

## Creativity: Thinking *Inside* the Box

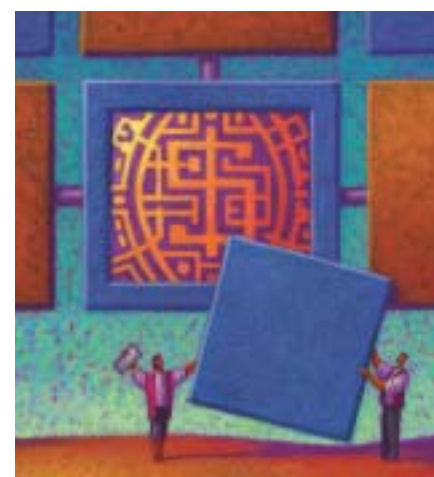
BY DAVID A. OWENS

**W**e've all heard the exhortation: "Think outside the box." While this advice is intended to nudge people out of routine habitual thinking patterns, I am convinced the better advice for managers seeking innovation is "Think *inside* the box!"

### Outside the box

Most creativity training offered business people today is rooted in psychology that focuses on how personal characteristics (e.g., problem-solving style, tolerance for ambiguity, risk-aversion, individualism, and even visualization ability) may affect creativity. The training is structured to help individuals overcome those characteristics that limit generation of creative ideas. While this approach has enjoyed moderate popularity, creativity training seems to be losing currency, at least in the business world.

Why would this be? Don't we all believe that successful businesses are fueled by new ideas?



David A. Owens is assistant clinical professor of entrepreneurship.

### 1 percent inspiration and 99 percent perspiration

It seems that we want lots of new ideas, but that's not all. In my own teaching, research, and consulting work on inno-

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People may generate ideas alone, but they do not implement alone in the business context.

vation, I hear again and again that while generating "the idea" takes effort, it is not the real problem. Potential innovators consider the real problem to be one of communicating the idea to others in an understandable way; of getting them to believe the idea might work; and of motivating others to embrace changes necessary to help make the idea a reality. For them, creativity training stops short of the implementation phase.

There is a mistaken assumption among those who want to improve creativity that the impediment to creativity is the person. People, however, do not work alone. People may generate ideas alone, but they do not implement alone in the business context. They work in groups and organizations, where great ideas routinely fall prey to organizational culture, structure, policies, procedures, and business strategy. Better ideas are only better when they can negotiate these kinds of constraints, while still inspiring, motivating, and providing direction to those doing the implementation.

### Inside the box

The box, then, is the box of our organization. As idea generators, we want to bring the full power of our individual creativity to the task. As idea implementers, however, we must remain aware of the cultural, structural, technical, and strategic barriers that our ideas face. As leaders, we must strategically diagnose and dismantle those barriers to implemented creativity—or innovation—that stand fully *inside* the box of our organizations. ○

DANIEL DUROS

## Delighting Customers: the Role of Employees

BY TIMOTHY KEININGHAM

**T**o the customer, the face of the company is not the CEO but the frontline personnel who make that all-important contact with the customer. It matters little if the company's policies and procedures are designed to delight customers if the people charged with carrying them out fail to deliver for the customer.

Consistently delivering delight requires effectively managing relationships with customers. And close, long-term relationships are only possible with long-term employees. Companies embarking on a service strategy often make a concerted effort to improve their employee relations as well. The management logic is simple: Customer relations mirror employee relations.

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There is evidence to support this truism: A survey of more than 7,500 workers found that more than half considered themselves committed to their employers. Shareholders of these employers received on average a 112 percent return on their investment over three years. For those employees who indicated average or



Timothy Keiningham, a 1989 graduate, is senior vice president of Marketing Metrics, Inc., in Paramus, New Jersey. This article is an edited excerpt from his latest book, *The Customer Delight Principle* (written with Terry Vavra), published by McGraw-Hill in 2001.

below average commitment, the return to shareholders was 76 percent.

Because of the assumed impact on performance, employee commitment has been one of the most popular research areas in industrial psychology and organizational behavior during the last 30 years. Counter to conventional wisdom, however, researchers have been unable to confirm a relationship between employee commitment and business performance.

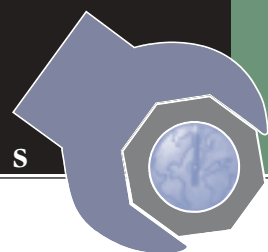
Why isn't there conclusive evidence of a relationship? Clearly, there must be a more complex set of factors governing the relationship between employee satisfaction, cus-

tomers satisfaction, and business performance. Service management research has, in fact, identified four factors relevant to employees that affect the strength of the relationship: capability, satisfaction, loyalty, and productivity.

- ▶ Capable employees deliver high-value service to customers. This requires that employees have the training, tools, procedures, and rules necessary to deliver good service.
- ▶ Satisfied employees are more likely to treat customers better than their dissatisfied counterparts.
- ▶ Loyal employees are more willing to suppress short-term interests for long-term benefit of the organiza-

(continued on next page)

DANIEL DUROS



tion. They provide superior service to customers and stay with the organization longer, reducing the cost of turnover and its negative impact on service quality.

- Productive employees have the potential to raise the value of a firm's offerings to its customers. Greater productivity can lower costs of operations, resulting in lower prices.

### Employee Capability and Productivity

Without question, no matter how satisfied or loyal a firm's employees, if they cannot serve the needs of customers, the customers will not be delighted,

much less satisfied. It is vital to hire the "right" people. Hire on the basis of not only technical skills and experience but also personal characteristics. Screen employees for social abilities that promote long-term interpersonal relationships. Firms should also recognize the importance of personal relationships between employees and customers, and design jobs that encourage employees to stay.

Capability requires that employees be equipped with the right tools. Managers too often focus exclusively on the "friendly" and "knowledgeable" components of employee skills needed while giving short shrift to fundamental process improvements, such as

computer upgrades, which make it easier for employees to actually perform their jobs.

Productivity-based improvements in service often require a tradeoff in quality. Seldom can service firms do both well. Research shows that service companies that pursue both a high service quality and high productivity strategy were less profitable than those that chose either one or the other. If productivity improvements are the primary means of driving delight, managers need to realize that doing this successfully requires walking a tightrope. The potential for dissatisfying employees might make any gains short-lived, as personnel seek employment elsewhere.

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Revenue is driven by customers, and without question customer delight is paramount. Once you determine what delights customers, you can decide how to delight them. The first step is to align processes around customer needs and then align people and resources to support these processes. As processes are aligned, it is essential to inform employees why changes are being made. Employees should value customer-centered initiatives, as their jobs will be made easier with happier customers. This transformation does not necessarily require delighted employees, but it does require satisfied employees committed to delighting customers, and having the right employees in place. ○



## Cells: the Foundation of Product-Focused Teams

BY NANCY LEA HYER AND URBAN WEMMERLÖV

Today's managers must deliver performance improvements at an ever-increasing pace to meet the objectives of "better, faster, cheaper." How to do this and do it well is a key issue in an organization's struggle to achieve success.

### The Power of Teams

Many organizations recognize that one avenue for improving lead time and quality, while simultaneously reducing costs, is to use teams of people to get things done. There are several advantages to a team structure. A team brings diverse perspectives and ideas to a problem, and team members can learn from one another. This broadens skill levels and creates greater flexibility in job assignments.

Team members often develop a sense of cohesion and loyalty, and feel commitment to the team, and therefore work especially hard to avoid letting team members down. This, along with more varied tasks and responsibilities possible in a team structure, can increase job satisfaction. Combining individuals with different original skill sets can also lead to productive cross-fertilization of ideas, better problem solving, and creative solutions, all potential sources of competitive advantage.

