

# MINNESOTA BUSINESS NEWS

Published by the School of Business Administration

Number One

University of Minnesota, Minneapolis 14, Minnesota

April 1961

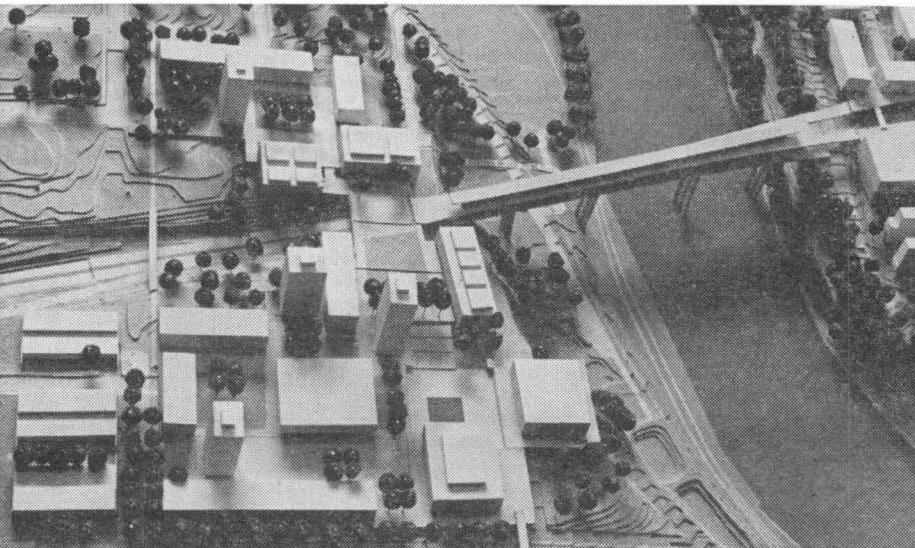
## Annual B-Day Has Professional Slant

Edward Gudeman, U. S. Under-Secretary of Commerce, will speak at an April 14 Business-Day program reoriented, at student request, toward a professional view of business education. B-Day is an annual student event at the University.

B-Day will begin at 10:30 a.m. when a top management panel of Twin Cities businessmen will view "The Business School Graduate and His First Job." At lunch, 25 tables sponsored by Minnesota business firms will seat firm representatives, faculty members, and 150 top Business School students for an informal luncheon seminar.

After lunch, winners of a three-week management game played by students in B.A. 60, a senior course in Business Policy, will be introduced. The students have been playing the "game" since March 27, making a simulated two years (eight quarters) of business decisions via computer for their imaginary firms. The day before B-Day, three finalist teams will travel to Rochester, where they will play-off for the championship by making two to three years of business decisions in one day with the help of continuous IBM feedback on advanced computers at IBM's Rochester plant.

Mr. Gudeman's 2 p.m. Convocation speech is open to the public free of charge.



Architect's scale model shows the University's new West campus, to be built across the Mississippi river from the present campus. The two-level bridge shown will carry both vehicle and foot traffic, and will replace the present Washington avenue bridge. The new campus is adjacent to areas being redeveloped by Fairview hospital and Augsburg college.

## Business School Publications Solve Daily Problems, Aid Future Planning

One of the major community service activities of the University School of Business Administration is the frequent publication of studies of current business problems and trends.

Prepared by faculty members who are experts in their various fields, these studies offer practical solutions to the problems under discussion and help predict future growth and market potential.

One of the School's most popular publications is the Studies in Economics and Business series. Three of these booklets are currently in print:

No. 19: "Price Discrimination in Property and Liability Insurance," by Prof. C. Arthur Williams, Jr. 1959. 100 pp. \$2.50.

No. 21: "Estimated Distribution of Minnesota Taxes and Public Expenditure Benefits," by Prof. O. H. Brownlee. 1960. 45 pp. \$1.50.

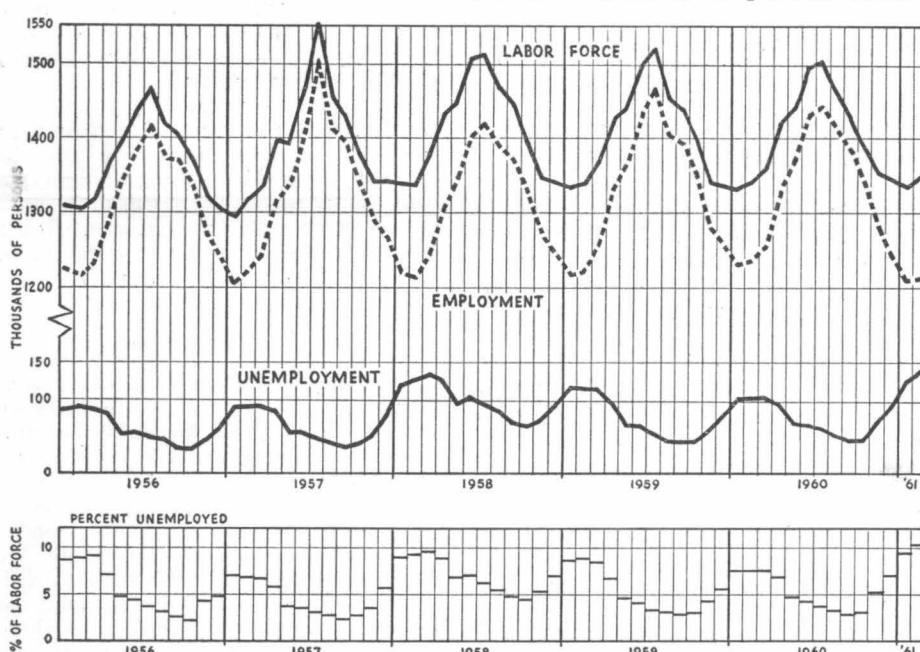
No. 22: "The Impact of Unionism on Wage-Income Ratios in the Manufacturing Sector of the Economy," by Prof. Norman J. Simler. 1961. 71 pp. \$1.75.

