerBank.com a dynamic and comprehensive resource for job seekers and employers, and also for the everyday use of professionals in these areas."

Established in 1999, Career- Bank.com, which also serves as an online portal for the accounting, finance, and banking community, provides career tools to employers and job seekers, as well as up-to-date news and original articles on the profession and career development. The site has also developed strategic partnerships with leading organizations, including national and state CPA associations, resumé writing and recruiting services, and Internet design and technology firms.

In creating CareerBank.com, "We considered early on the evolution of the Internet," notes Epstein, who brings with him more than 12 years of experience owning and managing staffing firms. He compares that evolution to the popularity of big department stores in the '40s and '50s.

"You could go into one store and find a bit of everything," the Smith School alumnus states. Over time, specialty stores meeting specific needs became more in demand. "You're starting to see that on the Web," says Epstein, who has also worked in private and public accounting. "People aren't just interested in the big general sites, but in the niche and local sites."

A Night at the Opera

On November 2, 2001, 100 alumni and friends of the University of Maryland gathered at the Watergate Hotel for a reception and buffet dinner. After President C.D. Mote Jr. provided an update on the university, Dominic Cossa, chair of the university's voice department, shared his personal insight on Puccini's Madama Butterfly.

Following the lecture, guests proceeded to The Kennedy Center to enjoy the Washington Opera's performance of the opera. The event was sponsored by the University of Maryland Alumni Association.