### Cells in the Office and on the Shop Floor

Many companies have discovered that organizing teams around the start-to-finish production of a good or service is



Nancy Lea Hyer is an associate professor of management. This article is based on her book *Reorganizing the Factory: Competing Through Cellular Manufacturing* (Productivity Press, 2002) written with Urban Wemmerlöv, the Kress Family Wisconsin Distinguished Professor of Productivity and Quality at the School of Business, University of Wisconsin-Madison. The book represents years of research and field work in the area of cellular operations.

effective in harnessing the power of teamwork. Gelman Sciences, for example, formed employee teams within each work center or department as a first step in attacking performance problems. However, not until these teams were

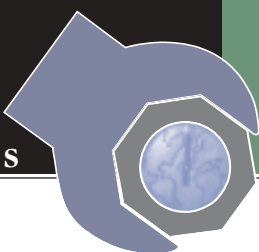
shared equipment by a workforce manufacturing dissimilar parts. In a cell-based structure, families of similar parts are produced together, facilitating rapid flow and efficient processing of material and information.

A cell is a small organizational unit within the firm designed to exploit similarities in processing information, making products, and serving customers.

focused into product teams did significant change occur. These teams at Gelman became the catalyst for introducing "cells"—an organizing principle for capitalizing on the benefits of teams in the factory and in the office.

A cell is a small organizational unit within the firm designed to exploit similarities in processing information, making products, and serving customers. Manufacturing cells closely locate people and equipment required for processing families of like products. In other systems, parts may travel long distances within the plant and are produced on

The ideas of "sameness" and "closeness" can also be applied to administrative work. Administrative and/or service-oriented activities, like customer order processing, often involve personnel in multiple departments in different locations. An office cell groups a small number of broadly trained people in the same location and makes them responsible for the rapid handling of process-complete activities. One firm established engineering change order cells to handle diverse activities (engineering, drafting, cost estimating, tooling design, etc.) required to implement engineering



changes. Another company created quote development cells charged with quickly quoting custom requests for non-standard items.

### Implications for Employees

A cell provides the physical structure that facilitates teamwork and process improvement. Workstations are closely located, and employees pass their completed items (e.g., products or folders with paperwork) directly to an adjacent colleague. People can inspect the work they receive and provide quick and direct feedback to correct errors.

The start-to-finish nature of cell work enables employees to participate in—and understand—the complete process. This can lead to an increased sense that their work is significant and therefore to greater motivation and job satisfaction. Meaningful cross-training is possible because of the physical closeness. Off-line, cell employees may contribute to decisions about how to arrange the workplace, and participate in performance reviews, goal-setting, problem-solving, and conflict resolution.



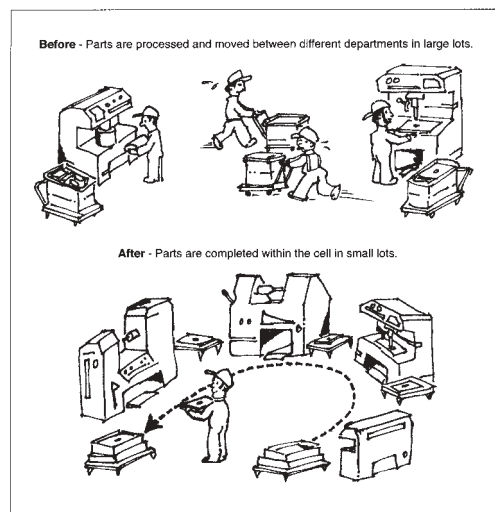
Jobs in cells are both more varied and responsible than in traditional work. As a distinct organizational unit, accountability for meeting goals, such as delivery deadlines or quality improvement targets, firmly rests with cell personnel. Consequently, employees may develop ownership and commitment, identify more readily with the workplace and its "products," and develop strong social bonds among the members in the cell unit.

Cells are a platform for achieving "better, faster, cheaper" and a cornerstone of the Lean Office and the Lean Factory.

### Does it Work?

Benefits of cellular operations are reductions in throughput time and, for manufacturing operations, inventory. Companies typically also see dramatic increases in output quality. Together, these improvements generally mean lower costs. Thus, cells are a platform for achieving "better, faster, cheaper" and a cornerstone of the Lean Office and the Lean Factory.

Testimonials from large and small companies in diverse industries support this claim. Gelman Sciences has been successful in reducing lead times and inventories while improving quality and delivery performance. At Falk Corporation in Auburn, Alabama, delivery time for their coupling devices has fallen from four weeks to one week. At Mine Safety Appliances Corporation in Pittsburgh, Pennsylvania, cells have reduced paperwork, material-handling efforts, and inspection. Most impressive is its claim



that the company doubled revenues per worker over the past 10 years after moving to cells. And at A. Ahlstrom, a Finnish manufacturer of specialty industrial products with three geographically focused office processing cells, the average order entry lead time has decreased from one week to one day, and variation in lead time from six weeks to one week. Several large-scale studies back up such anecdotal evidence.

One of the most powerful benefits is summed up by a participant in one of our studies of cell users: "I didn't realize you get continuous improvement with the same operators in the same cell day after day." A cell's focus on families of items, its overview of start-to-finish operations, its pooled expertise, the visibility of problems, and the fact that cell employees are accountable for performance, make cells a perfect venue for high performance and ongoing improvement.

Will cells work for you? Could cells unleash the power of product-focused teams for your organization? If you would like to know more about cell-based operations, my book, *Reorganizing the Factory: Competing Through Cellular Manufacturing*, offers a comprehensive guide to justifying, designing, implementing, operating, and improving cells in both the office and on the factory floor. ○

## The Paradox of Freedom at Work

BY BRUCE BARRY

In November 2001, an Enron employee was fired after posting anonymously (or so he thought) on an Internet message board his opinion that Enron CEO Kenneth Lay is "a truly evil and satanic figure." In August 1999, First Union Bank in North Carolina fired seven employees for sending inappropriate e-mail messages of a sexual nature to other employees. In July 1998, a Paine Webber stockbroker in Houston resigned after (he claimed) the firm pressured him to curtail his off-work political activities in support of a municipal ballot initiative on affirmative action. In 1992, a worker at a helicopter factory in Connecticut sued his employer after he was fired for refusing to display an American flag at his workstation during a Gulf War celebration.

The common thread running through these incidents is punishment or retaliation by an employer for expressive behavior that in other areas of life would (in the U.S.) be constitutionally protected free speech. Is this right? You might respond: In the workplace, the point is to accomplish work, not to exercise rights to free speech. Employees who have something to say about sex, war, the meaning of life, or any other topic not pertaining to the work at hand can do so on their own time. As for the stockbroker or the Enron employee, well, when you take a job, you assume the obligation to avoid doing things, on the job or off, that reflect poorly on your employer.

These incidents also share lack of any avenue for the individuals



Bruce Barry is the Brownlee O. Currey Associate Professor of Management, associate professor of sociology, and director of the Ph.D. Program in Management.

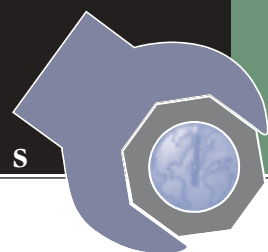
involved to challenge the outcome. A fundamental feature of the employment-at-will system prevailing in the U.S. is that people check most of their constitutional rights at the workplace door. With few exceptions, you have no protection against unreasonable searches at work, no inherent guarantee of due process or equal protection for work-related grievances, and no right to free expression on the job.

What are the exceptions? One is public-sector employment, although even there workers' rights are balanced against the interests of (government) employers. In the private sector, employee speech is legally protected in a couple of specialized circumstances, namely whistle-blowing (calling attention to unlawful activity) and organizing (advocating that employees form a union or collectively bargain). Laws targeting discrimination prevent punitive actions by employers based on sex, race, religion, national origin, and the like. But beyond this, employers in the U.S. have the right to penalize or fire workers for good cause, bad cause, or no cause at all.