Another publication that has proven popular with businessmen throughout the state is the "Business News Notes" series of shorter research papers prepared by faculty members and available free of charge. Many back issues still available include:

No. 50: "Racial Differences in Consumption Patterns," by Prof. Marcus Alexis. Sept., 1960.

No. 49: "An Economic Theorist Looks at the Farm Problem," by Prof. Martin Bronfenbrenner. May, 1960.

To order publications listed, write to School of Business Administration, University of Minnesota, Minneapolis 14, Minnesota.



Unemployment in Minnesota, normally up in the wintertime, this year has risen more than normal for the season. The state's labor force averaged 1,367,000 in 1956 and increased to an average monthly figure of 1,406,000 in 1960. This is an average annual increase of 10,000 workers added to the state's labor force. During the same period, employment went up from 1,308,000 to 1,330,000, an increase of 22,000, or 5,500 per year.

Statistics from Minnesota Department of Employment Security

# Minnesota's Aim: Broad Professional Training

by Dean Paul V. Grambsch

A favorite whipping boy in American education is the undergraduate school of business administration. Criticism of programs, curricula, students and faculties comes from many quarters.

Some criticisms based on careful investigation are contained in excellent reports which are being used by the schools to improve their programs and strengthen their student body and faculty.

Other criticisms stem from personal opinion and rest largely on some questionable assumptions.

## Mass 'Smear' Unfair

If business schools had not shown a great desire for self-improvement over the last few years, those of us who have been concerned with upgrading educational standards might welcome William Benton's scathing denunciation of undergraduate work in business.

But Mr. Benton has chosen to smear all schools with the same black brush. He puts schools which have high mathematics or economics requirements in the same class with schools which devote more of their time and resources to the so-called business

skills of typing and shorthand, and to courses made up largely of descriptive matter.

Thus many of us feel that a real injustice has been wrought, and that, to serve the best interests of the School of Business Administration at the University of Minnesota, it is time to assess the strengths and weaknesses of our program in order to defend ourselves.

At Minnesota, a movement is underway to upgrade and interest our students in becoming more serious about their course work and in adopting professional attitudes which we hope will carry them forward to better achievement in the years after they leave school.

Our faculty is also interested in self-improvement. Many will attend our Mathematics Institute, in which they will go back to school this summer and fall to study mathematics.

## Interest Counts Too

Our school is relatively small compared to many business schools, a fact which attests to the standards we hold. While it is true that business schools do not attract their share of top-flight students as measured by scholastic aptitude tests, there is no reason to believe that our students are so in-

ferior that the interest and aptitude they show for their business school courses cannot make up for what they might lack in aptitude for scholarly work. Enrolled in some other course of their own choice, I am sure they would perform just as satisfactorily. They choose business because they are interested, not because they think it is easy.

## 60% Liberal Arts

At Minnesota, as at other good collegiate schools of business, we recognize that our first obligation is to give students a well-rounded education. At least 50% of the work at good schools is taken in subjects other than business. At Minnesota, with economics and statistics offerings considered a part of liberal arts (as they most certainly should be), the percentage runs to some 60%. Moreover, in most liberal arts programs the student spends a great deal of time studying in his major field in his senior year. Since the major field is strongly oriented vocationally in many of the liberal arts programs, it is doubtful whether advanced courses are taught with the same liberal orientation as basic beginning courses. Thus a liberal arts student, like the business student, probably receives only 50% or 60% of his education in what would be called liberal arts.

Furthermore, courses labeled "marketing," "finance," "production," etc., are not "narrow vocational courses of a highly specialized nature." These courses are entirely too broad, in fact, with too little time spent on problem-solving in specific areas. Courses that relate to marketing, production, and financial institutions can be—and are—taught in the same liberal tradition as so-called liberal arts courses. These are some of the key institutions of our times, worthy of study in their own right.

The business student may have vocational objectives in mind, but this does not mean that his courses must be vocationally oriented. The problem-solving work we deal with has far more variables than the usual physics or chemistry problem, and offers a potential challenge greater than that found in many programs in the University.

## We Fill A Need

Increasing emphasis is being placed today on graduate work in schools of business administration. Here at Minnesota the MBA program and other graduate programs are attracting increasing attention, and the number of students threatens to overwhelm us. Nevertheless, we are not going to abandon undergraduate education in business. We have long since accepted Mr. Benton's challenge—and we are continuing to modify our present structure and to build new educational devices to further the cause of business education.

Business schools everywhere are on the march. They are a powerful force in America's educational effort, and will serve our country well in the world-wide competitive struggle we face.

## Benton Raps Business Schools

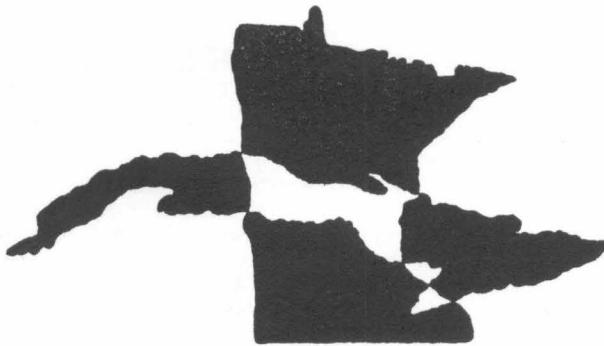
- Majoring in business is a waste of time, money, and a priceless opportunity to prepare for successful careers.
- Business schools teach routine vocational skills which can be learned better and faster on the job.
- Business courses are catch-alls for inferior students.
- First-rate postgraduate business schools prefer liberal arts majors to business majors.
- Business schools exemplify everything conspicuously wrong with our educational values.