Is this how it should be? Perhaps, if

one buys assumptions an employer "owns" its workers' time at work, and that people can and should carry out their working and non-working lives as mutually exclusive enterprises. But the reality is that people working full time may spend the majority of their conscious hours in an employment setting. The workplace is where people form and maintain friendships, cultivate group affiliations, and interact with other adults. We are, effectively, living out significant parts of our lives on the job. We are also constructing our civic selves at work—defining through interaction and affiliation with others the kind of society we want to live in, and the level of participation in improving or reshaping that society we wish to undertake.

To the extent that employers come down hard on speech, privacy, and other freedoms that Americans take for granted as protected "rights" outside the workplace, they say to their workers that *social control* is the firm's organizing principle. In a tight labor market, firms can do so with theoretical impunity, knowing that individuals who prefer a more rights-sensitive



workplace can be induced to give way to more compliant replacements.

But having sketched this picture of potentially sinister employers elevating the profit motive over regard for the civil liberties of workers on the job, I retreat from it a bit. For it is apparent that even if workers have no legal

If individuals spend most of their waking hours in an environment where censorship, surveillance, and the absence of due process are vehicles for institutional effectiveness, how prepared are they to be active participants in maintaining the rights-based civil democracy that greets them when they leave at the end of the work day?



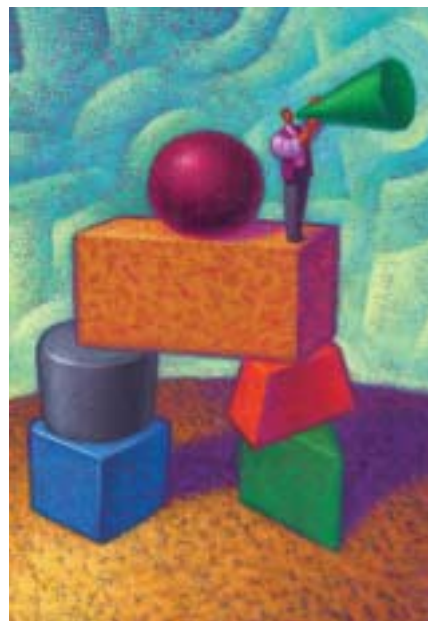
rights to free speech on the job, plenty of non-work-related speech occurs in workplaces. Even if there exists no legal protection against unreasonable searches at work, many employers implement and follow policies that exercise at least a modicum of discretion in creating for workers a reasonable expectation of privacy.

It is this paradox of freedom at work—that private-sector employees have none in theory (beyond the right to leave for good) but are variously granted some in practice—that motivates research interest in the subject at the Owen School. Specifically, we are exploring the particular role of employee speech and expression. Some

questions we hope to address: Why do some employers tolerate more personal expression at work than others? We know that a free flow of ideas and dissent is constructive in many decision-making contexts, but how is the flow of ideas on work-related issues influenced by the firm's culture of expression on

outside matters? Does a wider culture of free expression in organizations alter the kinds of interpersonal and organizational conflicts that arise? How are individual attitudes and behaviors affected?

A broader philosophical question that transcends narrow issues of corporate policy concerns how our willingness to sacrifice basic freedoms in our working lives affects our ability to cultivate and appreciate a free society the rest of the time. If individuals spend most of their waking hours in an environment where censorship, surveillance, and the absence of due process are vehicles for institutional effectiveness, how prepared are they to be active participants in maintaining the rights-based civil democracy that greets them when they leave at the end of the work day? Can a free society flourish when most of its citizens spend the bulk of their time in organizational settings, however benevolently intended, that resemble tyranny? Author and former law professor Charles Reich, who has written extensively on corporate power and individual well-being, put it this way:



*Most people are not going to find freedom in the woods, like Thoreau. They must find freedom in the word-processing room, freedom in the conference room, freedom in the registrar's office, and freedom in the factory. It is totally unrealistic to wait half a lifetime for a Himalayan trek in order to experience freedom. It is equally unrealistic to expect freedom after a long day at work. Freedom must be exercised in prime time, not as an afterthought. Freedom cannot be limited to leisure. We must look for freedom in the belly of the beast. ○*

## Upcoming Legal Issues BY ROBERT COVINGTON

**W**hat workplace issues will America's courts be confronting over the next few years? Looking into the future is always a tough proposition, but a couple of predictions seem fairly safe.

### How will courts and administrative agencies apply existing law in the "virtual workplace?"

As more work is done by employees connected by the Internet rather than by physical office space, the law will have to adapt. Two illustrations make this point easily.

- ▶ Since a 1945 Supreme Court decision interpreting the National Labor Relations Act, employees have been entitled to talk with one another during breaks at work about the advantages and disadvantages of unionizing, subject to some reasonable employer rules about not distracting customers or other workers. Is an employer that furnishes hardware and software necessary for Internet connection free to forbid

employees to discuss these matters on its equipment? (The best guess from the labor law community seems to be that an NLRB rule requiring virtual workplace employees to have some chance for these sorts of discussions on the employer's network will be upheld by the Supreme Court, but that case is not yet on the Court's docket.)

As more work is done by employees connected by the Internet rather than by physical office space, the law will have to adapt.

- ▶ Employees in the U.S. have only a limited "right of privacy" while at work, although courts and arbitrators have at times found an employer violated a worker's rights by such acts as breaking into a locked desk drawer. Federal statutes forbid the "interception" of telephone and e-mail messages in a number of situations. The "privacy norms" of the

Internet are not being set entirely by American users, and in Europe the expectations of privacy are often greater than those here. To what extent is an employer entitled to snoop into stored e-mail messages and other Internet use data? Some monitoring in order to make sure an employee is not abusing access is surely all right, but once an employer recognizes that a stored message is highly personal, what then?

### How many employment law disputes will go to arbitration instead of the courts?

The Supreme Court has held that if an employee has agreed to arbitrate disputes with his or her employer, that worker may be unable to pursue claims under labor laws in court. The ruling has been unpopular with the EEOC, the plaintiffs' bar, and a number of other groups, but so far efforts to overturn it have failed in Congress. Many issues remain to be worked out, however. Most "agreements" to arbitrate at non-union workplaces are in fact provisions in employment applications, handbooks, or the like that an employer has drafted. The employee simply signs on the dotted line. Some employers use the opportunity to draft clauses that include one-sided language. Courts are examining such questions as:

If an employer makes it a condition of employment for an employee to agree to arbitrate "all disputes" with the employer, can the employer at the same time reserve the right to take some of its own claims to court instead of to arbitration?

How much of the cost of arbitration can be put on the employee before an "agreement" becomes unconscionable? ○



Robert Covington, a professor of law at the Vanderbilt Law School, is a recognized expert in labor law.

# HEADLINES

FROM AROUND THE NATION

(Full text for these and other stories is on Owen's Website, "Owen in the News.")

## Brentwood Company Develops Application to Electronically Confirm Bank Account Balances

Brentwood-based Capital Confirmation Inc. is in the process of rolling out its Internet-based application "CashConfirm," which allows an auditor to electronically verify a client's bank account balances and liabilities, replacing that paper-based step in the audit process. "What we saw was a potential loophole in the audit process two years ago when we started," said Brian Fox, the company's vice president for business development, who founded Capital Confirmation while pursuing his MBA at Vanderbilt University.

—*Tennessean*, Dec. 17

## Latino Nissan Buyers Pay More, Study Says

Latinos in Florida who financed their car purchases through Nissan Motor Acceptance Corp. routinely paid higher interest rates than white consumers with similar credit histories, according to a study conducted by Mark A. Cohen, a professor of management at Vanderbilt University.