These are only five of the serious charges leveled at business schools by William Benton in a recent magazine article, "The Failure of the Business Schools." Benton, who studied at Yale in the early '20's, writes that "I specialized in a mishmash labeled 'Finance,' to my everlasting regret." Describing his schoolwork as "snap courses with as much intellectual meat as a comic strip," Benton laments that today America's largest group of undergraduates—one of five male college students—is "falling into the identical trap." Benton raps the business school for teaching information which becomes obsolescent overnight, for offering "a proliferation of courses which rehash interminably a few scraps of basic material" and an "abomination" called "Business English," which lets students avoid the "hard discipline" of learning to express their ideas clearly and forcefully. "It's not a function of an institution of higher learning to train a student for his first job," says Benton, preferring instead a liberal arts course that will develop a student's mental discipline and reasoning powers, giving him the "transferable capacities"—the mental flexibility—to use what he knows in new situations.

Few can argue with William Benton's personal success. One-time "boy wonder" of the advertising world, he was co-founder of Benton & Bowles Advertising Agency and retired in 1936 at the age of 36 to pursue a distinguished career in public service.

But are the charges he levels at business schools true?

Elsewhere on this page, Dean Paul V. Grambsch of the University of Minnesota School of Business Administration considers Benton's challenge and clears up some misconceptions. Dean Grambsch earned his doctorate in Business Administration at Indiana University, and was a dean at Tulane University before coming to Minnesota as dean in September, 1960. He serves as a consultant to business firms and is an officer of the American Association of Collegiate Schools of Business.



## Castro's Cuba . . . .

### What It Means To Minnesotans

The close relationship between politics and foreign trade is made abundantly clear in "Minnesota Business and the Cuban Revolution," a study by Robert J. Holloway, Professor of Marketing, and Graduate Assistant Roderick H. Rude based on research by foreign trade students at the University of Minnesota.

Of 500 Minnesota business firms surveyed, 118 have suffered losses due to Fidel Castro's policies, according to this study. Only one of our state's industries—raising sugar beets—has benefited.

Cuba is an island little more than half the size of Minnesota, with a population of 6,500,000, about double Minnesota's. In February, 1959, the new Castro government began to break Cuba's close ties with the United States by ordering 50 to 100% salary increases for workers at the American Sinclair and Texas Oil Companies. By January, 1961, all American-owned land and businesses had been confiscated without payment and the United States had broken off diplomatic relations and restricted travel to Cuba. United States businessmen had lost an estimated \$150 million in non-payment for exported goods and more than \$1 billion in confiscated property.

Before Cuba's revolution, the United States was her leading customer and supplier, and free nations dominated Cuban trade. In 1958, Cuba sent 67% of her exports to the United States and bought 67% of her imports from us, while sending only 3.2% of her total exports to the U.S.S.R. Today, with United States exports to Cuba almost completely terminated, the Soviet Bloc-Cuban trade has substantially increased.

Having completed an exhaustive survey of United States-Cuban trade which includes an excellent step-by-step summary of Cuba's "progress" toward virtual destruction of her old foreign trade ties, the University's researchers turned next to Minnesota-Cuba trade relations.

Despite the fact that there are no accurate data which relate to a state's exporting activity, they derived estimates by comparing Minnesota's manufacturing with national export trade and by contacting manufacturers in the state. Some 500 Minnesota firms were contacted, of which 118 reported trade with Cuba, 120 an export business excluding Cuba, and 54 no exports at all. 208 firms did not reply. Since only one firm reported imports from Cuba—molasses—it was decided to concentrate on Minnesota exports to Cuba.

With only 21 Minnesota firms reporting

a "substantial" Cuban market, 79 reporting "very little" and 18 reporting "moderate" export business to Cuba, Castro's impact on individual Minnesota firms obviously has varied greatly. Hardest hit is the state's non-electrical machinery industry, with 45 of the 118 firms reporting Cuban trade in this category. Next are food (18 firms) and fabricated metals (12 firms). Some communities have felt the impact more strongly, too, for only 32 of the 118 companies reporting Cuban exports are located outside the Twin Cities metropolitan area.

Loss of trade was not the only business casualty, for 17 state firms reported loss of accounts receivable due to non-payment for shipments made after Castro took control.

Minnesota banks, which watched the Cuban situation closely, apparently saved clients' capital by advising tighter credit for Cuba, fewer shipments, depletion of inventory in Cuba, and retraction from investments. Only three firms reported loss of investments in Cuba.

Prof. Holloway and his students found they could draw some interesting comparisons from their results. Of the 118 reporting firms, 44 had over 250 employees, and these included 27 of the 39 reporting "moderate" or "substantial" Cuban trade. Thus the larger firms dominate the export statistics—but 13 firms which exported to Cuba have fewer than nine employees. Thus it becomes clear that world events have a direct impact on persons far removed, and on very small concerns which are usually overlooked in discussions of international trade.

State firms reported they cut their Cuban trade gradually. Many were unable to find adequate shipping facilities because shipping companies, finding they could not guarantee delivery, cut service to Cuba. Many Cuban nationals serving as distributors for Minnesota products fell under suspicion by the Castro regime due to their foreign dealings and either gave up their United States contacts or fled Cuba. Only a few Minnesota

firms with Canadian subsidiaries and/or Mexican distributors continue to trade with Cuba.

The researchers note that some Minnesota firms show an unrealistic optimism in hoping the Cuban situation will soon correct itself. No firms showed antipathy toward our own government for the embargo on exports to Cuba, some saying it could well have been imposed earlier to avoid sending "good money after bad."

Minnesota's sugar beet industry, according to this study, is apparently the only industry to benefit from Castro's rule. With Cuba eliminated as a supplier of sugar, all Department of Agriculture acreage restrictions on sugar beets have been removed for 1961. Present growers have increased their acreage and new growers have come into the field, but this is a temporary situation, the report concludes, subject to limitation by present processing facilities, and by possible changes taking place as the Sugar Act expires March 31.

Travel agencies were included in the study because Minnesota residents travel extensively in the Caribbean area. Although Cuba has been dropped as a tourist attraction, travel to the Caribbean is as popular as ever, the researchers found.

Concern was expressed that "Fidelism" would spread to nearby Latin American countries, for while loss of the Cuban market can be fairly easily absorbed, loss of a major share of the Latin American market could be much more serious. In all, though, Minnesota businessmen remain hopeful that "Fidelism" will run its course and they will once again be able to consider Cuba an important market for Minnesota products.

A complete copy of this 15-page report, including 4 statistical tables, can be obtained by writing to the School of Business Administration, University of Minnesota, Minneapolis 14, Minnesota.

#### United States Exports to Cuba—Minnesota Manufacturing, 1958

United States Exports to Cuba	Ranking	Minnesota Value Added by Manufacturer
Food	1st	Food
Non-Electrical Machinery	2nd	Non-Electrical Machinery
Electrical Machinery	3rd	Printing and Publishing
Chemicals and Products	4th	Chemicals and Products
Textile Mill Products	5th	Pulp, Paper and Products
Transportation Equipment	6th	Fabricated Metal
Pulp, Paper and Products	7th	Stone, Clay and Glass
Fabricated Metal	8th	Transportation Equipment
Primary Metal	9th	Electrical Machinery
Petroleum and Coal	10th	Lumber and Wood Products

# Book Is Guide To Executive Training

"Building the Executive Team," by Prof. Thomas A. Mahoney. Published by Prentice-Hall, Inc. 279 pages. \$7.95.

According to Prof. Thomas A. Mahoney, his new book, "Building the Executive Team," is not a rules handbook that tells the reader, "to accomplish this, do this."

He prefers to describe his book as a guide to management development which offers, within the framework of historical practice and current theory, tentative answers to reader questions.

In the past, Prof. Mahoney points out, thought in this field has concentrated on management training as a specific course of study for creating executives. Today, such training is viewed as only part of an overall program that includes organization analysis and planning, management appraisal and inventory, compensation in both status symbols and paychecks, recruiting, selection and placement of management personnel, and management development research and evaluation.

The key that ties all management training together is job definition, according to the author. An employer can never be sure what training to offer which workers, how much to pay, and where to put his people, until he's defined the job. "Building the Executive Team" offers practical help for companies, unions, government agencies, the armed forces, and schools which are engaged in defining such job duties and qualifications, choosing potential managers and training them. It suggests tests to use, and includes numerous helpful charts and diagrams.

Backgrounded by practical experience in the management development laboratory at the University of Minnesota's Industrial Relations Center, Prof. Mahoney offers facts and theories in his book to appeal to several classes of readers—executives responsible for development of subordinate managers, managers who administer management development programs, and students working in management development, industrial psychology and industrial relations, and managerial and public administration.

Guest 'Professor' Warns

# Plant Must Consider Community

Company responsibility to the community it lives in was the major topic of discussion when Frank Mancina, district manager,

Cluett-Peabody & Co., Virginia, Minn., exchanged ideas with the Business School faculty at a coffee hour March 8.

Mancina served as professional associate for the School of Business Administration March 7 and 8. The professional associate program, begun last January, brings business executives to the University of Minnesota campus as advisors on critical problem areas in current business management.

Pointing out that the most immediately profitable location choice for a company is not always the best one, Mancina emphasized the concept of a business as part of the larger community.

"Decision-making in the abstract is impossible," he said, pointing out that a company must be responsible to a "public" that includes its dealers, its management, its stockholders, its customers, and the community it lives in.

"In a choice between consumer welfare, producer welfare, and city locale welfare," Mancina said, "the right decision must be reached through honest discussion based on awareness of local problems and a willingness to ease severance. Dislocation of a plant can create many new problems to replace the problems it solves."

From a definition of social responsibility as awareness of the effect one's own actions have on others, Mancina moved on to the thorny current question of ethics in business management.

Professionalization is one answer, he suggested, adding that ethics are an indispensable part of management training. Professionalization of management should give a company's stockholders confidence that its managers meet the proper standards not only of capability but of ethics as well, he said.

Mancina, who earned his Ph.D. degree at the University of Chicago School of Business, manages three Cluett-Peabody plants which make Arrow shirts and underwear. From his observations of Cluett-Peabody's "broad hiring base," which utilizes liberal arts, business and engineering graduates, Mancina offered his concept of the ideal business school curriculum in chart form, with a core course for all students, special curricula for staff specialists in such fields as labor relations, taxes, advertising, transportation, and merchandising, and a general course for line executives.

# Ist SBA Book Out

The first of seven research reports being prepared by the Business School under a grant from the U. S. Small Business Administration was published this month. The study is Prof. Donald V. Harper's "Basic Planning and the Transportation Function in Small Manufacturing Firms." Published at \$1.25, the study is a paper-bound, 62-page pamphlet.

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## New Grads Make \$451 Per Month

Starting salary for this June's Business School graduate is averaging \$451 per month, according to Placement Secretary Kathleen Anderson. Last year's average was \$427.