—*Los Angeles Times*, Nov. 19

## Abdo Apologizes to Employees for Backlash to Contribution

Richard Abdo apologized to Wisconsin Energy Corp. employees Thursday for the backlash caused by publicity over his contribution to a group that broadly condemns U.S. actions launched after the Sept. 11, 2001, terrorist attacks. The personal actions of CEOs aren't limited by their position, said Fred Talbott, a communications professor in Vanderbilt University's Owen Graduate School of Management.

—*Milwaukee Journal-Sentinel*, Nov. 15

## Small Investors for Social Justice?

Taking aim at deep corporate scandal, a growing wing of the socially responsible investing movement pushes SRI backers to take a much more activist stance. Some analysts believe the SRI community must walk a careful line between political action and seeking better corporate governance. "Public disclosure is a good thing. I just don't think it is wise to use corporations to enforce a political or social agenda," says Hans Stoll, who heads up the Financial

Markets Research Center at Vanderbilt University. "That's for the political sector."

—*Christian Science Monitor*, Nov. 4

## Companies Are Thrown for Loss in Third Quarter

Remember the days when profits didn't matter and stocks soared higher on rising sales alone? Snap out of it. Companies are taking writedowns for restructurings, severance payments and acquisitions they made in the 1990s because they have "become afraid to be implicated in another Enron," says Debra Jeter, associate professor of accounting at Vanderbilt University's Owen Graduate School of Management.

—*Cleveland Plain Dealer*, Oct. 11

## The Ethics of Business School

Corporate scandals put a spotlight on relationships between professors and companies. "Business schools teach students to be members of the club: ambitious, well-paid employees who worship markets and play the game," Bruce Barry, Brownlee O. Currey Associate Professor of Management at Vanderbilt University, wrote in a column in a Nashville newspaper last month.

—*Chronicle of Higher Education*, Sept. 16

## The Top Business Schools: Playing Well with Others

For Craig Savage, one of the most terrifying—but most rewarding—parts of his M.B.A. program at Vanderbilt University was the stand-up comedy routine he performed in his communications class. He related some humorous real-life anecdotes and, to his surprise, received one of the best reviews in the class. Now, as a vice president for private-wealth management at Goldman Sachs Group Inc., Mr. Savage doesn't want to leave his clients laughing. But he does believe the course prepared him well for the job.

—*The Wall Street Journal*, Sept. 9

## Returning to Their Old Company to Help in the Hour of Need

Steve Thumm watched in horror last Sept. 11 as flames and smoke consumed the Fred Alger Management office from which he had resigned only three months before. That night, he learned that nobody had

heard from the 35 people who were at the investment management firm that morning. Though his new position as a partner at a midtown hedge fund was a "tremendous opportunity," Thumm didn't hesitate to offer his assistance to his former employer of 10 years. On Sept. 13, he called to resign from his new job as he was sitting in Alger's Morristown, N.J., backup office with his longtime friend, Alger vice-chairman Jim Connelly. Alger had lost roughly three-quarters of its portfolio managers and research analysts, including chief executive and star manager David Alger. Amy Ryan, who arrived in 1987 fresh from Vanderbilt University and left for Prudential Securities in 1991, also called Fred Alger in late September to offer her services as an analyst, which he quickly accepted. "They gave me an opportunity," said Ryan, who lives in Brooklyn. "When you look like you're 14 and are trying to get a job on Wall Street, not very many people would give you that opportunity."

—*New York Newsday*, Sept. 9

## For MBAs, Soul-Searching 101

For the first time anyone can remember, the incoming MBA class at the University of Michigan Business School had an assignment even before they arrived in Ann Arbor. The homework: to write a case study on the most challenging ethical dilemma they had ever faced. It's a new lesson plan for business schools across the country, where corporate scandals and a waning MBA job market have touched off a wave of self-reflection and reform. It's not just students who are adjusting to a new era. Faculty from Berkeley to Wharton are revisiting their courses and beefing up curriculum. Says William G. Christie, dean of Vanderbilt University's Owen Graduate School of Management: "If courses in ethics and moral leadership are not already part of the curriculum, they had better be."

—*Business Week Online*, Sept. 6

# Gaylord's Suite Song of Success

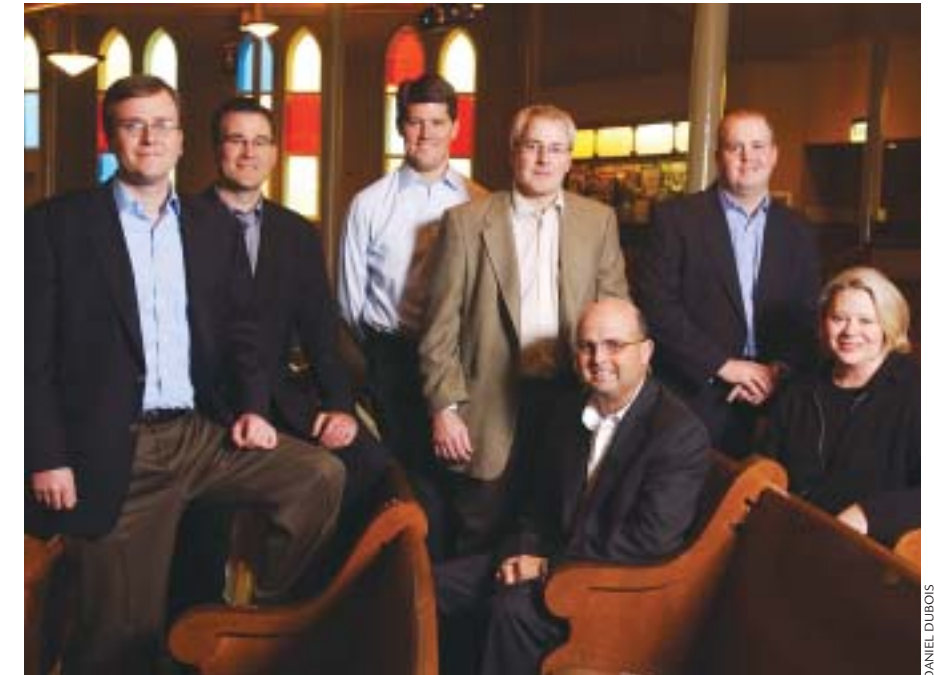
It didn't take long for Gaylord Entertainment Corporation's new management team to realize their good fortune. Information leaked in 2001 that the company might change the country format of WSM FM 650 radio, home to the Grand Ole Opry for more than 70 years. Over-the-top fan response quickly changed their minds.

"We hadn't realized until then the strength of the linkage between WSM and the Grand Ole Opry," says David Kloepfel, '96, EVP and CFO (See alumni profile, page 47.) "Market research shows that not only is WSM known throughout the nation, but approximately 84 percent of Americans recognize the name Grand Ole Opry, placing it in the same ranks as Coca Cola, Nike, and other great brands."

But the company hopes to take this percentage even higher. More and better artists on the Opry stage have increased ratings on its Saturday night CMT television show by 40-50 percent, and they plan to syndicate the Opry on FM stations and send WSM's signal worldwide via satellite.

Gaylord telescoped on these entities last year, after Kloepfel and other management realized a radical shift was necessary to refocus the company into a few key areas. "The focus had been so broad, the company couldn't do any one thing great, and there weren't appropriate mechanisms in place to ensure shareholder interests. We analyzed our businesses, sold and closed a number of them, and decided our core businesses would be entertainment and hospitality."

Gaylord's next challenge is to make their hotel brand as strong as WSM's. Their Gaylord Opryland Hotel in Nashville is the largest meeting and resort facility in the world. Another hotel is located in Orlando, one is under construction in Texas, and a fourth is planned for the Washington, D.C., area.



Some of Gaylord's and Owen's winning lineup (from left): Key Foster, '99, vice president of corporate finance; Steve Buchanan, '85, senior vice president, media and entertainment; David Kloepfel, '96, executive vice president and CFO; Bennett Westbrook, '94, vice president, development; Jason Morgan (seated), '95, vice president, strategic planning; Ben Marks, '02, director, strategic planning; and Carol Winn, '90, director, marketing research.

"We conduct great meetings for large group customers [tradeshows, and big corporate and association meetings] and know we can be the leader in this area. Our physical product is key but, more importantly, we ensure that our customers are served in a way they can't be served anywhere else." Customer service training for front line staff, and customer-based incentive programs for all employees have been implemented. "We are marketing ourselves better, so that customers know what kind of experience to expect from a Gaylord Hotel."

Kloepfel wasted no time in enlisting Owen's help, placing a call to Dean Bill Christie one week after arriving on the job to discuss how to get student input on these challenges. Within two days, Bruce Lynskey, assistant clinical professor of entrepreneurship, produced a list of 20 students interested in helping Gaylord with its strategic plan.

"The students brought a multidisci-

plinary approach to the process that made a tremendous difference in some of our business plans," Kloepfel says.

It is apparent that Gaylord and Owen are going to continue making "suite music" together. The strategic plan is complete, but the company has ongoing need for student help in marketing and research, IT, and other areas. "The arrangement is appealing, because we get the benefit of students' ideas and training and can evaluate them as potential hires. The projects also help Owen connect to the Nashville community and give students real-time, real-world experience."

Gaylord reinforced this relationship by sponsoring Owen's eStrategy contest last spring and establishing two new scholarships (see page 3).

"We view our relationship with Owen very much as a partnership and are working to establish programs that benefit both of us," Kloepfel says.

—Beth Matter

# Auditing the Auditors

In the wake of recent corporate scandals, how can investors make wise investment decisions, and firms and auditors win back the public's confidence?

Paul Chaney, associate professor of accounting, offers tips gleaned from his study, "Shredded Reputation: the Cost of Audit Failure," that he conducted with Kirk Philipich of Ohio State University. The study examined all 284 of the S&P 1500 public companies audited by Arthur Andersen and found that the Andersen-Enron scandal caused widespread and immediate loss in the marketplace.

"In the three days following the announcement that Arthur Andersen shredded audit documents, Andersen's clients' market value dropped two percent, or \$37.1 million, indicating a failure of trust," Chaney says. "Companies audited by the same Andersen Houston office that audited Enron suffered a striking four percent loss." (See related article next page.)



## Advice for Investors:

- Determine who audits the company. Do not invest in companies audited by low quality audit firms.
- Determine whether the company restated prior years' earnings. If so, was the restatement due to inappropriate accounting approved earlier by the auditors?
- Find out whether the audit firm has been fined by the SEC for audit violations in the past five year. If so, why?
- Question the nature of non-audit fees paid to the CPA firm. ("Enron paid Andersen millions for both auditing and consulting," Chaney says. "We could not document that this combination influenced the public's punishment of other Andersen clients, but it does raise questions about the auditor's independence.")
- Question a company's rapid growth. ("If a company is reporting rapid growth, as Enron did, find out whether this is because it is using aggressive revenue recognition policies. In short, are they telling the truth?")

## Advice for Companies:

- Consider the impact of your auditor's reputation, including the auditor's perceived independence. ("The market punishes firms with aggressive reporting strategies that work with a low quality auditor.")
- Constantly monitor and improve the quality of your internal audit function. ("Make sure your audit committee members are financially literate. This is vital.")

## Advice for Audit Firms:

- Require mandatory rotation of partners in charge of large audits.
- Audits should remain independent of consulting work by the same firm. ("Audit firms must recognize that a lack of independence not only reduces the auditor's reputation but can also reduce their clients' market value. Ultimately, it can result in the audit firm disappearing from the universe.")

—Susanne Loftis

# faculty NEWS

**Bruce Barry**, Brownlee O. Currey Associate Professor of Management, is serving a one-year term as president of the International Association for Conflict Management, a professional society for scholars and practitioners in conflict resolution/negotiation. His

papers on intelligence in negotiation (with Ph.D. student Ingrid Fulmer) and free speech in organizations (with Ph.D. student Sharon Voris) were presented at IACM's annual meeting in Park City, Utah. He gave invited talks on his long-term motivation research at

universities in Sydney, Melbourne, and Canberra, Australia and Auckland, New Zealand. Barry co-authored (with R. Lewicki, D. Saunders, and J. Minton) the fourth edition of *Negotiation: Readings, Exercises, and Cases* (McGraw Hill/Irwin).

Professor **Ruth Bolton** received a grant from the Teradata Center for her research (with Katherine N. Lemon) on "Mod-

eling the Customer Upgrade Decision." The breadth of a customer/company relationship can be characterized by the extent of "cross-buying"—the purchase of additional (different) products from the same company by a customer over time—an important revenue stream for many companies, Bolton says. The results of the study should help guide companies in managing customer/company interactions to

## ACCOUNTING FOR STANDARDS

Life for Paul Chaney, associate professor of accounting, hasn't been the same since Enron. Prior to the debacle, he had been interviewed by the press maybe three times in the last decade. Lately it averaged three interviews a week, only tapering off recently. On the day of this interview, a



Chaney

post-it note taped to his bookcase read, "Urgent: Talk to *Dow Jones Newswire* about treasury and risk management." His name has popped up frequently in articles in the *New York Times* and *Wall St. Journal Online*, among other outlets. A reporter from *CBS Marketwatch* listened in on his class.

His scholarship has taken on the same fever pitch, as he is beating all records to write a series of papers on the accounting scandal, including "Shredded Reputation: The Cost of Audit Failure," with Kirk L. Philipich, of Ohio State University. Scheduled to appear in the *Journal of Accounting Research*, it was such hot property that a number of journals offered to publish it "as is," unheard of in academia.

The researchers looked at the impact of the Enron audit failure on Arthur Andersen's other clients in the three days following the announcement they had shredded documents. "Investors definitely downgraded the quality of the audits performed by Andersen," Chaney says. Andersen clients experienced a market value drop of two percent (\$37.1 million), while the firm's Houston's clients suffered a striking four percent loss.

"Whether these companies can recover depends on how the market interprets their subsequent reports. The Justice Department complicated the situation by putting Andersen out of business, leaving firms unable to signal their quality by voluntarily switching to another auditor."

Life for Chaney also has changed in the classroom, where accounting is now a hot subject. "Students earlier didn't understand why they had to take two mods of accounting. 'We are going to hire someone to do the accounting,' they would say. But now they realize they need to understand how accounting affects their business. The more they understand, the better." —Beth Matter

increase share of wallet, improve customer retention, and achieve long-term growth, as well as help enable managers determine, for example, whether investments in price discounts will have a greater or lesser effect on customer upgrade decisions than investments in service quality initiatives.

**Joseph D. Blackburn Jr.**, James A. Speyer Professor of Production Management, gave presentations last spring on “Strategic Sourcing Decisions in Make-to-Stock Manufacturing” at the Production and Operations Society Meeting in San Francisco, the MSOM (Manufacturing and Service Operations Management) Conference at Cornell University, and at the Carlson School of Management, University of Minnesota.

**Nicolas Bollen**, assistant professor, presented and/or published several papers: “On the Timing Ability of Mutual Fund Managers” (with Jeffrey A. Busse) in *Journal of Finance*, June 2001; “The Performance of Alternative Valuation Models in the OTC Currency Options Market” (with Emma Raisal) in *Journal of International Money and Finance*, January 2002, and presented at Cornell University’s Annual Derivatives Conference, held on Wall Street last April; and “Does Net Buying Pressure Affect the Shape of Implied Volatility Functions?” (with Robert E. Whaley), presented at the American Finance Association’s annual meeting in January 2003. Bollen received a grant from the Financial Markets Research Center to study impact of stock market decimalization on mutual funds trading costs.