In a recently published report for the year ending June 30, 1960, more than 80% of seniors in the Business School registered with their Placement Office, Mrs. Anderson notes. A total of 515 companies listed 1,085 job openings, with 186 company recruiters holding 2,947 individual interviews.

Probably the most noticeable change in placement in recent years, according to Mrs. Anderson, is the increasing demand for graduate degrees, particularly in the finance field.

Another major change is a substantial salary rise for accountants, who make up 24% of all placements. Accountant salaries rose from an average of \$401 to \$448 in industrial jobs in 1959-60, and from \$388 to \$430 in public accounting, and Mrs. Anderson predicts a similar increase in 1960-61.

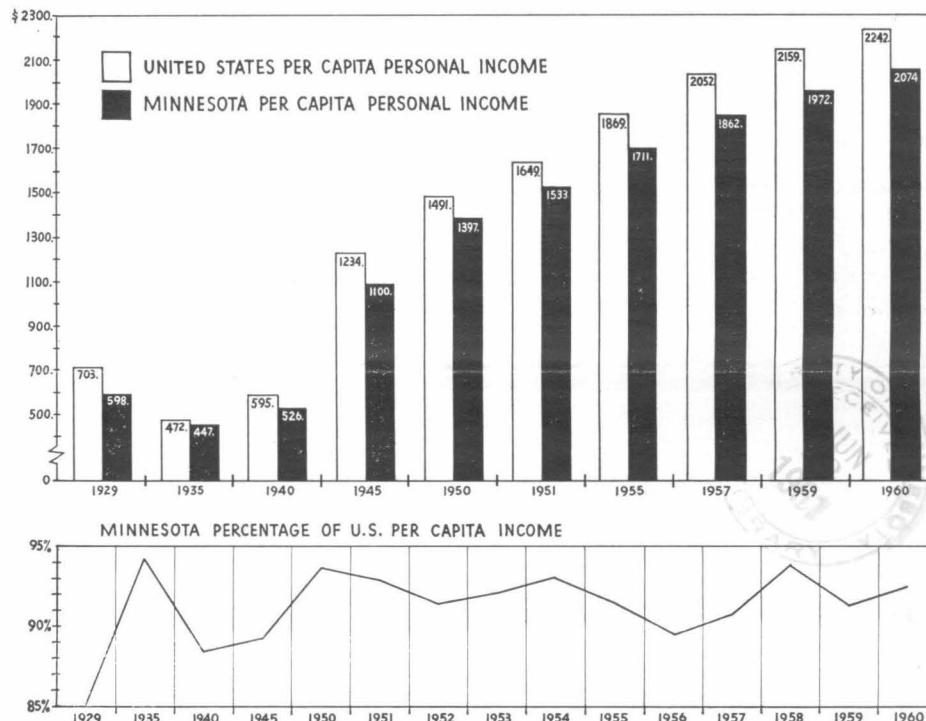
The Business School's Placement Office is a unique place where graduates and industry can come together to look each other over.

Described as an "efficient marketing mechanism" by Prof. Richard K. Gaumnitz, chairman of the Faculty Placement Committee, the Office offers a prospective employer a wide choice of possible candidates for the job. Similarly, the student can find information on jobs with such giants as U. S. Steel and General Foods or with smaller companies closer to home, looking over dozens of possibilities before deciding which job is right for him.

During the 1959-60 year, 336 seniors and 376 alumni registered with the Placement Office.

The table below shows placement and starting salaries of 338 Business School graduates in 1959-60.

Field of Employment	%	Starting Salary	
		Minn.	Out-State
Accounting	24%	\$430	\$448
Marketing	25%	414	436
Insurance	5%	376	409
Banks	9%	388	443
General Training Programs	11%	434	430
Manufacturing-Production	15%	427	472
Miscellaneous	11%	420	425



These figures are from the United States Department of Commerce and the Minneapolis Federal Reserve Bank. They include all wages and salaries plus transfer payments (pensions, social security, unemployment compensation), dividends, interest, rents, and other forms of personal income. Minnesota's per capita income tends to lag behind the national average because much of our State's industry falls in categories where wage levels tend to be lower. What will it take for Minnesota to reach the national average?

## Seeger Elected To Beta Gamma Sigma



Walter Seeger

Walter G. Seeger, former Chairman of the Board of Whirlpool-Seeger Corp., was initiated as an honorary member of Minnesota chapter of Beta Gamma Sigma, national honorary business fraternity, at the fraternity's annual dinner May 23.

Mr. Seeger began his working career with the Great Northern Railway, and became a metal-worker in his father's ice-box and cabinet-making firm in 1907. He worked his way up through plant operations to become President in 1938 and Chairman of the Board in 1950. When his firm merged with Whirlpool Corp. in 1955, he became Board Chairman of the new company, Whirlpool-Seeger, Inc., retiring in January, 1958.

In addition to his business career, Mr. Seeger has long been active in community affairs.

Membership in Beta Gamma Sigma is open to senior business students in the upper 10% of their class, juniors in the upper 4%, and faculty members after seven years' service. The Minnesota chapter initiated 7 new student members and 3 faculty members at the May 23 meeting.

# Horatio Alger vs. Simon Legree

By Prof. Martin Bronfenbrenner

Condensed From "Ethics"

One of the most difficult points to explain to my American university students is why terms like "capitalism" and "free enterprise" repel more Asians than they attract, and why "economic planning" and "socialism" appear to be the wave of the future in the Far East. Students ascribe these Asian prejudices to some peculiar quirk of the "inscrutable Oriental mind" augmented by Moscow gold and Chinese brain-washing.