Professor **Mark Cohen** chaired a session, “Transparency After 9/11: Balancing the ‘Right to Know’ with the Need for Security” at the University of California’s Bren School of the Environment. He also chaired a session on “Environmental Regulation” and presented “Information Disclosure as Environmental Regulation: A Theoretical Analysis” at the World Congress of Environmental and Resource Economists in Monterey, California. Recent publications include “Online Corporate Environmental Reporting: Improvements and Innovation to Enhance Stakeholder Value” in *Corporate Environmental Strategy*; “Criminal Law as an Instrument of Environmental Policy” in *Law and Economics of the Environment*, and “Costs of Crime” in *Encyclopedia of Crime and Punishment*.

**Ray Friedman**, associate professor, received the “Best Theory Paper” award from the International Association for Conflict Management for his study, “E-Mail Escalation: Dispute Exacerbating Elements of Electronic Communication.” The paper, examining how conflicts escalate when managed via email, has received press coverage in *USA Today*, *Los Angeles Times*, and other media outlets. Another paper, “The Effects of Network Groups on Minority Employee Retention,” is scheduled for publication in *Human Resource Management Journal*.

**Luke Froeb**, the William C. and Margaret W. Oehmig Associate Professor of Entrepreneurship and Free Enterprise (with Greg Werden of the U.S. Department of Justice) led a training seminar for 30 European Union econo-

mists on “Quantitative Benefit-Cost Analysis of Mergers” at the Swedish Competition Authority in Stockholm. The economists learned how to use Froeb’s software, SimMerger™, to evaluate competitive effects of mergers. Froeb is organizing a seminar at the annual meeting of economists in Washington, D.C., on “What Happens After Merger?” and is writing two chapters for the American Bar Association’s treatise on econometrics, one of them on auctions with Mike Shor, assistant professor.

**Piyush Kumar**, assistant professor, published the paper “The Impact of Performance, Cost, and Competitive Considerations on the Relationship Between Satisfaction and Repurchase Intent in Business Markets” in *Journal of Service Research*.

**Michael Lapré**, assistant professor, published the paper “Creating and Transferring Knowledge for Productivity Improvement in Factories” in *Management Science* (October 2001, with Luk Van Wassenhove), and organized and chaired a panel discussion on “Future of Learning Curve Research” at the Production and Operations Management Society 2002 Conference in San Francisco. With Professor Gary Scudder, he presented a paper on “Performance Improvement Paths: Empirical Evidence from the U.S. Airline Industry” at the 2002 Manufacturing & Service Operations Management Conference at Cornell University. Lapré serves on the editorial board of a new journal, *Operations Management Education Review*.

Professor **Larry LeBlanc** gave presentations on Management Science in Spreadsheets and Visual Basic for Applications at Università di Pisa and Università di Padova in Italy, the University of Chile, and at the Miami INFORMS conference, as well as an executive seminar on the same topics at CEI Limited. He advised Nu-kote International on large-scale optimization modeling for supply chains. He recently published “Planning Models for Wide-Area Communication Network Design with Response-Time-Dependent Offered Traffic” in *Information Technology and Management* (with S. Narasimhan and B. Ran) and “Network Design Using SMDS and Leased Lines,” in *Telecommunication Systems* (with J. Park and B. Lim), and joined the editorial board of *Operations Management and Education Review*.

**Bruce Lynskey**, assistant clinical professor, has been named CEO of Visual Risk Technologies in Nashville. He previously served on its advisory board. Lynskey earlier held executive officer positions at Bay Networks (acquired by Nortel Networks) and Vigilant Networks (acquired by GenTech). He held other executive officer positions at Kaon Interactive, Top Layer Networks, and Softricity—all closely held start-up companies that have successfully raised multiple rounds of venture capital (even in the current market) and are steadily generating revenue. He currently holds board seats at five technology companies. He and other entrepreneurship faculty last summer offered a workshop series for entrepreneurs in technology start-up companies at the BizTech business incubator in Huntsville.

## THE PRICE IS RIGHT

Issuing firms whose IPO underwriters are also prior equity investors often find the price is right, says Professor Ronald Masulis, the Frank K. Houston Professor of Finance, who conducts research in this area with Xi Li, PhD ’02, assistant professor at the University of Miami.

“We are asking whether underwriters with existing investments in an issuer tend to price deals more or less aggressively [a less aggressively priced deal results in a higher IPO price relative to the initial after-market price and thus creates more di-

lution of prior equity investors],” Masulis says.

Prior underwriter investment can have two effects, he says. “It can improve underwriter access to IPO issuer information, thereby enhancing the credibility of their due diligence investigations and raising investor demand and IPO offer prices. Or, it can decrease alignment of underwriter interests with IPO investors, decreasing the credibility of underwriter due diligence investigations and lowering IPO prices.

“In such cases, underwriters can increase their credibility by voluntarily accepting a lockup clause, requiring them to become long term shareholders and increase their alignment with outside investors, or they can seek an independent opinion of an appropriate IPO offer price.”

Preliminary findings indicate that underwriters with prior positions produce higher pricing, especially in the case of lead underwriter shareholdings. “The dual relationship actually makes the underwriter more credible with investors,” he says.

Masulis, whose expertise is in investment banking, corporate finance, market microstructure, and financial institutions, recently received recognition for his intellectual contributions to these fields. *Financial Management* listed him in the top one percent of all finance faculty in terms of number of times their articles have been cited by others in the last 25 years. Masulis ranked 21st with 563 citations. — Beth Matter



Masulis

**David Parsley**, associate professor, recently published two papers: “Explaining the Border Effect: The Role of Exchange Rate Variability, Shipping Costs, and Geography” (with Shang-Jin Wei) in the *Journal of International Economics*; and “Official Exchange Rate Arrangements and Real Exchange Rate Behavior” (with Helen Popper) in the *Journal of Money Credit and Banking*. He also recently was an invited research fellow at the Hong Kong Institute of Monetary Research and a visiting scholar at the International Monetary Fund. His current projects

focus on quantifying global goods market integration, measuring spillovers in asset markets, and explaining variability in real exchange rates.

Professor **Gary Scudder** and Michael Lapré, assistant professor, presented a paper “Performance Improvement Paths: Empirical Evidence from Airlines” at the Manufacturing and Service Operations Management conference at Cornell University in June. The research examines how airlines improve cost and quality performance.

**Hans Stoll**, the Anne Marie and Thomas B. Walker Professor of Finance, and director of the Financial Markets Research Center, served on the program committee for the NYSE conference on Practices and Concerns of Institutional Buy-Side Equity Desks in December 2001. In 2002, he participated in the Brookings-Wharton conference on The Future of Securities Markets, in Washington, D.C.; presented the paper “Measuring Market Quality: The Relation Between Quoted and Effective Spreads” at SMU; lectured on market micro-

structure at the University of Krems, Austria, and attended the Financial Economists Roundtable in Montreal. Recent publications include “Regulation of Financial Markets: A Focused Approach,” in the *Journal of Applied Corporate Finance*, (Winter 2002).

## LEADERSHIP DINNER TURNS SILVER

PHOTOS BY DAVID CRENSHAW AND NEIL BRAKE

Associates and other Owen supporters received a well-deserved “thank-you” at the elegant 25th anniversary Leadership Dinner May 31 at the Frist Museum of Art.

There was much to celebrate—completed renovations of Management Hall, stronger classes than ever in terms of GMAT scores and GPA averages, outstanding wins by student teams at prestigious case competitions, new scholarships and faculty chairs, the success of the new Law and Business program, the Executive MBA program named 17th in the world by *Business Week*, and other great rankings—and many people to thank for this success.