Similarly, my Japanese students used to ascribe American preferences for "capitalism" and "free enterprise" to some peculiar quirk of the "inscrutable Occidental mind"

augmented by Coca-Cola and the capitalist press.

Let's compare the American and Asian concepts of capitalism and its consequences. What are the salient differences between America's Horatio Alger capitalism, with success open to any honest, intelligent, and industrious youngster, no matter how poor he might be, and the Simon Legree concept, named for the tyrannical overseer in "Uncle Tom's Cabin," which personifies the spirit of capitalist exploitation in much of the rest of the world?

Under Horatio Alger capitalism, the U.S. became richer per head than any country has ever been. Under Simon Legree capitalism, the Asian country has remained poor.

- In Horatio Alger's America, built-in controls contain unemployment and recessions within tolerable limits. In the Simon Legree concept, a mature, peacetime, capitalist economy is an anarchic chaos, constantly threatened by mass unemployment, stagnation, and collapse. Socialism and central planning are the solution.

- Under Horatio Alger capitalism, the able poor can rise without limit. Under Simon Legree capitalism, the rich get richer and the poor get poorer.

- In Horatio Alger's America, minorities rise in status and power through competitive business; capitalism provides their upward handhold. Simon Legree capitalism causes prejudice and enforces its restrictions, giving minorities the cheapest and dirtiest jobs. Furthermore, the "minority" may actually be the majority, controlled from overseas by colonialism or unequal treaties.

- Horatio Alger capitalism stresses free competition for both foreign and domestic concerns. Simon Legree capitalism leads to economic imperialism of the foreign firm. For the natives, there remain only menial, routine, and ill-paid jobs.

- In Horatio Alger America, monopoly is achieved in the short run by providing superior products at lower prices, but monopoly power is circumscribed in the long run by other industries, trade unions, big buyers like chain stores, and public regulation. In the Simon Legree economy, monopoly arises almost inevitably from capitalist competition. It is strong enough to fix prices and quality, to restrict output, employment, and progress, and to purchase public opinion and legislative favor.

- The Horatio Alger adherent sees capitalism as a necessary condition for political democracy and civil liberty. The Simon Legree adherent hopes that democracy and civil liberties can be had in the social democratic state and centrally planned economy.

- In Horatio Alger's America, the best brains are concentrated in business and industry. They are planners and builders, with vision and foresight. Under Simon Legree capitalism, businessmen are seen as intellectual and moral inferiors, and public servants and intellectuals would take charge of the planned economy.

Both of these concepts of capitalism exaggerate the attractive features of their systems and the dogmatism of their ideologies. But if we acknowledge that Horatio Alger capitalism describes American economic life, and that Simon Legree capitalism describes economic life in much of Asia, a great good would follow—increased Asian-American understanding, for one thing.

The American free enterpriser and the Asian socialist could each realize, "Thus, but for the grace of God, think I. Had I lived in his country and he in mine, I would think as he does, and he as I do."

As it is in religious toleration, mutual understanding is closer to competitive co-existence than either is to compromise or resolution of differences.

## Rx for Economic Growth

When Edward Gudeman, United States Under Secretary of Commerce, spoke to Business students at the Business Day Convocation April 14 on the University of Minnesota campus, he began with a compliment for the students' B-Day IBM management game. Commenting on their initiative and skill, Gudeman said that he wasn't used to seeing so many "wise heads with hair still remaining."

They would need that same initiative, he said, to meet today's economic challenges at home as well as overseas. His talk dealt with the contemporary scene in world markets, and the role of the students—and our domestic economy—in those business affairs.

Looking back to the United States' dominance of world trade in the years immediately following World War II, Gudeman said the tide of events since that period has been "running against our cause."

The continuing movement of private capital out of the United States is a great concern to the Department of Commerce, Gudeman said, as is the "relative weakening of the U.S. foreign trade position."

He went on to give figures describing the relative growth of U.S. overseas markets and the domestic economy and its use of imports, emphasizing the significantly slower growth of our export income as well as the continuing reduction in domestic gold reserves.

But rather than legislate new tariffs and other isolationist tactics, Gudeman said his department was working to expand our foreign markets.

"We are living now in a highly competitive international economy," he said. Cutbacks in purchases of non-domestic raw materials—and parallel protective tariffs—would cause other governments to retaliate, with "disastrous effects on the dollar," he said.

We rely on those nations' materials and markets for our defense and economic

growth, and such restrictive measures would have marked influence on our own progress and world role, Gudeman re-emphasized.

To expand overseas markets, the United States must aid underdeveloped nations' growth, he said, and that growth must—as closely as possible—approximate their national aspirations.

As yet, Gudeman said, U.S. goods are not priced out of world markets, and their quality is meeting that of the competition's products, but our goods must be tailored more accurately to our overseas markets, not taken from domestic stores and marketed in totally dissimilar use situations.

The big challenge facing students—and industry—is to increase the quality of U.S. goods being marketed overseas while lowering their prices. Problems like this one, he added, make the trials of older generations "appear disarmingly simple."

At home, our economy's growth suffers from a chronic slack, and is the slowest—in terms of growing Gross National Product—of any Western industrial state.

The only missing element from our growth pattern, Gudeman said, is momentum. Some Commerce Department plans to give new momentum to American economic growth include increased government aid to research that would cut construction costs and upkeep of such major items as roads and U.S. cargo ships, formation of a Labor-Management Committee to study such problems as automation, and a new tax program more favorable to research and development and plant expansion.

Overseas, the Commerce Department is encouraging greater participation in foreign trade fairs, with emphasis on immediate sales on the spot. More trade missions are going abroad looking for new marketing outlets and production facilities. U.S. Trade Centers will open soon in London and Bangkok, and more will follow.