### Particular thanks went to

- John Ingram, '86, chairman of the Ingram Book Group, for chairing the Owen Associates (donor society for those giving \$1,000 or more annually) and for matching every new dollar received in last year's Owen fac-



William Spitz, Vanderbilt vice-chancellor for investments and treasurer, and John Ingram, '86, Owen Associates chair



David Ingram, '89, Owen Campaign chair, and Evelyn and Sam Richmond, dean emeritus



Dean Bill Christie

ulty/staff campaign; and David Ingram, '89, chairman and president of Ingram Entertainment, Inc., for chairing the Owen Campaign steering committee. The Ingrams also host the Associates 7:29 breakfast program, held quarterly at Ingram Industries, and support Owen in many other ways.

- James Herring, '89, vice president/private wealth management for Goldman Sachs in New York City, awarded that night the Distinguished Young Alumnus Award for bringing outstanding Owen students to the attention of Goldman's New York office, and for service as former president of the Owen Alumni Association Board of Directors. “Vanderbilt and Owen played a significant role in how I view the world and its opportunities,” he told the attendees. “I learned there that competing and winning on a bigger scale is possible and attainable. Owen is an even more exciting place of opportunity today than when I was a student. I look forward to continuing to be involved and witnessing its terrific future.”
- William C. Oehmig, '73, investment banker with the Sterling Group, and his wife Margaret, of Houston, for endowing the William C. and Margaret W. Oehmig Professorship of Entrepreneurship and Free Enterprise. It was announced that night that the professorship was awarded to Luke Froeb, associate professor of economics at Owen.
- Gaylord Entertainment Corporation, which has endowed two new scholarships, sponsored Owen's eStrategy contest, and has engaged students in hands-on work experience through Owen's entrepreneurship program, among other contributions.
- Sam Richmond, dean emeritus, for starting the Leadership Dinner 25 years ago.



Luke Froeb, the William C. and Margaret W. Oehmig Associate Professor of Entrepreneurship and Free Enterprise



Ian Arnoff, chairman, Bank One, Louisiana, and member of Owen's Corporate Advisory Board, and Renee Franklin, '89, president of the Owen Alumni Association Board of Directors

Great strides occurred at Owen last year, but much more work needs to be done to take the School to the next level, Dean Bill Christie said. “The Owen Shape the Future Campaign is identifying such critical needs as additional scholarships and faculty chair endowments, resources for research centers, and a building expansion, and identifying donors to meet those needs. The future of Owen and Vanderbilt has never been brighter. Thank you for helping to shape the future of graduate management education and educate tomorrow's business leaders.”



James Herring, '89, Distinguished Young Alumnus, with his prize, a Vanderbilt lamp

## class ACTS

Please note: Class Notes only appear in the print version of this publication.

### Early, Smith Head Key Alumni Efforts

Robert L. Early has been named the new executive associate vice chancellor for the Department of Development and Alumni Relations, with responsibility for leadership and management of all aspects of fund-raising and alumni relations at Vanderbilt University.



Early



Smith

Early's appointment last August is part of a reorganization of the University's fundraising and alumni relations functions, says Nicholas Zeppos, provost and vice chancellor for academic affairs.

Formerly associate vice chancellor for principal gifts, and associate director of University development, Early joined Vanderbilt's alumni and development department in 1983 as assistant dean for alumni and development at the Divinity School.

Randy Smith, BA '84, MDiv '88, became associate vice chancellor of alumni relations in December. Previously he served as associate vice chancellor supervising regional development, the parents campaign, planned giving, and principal gifts. Smith also has served as director of regional development, assistant director of development for the Divinity School, and began his career at Vanderbilt in 1996 as director of alumni education and travel.



## The Sum of Its Parts

**E**quation for business success: Combine three people from different backgrounds, add two years together at Owen, calculate in 10 years of divergent industries post graduation, and factor in vision. Result: one fast-track company in the insurance and financial services industry.

The story begins in 1989 when Bob Davis, Keith Duke, and Forrest Collier entered Owen. Although an unlikely combination—they came from different parts of the country, had different backgrounds and interests—the three were soon inseparable. “Very early on, we became study partners, supporting each other, as we struggled through two years of getting our MBA,” Davis says.

Following graduation, they went their separate ways. Duke, who brought a mechanical engineering background to Owen, went to work for Destec Energy in Houston in various financial capacities. He later moved to San Francisco to serve as development manager with a private equity group raising investment capital for large energy projects primarily in Latin America.

Collier flew high as a principal of Airline Management Services, an American Airlines subsidiary, which established



Forrest Collier, Bob Davis, and Keith Duke

equity, marketing, and service relationships with other carriers. Meanwhile, Davis, who had come from the banking industry, moved to Atlanta with McKinsey Consulting, then became director of operations for Compaq’s Enterprise Storage division, followed by a period as COO for StorageProvider, an outsourced data management firm.

A vision for the financial services industry reunited the three. Collier and Duke in 1996 met in Birmingham with John Robinson, who, after years in the business, saw the financial services industry changing to a multidisciplinary approach. In 1998, they formulated a business plan, raised seed capital, and acquired their first five companies. High-

land Capital was born.

Today, Robinson, as founder, remains president, CEO, and chairman of the board. Collier is executive vice president and COO with responsibility for day-to-day execution of the business. Duke is executive vice president and CFO with responsibility for Highland Capital’s finances and acquisitions. And Davis most recently arrived as vice president in charge of technology and operations.

Having raised more than \$65 million, Highland Capital now has over 50 offices in 25 states, and has emerged as a national distribution company providing financial products and services to the corporate and affluent marketplace. But growth hasn’t been easy. “We have worked hard; it’s required lots of hours,” they say. “We pulled more all-nighters than we ever did at Owen—and we pulled quite a few there.”

Could they have succeeded without their years at Vanderbilt? They unanimously say no. “The Owen culture is team oriented and forces you to operate in study-project groups,” says Collier. “Owen equips you to multi-task and acquire many competencies.”

—Carol Wissmann

## New Programs Tap the Alumni Network

### On the Blackboard: Alumni Career Services

Alumni may soon be headed to Blackboard, Owen’s intranet system, because of a new, free career development site announced in January. From active job searching, to learning new career/industry information, to accessing breaking news in the business world, the new site is invaluable for the Owen community.

“The goal for the site is to be a one-stop shop for all alumni career development needs,” says Suzanne Scott-Trammell, creator of the newly established Alumni Career Services program. “Alumni can use it not only when they’re looking for a job, but also as a source for all types of useful executive information. Dean Bill Christie made a significant investment in this program to provide our alumni with the latest career management tools and expertise. Our plan is to include EMBA alumni in this service, most specifically those EMBA’s who funded themselves through the program.”

To access the site, go to Owen’s homepage at [mba.vanderbilt.edu](http://mba.vanderbilt.edu). Click on Alumni Career Services and follow the instructions provided.

New services on the site include

- **Owen Alumni Job Posting Site**—A secure and targeted job posting site that allows alumni, corporations, and the Career Management Center to post jobs for free. This site is actively being marketed to recruiters as a source for experienced/executive level talent. Alumni can post resumes for specific positions, search for positions, and participate in a virtual resume book. The site also allows the CMC to maintain a database of corporations interested in hiring alumni and to target mailings accordingly.
- **WetFeet Guides Online**—Owen is one of the first business schools in the U.S. to make these resources available to alumni. Previously available only in hard copy at the Walker Management Library, alumni now can access the guides for in-depth information on companies, industries, and career functions.
- **CareerTools**—An online career management site that is now available to alumni for free. Information is provided by Lee Hecht Harrison, a global outplacement firm.
- **CareerLeader**—An online career assessment for business professionals that is available to alumni at a reduced cost. The assessment, developed by Harvard business psychologists, is the most widely used among business schools.
- **One-on-One Career Counseling**—Alumni may contact the Career Management Center for free individual career counseling and resume critiques. Contact information is included on the site.