Questions and answers on how top management sees the business school graduate on his first job sparked a spirited panel discussion at Business Day, annual day-long Business School event.

Five top management men under the chairmanship of A. K. Wickesberg, Professor of Management and Chairman, Department of Business Administration, formed the panel. They were David M. Lilly, President, Toro Manufacturing Corp.; Frank A. Mancina, Division Manager, Cluett, Peabody & Co.; Leonard H. Murray, President, Soo Line Railroad; William C. Norris, President, Control Data Corp.; and E. Palmer Tang, Resident Partner, Touche, Ross, Bailey & Smart, C.P.A.

Below, their opinions.

**Question: What does a new business school graduate do wrong on his first job?**



**Tang:** "The prime problem is communications. You have to be able to sell the ideas you've got. Study public speaking and creative writing in college. Belong to organizations and get up on your feet and talk. Study psychology, too, to find out what motivates a man to do more than he thinks he can . . . how to wake a man up and get him going."

**Norris:** "Use the humble approach. Give yourself plenty of time to understand how things are done before you try to change them. But when the boss asks you what you think, don't let the urge for security temper your answer! And make sure you understand your duties. If there's no description for your job, write one and get your supervisor to OK it."

**Question: What do you do about a disagreeable job with no future?**

**Mancina:** "Avoid a disagreeable job by careful study of companies and jobs in various fields. Then give yourself a minimum of two years on the job you've chosen."



**Murray:** "Get out right away . . . if you're positive you're correct in your opinion. Every first job is bound to be some disappointment, but remember, a job-hopper becomes an object of suspicion. If your job really has no future, move when you're young. Make later moves only when someone wants you to come to him."

**Tang:** "Any job has some disagreeable aspects. Look to yourself first. Is the job disagreeable, or are you?"

**Norris:** "We don't hire fellows who complain about lack of promotion opportunities after

only six months on their last job. Stay with your first job at least two years. Even if it's disagreeable, you learn."

**Question: How can I make myself worthy of promotion?**

**Mancina:** "As a student, you tend to be a follower. In industry, you have to be a self-starter and keep going to avoid being elbowed out of the way. The second big difference between school and industry is the need for fast decision-making. Build a body of knowledge to base your decisions on, because you won't have time to look things up in books. Make it a habit, too, to put out 'just a little more effort' . . . work harder on the job, read at home, take part in community life."

**Tang:** "One sure way to get noticed is to finish your job ahead of schedule. We encourage men to go into civic groups, but the best way to get ahead is still by rolling up your shirt sleeves and getting to work on your job."



**Norris:** "A supervisor appreciates the 'completed work approach.' Take complete responsibility for doing the job you're given, and wait until you're done to tell your supervisor about the problems you faced along the way. Get your leadership and organizing experience, and make your mistakes, in community work—churches, Jaycees, fraternal groups, fund drives."

**Question: How do you decide that there's no opportunity in a job?**

**Mancina:** "Try to pick a growth company in a growth area. If you feel you've guessed wrong and your company is going down, marshal the facts and ask your supervisor to discuss your worries about your future."

**Lilly:** "Ask yourself some questions. Do the people in the company know where the company is going? Is your job well defined and does it include periodic measurement of how well you're doing? If the answer to these questions is no, with the company just muddling along and nobody watching you, you can go. But on the other hand, a company like this needs a good man. Are you the one?"

**Question: How do you know your supervisor is satisfied?**

**Murray:** "Don't get too concerned over your supervisor's reactions, and don't waste energy guessing what he would have done or what he's thinking. You can tell what he thinks by his criticism and suggestions. If he repeats them, you're not satisfying him."

# That First Job . . .

## Top Executives Give Tips

**Question: How can a business school graduate get the most out of an employer's formal training or development program?**



**Mancina:** "Learn the vocabulary of your industry. Learn who you're working with, and all about your company's operation and products. Understand the technical processes. Ask if the firm has standard procedures, and bone up on them. Look for a job description and standards of performance, and write your own if there aren't any. Learn about the management function by trying to understand your supervisor."

**Lilly:** "Periodically sit down and review with your supervisor how you're doing. Find out where you're weak and work out a program to remedy your weaknesses."

**Norris:** "Remember that ability to learn can be more important to you than the facts you already know."

**Tang:** "The first problem when you get into a company is to learn what it does. Learn the mechanics, but learn the underlying reasons, too. This is the real development program . . . this is where you use your college training."

**Question: What if a supervisor needs you too much to promote you?**



**Lilly:** "After you're done feeling sorry for yourself, remember the difference between a manager and a technician. The manager is charged with getting things done. The technician does it. This means the manager doesn't have to be technically qualified in order to supervise technicians. The technician is a creative man, while the manager is people-oriented. You may be misjudging your supervisor . . . or you may be a technician, and not know it."

### WHAT'S YOUR OPINION?

On this page, five businessmen tell the business student what to expect from his first job. Do you agree? What do you expect from a new man (or woman)? What should he expect from you? Join the forum by writing to

"Minnesota Business News."

## School Offers Faculty Publications

# Professors View Unions, Transportation, Taxes

"The Impact of Unionism on Wage-Income Ratios in the Manufacturing Sector of the Economy," by Prof. Norman J. Simler. University of Minnesota Press. 71 pages. \$1.75.

The main purpose of this study is to test the supposition that union strength or changes in union strength might be positively correlated with labor's relative share of the income produced by United States manufacturing industries.

The question: Is labor's share of the income produced greater in those industries which are strongly organized than in those which are weakly organized?

The answer turns out to be "No." That is, no significant correlation was found by Prof. Simler between union strength and/or changes in union strength, on the one hand, and changes in labor's relative income share, on the other.