### Outreach Referral Program

Know a good candidate looking for an MBA or an Executive MBA program? Refer them to Owen’s MBA Admissions Office or the Owen EMBA Office. In addition to saving the candidate the \$100 application fee (only for students referred prior to submitting an application), referrals can help to improve the size, quality, and diversity of the applicant pool. Some of the strongest candidates historically, and those who have produced the greatest enrollment yield, are those who have been referred by members of the Owen and Vanderbilt community.

To refer a prospective full-time student, please go to <http://mba.vanderbilt.edu/mba/index.cfm> and complete the online referral form. The MBA Admissions Office will send admissions materials to the prospective student, and encourage an application submission and a visit to campus. To refer a prospective EMBA student, simply contact the EMBA Office (615/322-3120 or [emba@owen.vanderbilt.edu](mailto:emba@owen.vanderbilt.edu)). An alumnus can endorse an EMBA candidate by sending a letter of recommendation, which will be added to the candidate’s application. If the candidate is admitted to either program, the referring individual will be asked to follow up with the prospect to ensure the benefits of the program are reinforced, questions are answered, and the offer is accepted.

As an incentive, alumni and others in the Owen community who have referred the greatest number of applicants, admitted applicants, and enrolled students will receive awards and special recognition for their efforts after the start of the school year in August. —Lew Harris

## CFO Cowboy

**“M**y hometown’s a-comin’ in sight; if you think I’m-a happy, you’re right—Six days on the road, and I’m gonna make it home tonight.” “You’re listening to 650 WSM Radio, and this is Dolly Parton.”

No monotone muzak here, on hold on the telephone to speak with David Kloepfel, '96, in Music City. After all, he is executive vice president and CFO for Gaylord Entertainment Company, home of the Grand Ole Opry, Gaylord Opryland Hotel, the Ryman Auditorium, and other entities.

Kloepfel answers and talks about his move back to Nashville and to Gaylord. “It was an opportunity to move back to a city I knew and liked very much, and to work in an organization going through lots of changes and challenges.”

If it sounds like Kloepfel’s humming his own a-comin’-home melody, he is.

Although originally from Jacksonville, Florida, he attended Vanderbilt as an undergraduate, worked a few years in Nashville, and then attended Owen. There he met and married his wife Ann from Kentucky, who currently serves on the Owen Alumni Board. “We have a warm spot in our hearts for Owen that shouldn’t be minimized,” he says. “Not only because it prepared both of us for our professional lives—but we met one another there.”

After graduation, opportunity took

them to New York City and Kloepfel to a career in investment banking, most recently with Deutsche Bank. Ann worked as manager of marketing research at Odyssey Channel, now the Hallmark Channel.

Kloepfel specialized in mergers, acquisitions, and in advising companies on strategic alternatives in the lodging, leisure, and real estate industries. It was through a client relationship that he became acquainted with Mike Rose and Colin Reed, then chairman and CFO respectively of Harrah’s Entertainment in Las Vegas.

All since have become top level management at Gaylord, where they have faced a new set of challenges. “A number of Gaylord businesses were losing money and not a strategic fit for the focus we wanted,” Kloepfel says. They redeployed capital from such entities as Word Records, a Christian music record label, and Acuff-Rose Music Publishing to expand their primary business of hospitality and the secondary focus of extending the reach of the Grand Ole Opry and WSM radio.

Today they are experiencing nothing short of boot scootin’ success. Gaylord Opryland Nashville is the largest resort and convention center in the world under one roof. Gaylord Palms Florida opened in February, and another Opryland Resort & Convention Center is being finished in Grapevine, Texas.



Kloepfel

DANIEL DUBOIS

(See related article on Gaylord on page 37.)

Kloepfel’s job requires a broad range of skills, and he credits Owen for an excellent preparation, allowing his ease of transition into a different industry. “Many of the issues I deal with on a daily basis—finance and operating strategy—are the same as that at my job in New York. What is new to me is the entertainment business—a wonderful fringe benefit as Ann and I enjoy country music.” Indeed, they recently took their three-year old daughter, Lucy to see the Dixie Chicks at the Grand Ole Opry. They also have two-year-old twin boys, Tate and Campbell.

Sounds like lyrics for a sweet song of success. “If you think I’m-a happy, you’re right....”

—Carol Wissmann



BIRMINGHAM NEWS STAFF/MARK ALMOND

### A Hole-in-One for Education

Brad Martin, center, E’80, chairman and CEO of Saks, Inc., and his son, Raul, enjoy a laugh with baseball Hall of Famer George Brett at Martin’s Invitational Golf Tournament in Birmingham last year. The tournament, an annual affair, draws a number of CEOs and celebrities and raises more than \$700,000 per year to benefit the Martin Scholarship Fund for children of employees of Saks, Inc. Martin appeared at Owen last fall as a Distinguished Speaker, telling students the Saks story. (See his comments on page 7.)



DANIEL DUBOIS

## An Owen Welcome

Renee Franklin, '89, welcomed the class of '04 to campus at a barbecue during orientation in August. "The network you build here is second to none, so make sure you take some time to get to know your classmates and professors and enjoy yourself," she told the first-years.

The president of the Owen Alumni Association Board of Directors also put in a plug for service to the School. "Your gifts to Owen, in terms of your time and talent as a student, and your time and talent as well as your money later as an alum, are invaluable. These gifts are not just for the School; they are for future students, who will benefit from increased scholarship monies and better facilities and programs. There is no better legacy than helping those who come after us."

## Driving Force

Mexico City may be the world's largest city—20 million people and three times the size of New York City—yet Ford of Mexico still came to Dearborn, Michigan, looking for Renee Franklin, '89, to be its director of human resources.

Of the 8,000 employed by Ford below the border, few come from abroad. "I was having a great time working in the truck division in Dearborn," Franklin says, "but Ford asked me to move south, so the last two of my 13 years with the company have been in Mexico."

The company is structurally part of Ford of North America, which includes the U.S., Canada, and Mexico. "But you could separate us, and we would be a free-standing business. We have two assembly plants, an engine plant, and every staff function from sales and mar-

keting to purchasing, engineering, finance, human resources, among others." Cars manufactured there are exported to the U.S. and South America, as well as sold locally.

"Ford is a prestigious company and has been a major employer in Mexico since 1925," she points out. At one time, Ford had an even larger presence in Mexico, including owning a Studebaker-Packard facility in Tlalnepantla.

But competition, considered commonplace in the U.S., has now come to Mexico. Toyota arrived in April, and other auto manufacturers recently followed, viewing Mexico as a growth market. These changes also have created challenges in human resources.

"Ford is a stable company in a cyclical industry. But its inertia as a large company, together with Mexico's political situ-

ation, makes it resistant to change. Until the last election, every change in presidents brought economic crisis. We need to work on a cultural change process to help employees understand and adapt to a shifting business environment."

But such challenges invigorate Franklin, who also is enjoying the richness of her adopted city. ("Anything you want or need you can find here. I love the city's diversity.")

"My job is a chance of a lifetime, and Vanderbilt gave me the framework to be successful. To do well in human resources, you must understand the business you're supporting. Owen helped me to do that. And you need to work in a team and encourage others to contribute. It's not enough to be smart yourself; you have to help others be successful as well.

The course work at Owen, structured with group projects, reinforced that."

Franklin's Vanderbilt connection extends beyond her Owen degree. Her father, Jimmie Franklin, is a professor of American history, emeritus, in the College of Arts and Science. She has given back to her alma mater for a number of years through her work on the Owen Alumni Board, this year as president.

"The school is on a phenomenal trajectory. We continue to have the best faculty, administration, and a strong student body. We are going to strengthen that legacy through the Shape the Future Campaign and other efforts, raising money for scholarships and faculty chair endowments, in order that the School can continue to help shape the future of management education."

—Carol Wissmann

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