Within 49 manufacturing industries studied, using 1935 as the "dividing year" between the "pre-union" and "union" periods, the industries where labor's share of income did increase tended, in general, to rank low on scales measuring union strength. Conversely, industries which ranked high on scales measuring union strength tended to have only minor favorable-to-labor changes in income distribution, and in some cases, labor's share of income actually decreased.

Of course, he adds, this finding has relatively narrow scope. However, this study was not designed to assess the impact of unionism on anything but the relative income share of labor in manufacturing industries. It can not show whether unionism has raised the general level of money wages or altered the structure of relative wage rates, nor can it tell how trade union wage policy has affected the level of prices or economic growth.

What this study does do is provide a tentative finding that strong unions do not always win a greater share of industry income for their employees than weak unions—a finding that provides food for thought in many areas of our economy.

"Basic Planning and the Transportation Function in Small Manufacturing Firms," by Prof. Donald V. Harper. Small Business Administration. 62 pages. \$1.25.

Objective of this study was to determine how small manufacturing firms in Minnesota organize and plan their transportation function and expenditures.

The questions: Can basic planning principles be established for small business firms? Can recommendations be made for better handling of transportation matters by such firms?

A sample of 38 small manufacturing firms with 500 or fewer employees was drawn from a list of Minnesota firms. Representatives from these firms were then contacted through personal interviews.

These interviews showed that although transportation costs are very important to most of the firms studied, these same firms lack adequate information about such costs.

Only ten of the firms studied have a traffic manager or the equivalent. In the remaining 28 firms, functions customarily performed by a traffic manager or traffic department are assigned to other persons and departments, or are not handled at all. Even in firms with traffic managers, there is almost no formal planning in regard to traffic management functions.

Other subjects covered in Prof. Harper's study include the extent to which outside experts are used for consulting on transportation problems and for auditing freight bills, the planning and use of private, company-operated transportation, and the importance of transportation costs and services in overall plans for enlarging a firm's market area or introducing new products.

In connection with the last point, Prof. Harper found that many small manufacturers are not giving adequate consideration to transportation costs and services as an important factor in expanding or maintaining markets, and in introducing new products.

The report closes with recommendations for control and reduction of transportation costs in the small business firm.

"Estimated Distribution of Minnesota Taxes and Public Expenditure Benefits," by Prof. O. H. Brownlee. University of Minnesota Press. 45 pages. \$1.50.

This study is a direct outgrowth of research undertaken for the Minnesota Tax Study Committee, and represents a pioneering analysis in the field of estimating distribution of state and local tax burdens and government benefits among different income groups. It includes a wealth of detailed information on all state and local taxes and government expenditures.

Designed to serve two purposes, the study was first of all to be an aid to Minnesotans in reaching informed conclusions on state and local tax and expenditure policies. Second, it was to serve as a model for similar studies in Minnesota and other states.

When all the data were in, Prof. Brownlee found it possible to draw a number of interesting conclusions. It was found that almost one-third of Minnesota tax collections are borne by nonresidents. Further, it became possible to estimate with fair accuracy how much each class of income receivers benefits from state and local government expenditures in Minnesota.

Figures showed that benefits probably exceed taxes at low income levels, while taxes probably exceed benefits at higher income levels, although, according to Prof. Brownlee, when all factors are taken into consideration, including federal grants and "exports" of taxes to both the federal government and out-of-state units, it is possible that every Minnesota unit could receive more in benefits than it pays in taxes.

The study shows quite clearly that differences in family composition, expenditure patterns, property tax assessments, and willingness to evade taxes resulted in units with identical incomes paying widely differing amounts of taxes and receiving different benefits.

Current income, this study points out, is not a good measure of economic status or ability to pay, since there is considerable variation in annual income of farmers, small businessmen, and independent professional workers. High income persons are paying off past debts and saving for the future. Thus "permanent income," an adjusted figure, becomes a more accurate measurement of economic status, and Prof. Brownlee includes an interesting table presenting "most likely" distribution of Minnesota tax collections based on average "permanent income" of Minnesotans.

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### Minnesota Business News

Published by  
School of Business Administration  
University of Minnesota  
Minneapolis 14, Minnesota

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# MINNESOTA BUSINESS NEWS

Published by the School of Business Administration

Number Three

University of Minnesota, Minneapolis 14, Minnesota

August 1961

## Univac Will Give Computer To SBA

The School of Business Administration is swapping classroom and dormitory space for a \$500,000 Univac Solid-State 80 Computer this fall.

The seven-unit system, which includes a central processor, a high-speed card reader, a printer, and four tape storage units, will be installed in September, according to Business Dean Paul V. Grambsch. After three years of joint use by Univac and the University, the system will become the property of the University of Minnesota, the Dean said.

Under terms of the exchange, the University will become a national training center for Univac sales and educational personnel. Univac trainees will use their computer at night, while University faculty and students will use it during daytime class hours.

The Univac Solid-State 80 is described as a "medium-sized computer" by Dean Grambsch. It stores 50,000 digits, prints 600 lines per minute, and can read data off cards at a rate of 600 words per minute. It carries out computing and data-processing operations in millionths of seconds, so fast that it can work a complicated addition problem in only 85/1,000,000 of a second.

The Solid-State 80's high-speed tape units, which store extra data not in current use, have an almost unlimited capacity, according to Univac sales personnel. Multi-level storage buffers in its memory unit allow its printer, reader, and card punch to do their jobs while the computer is handling other problems.

The School of Business Administration is planning to use the new computer for student business management games, for research, and for classes in computer programming and operation, Dean Grambsch said. Other University departments will also be invited to use the computer if scheduling permits, he added.

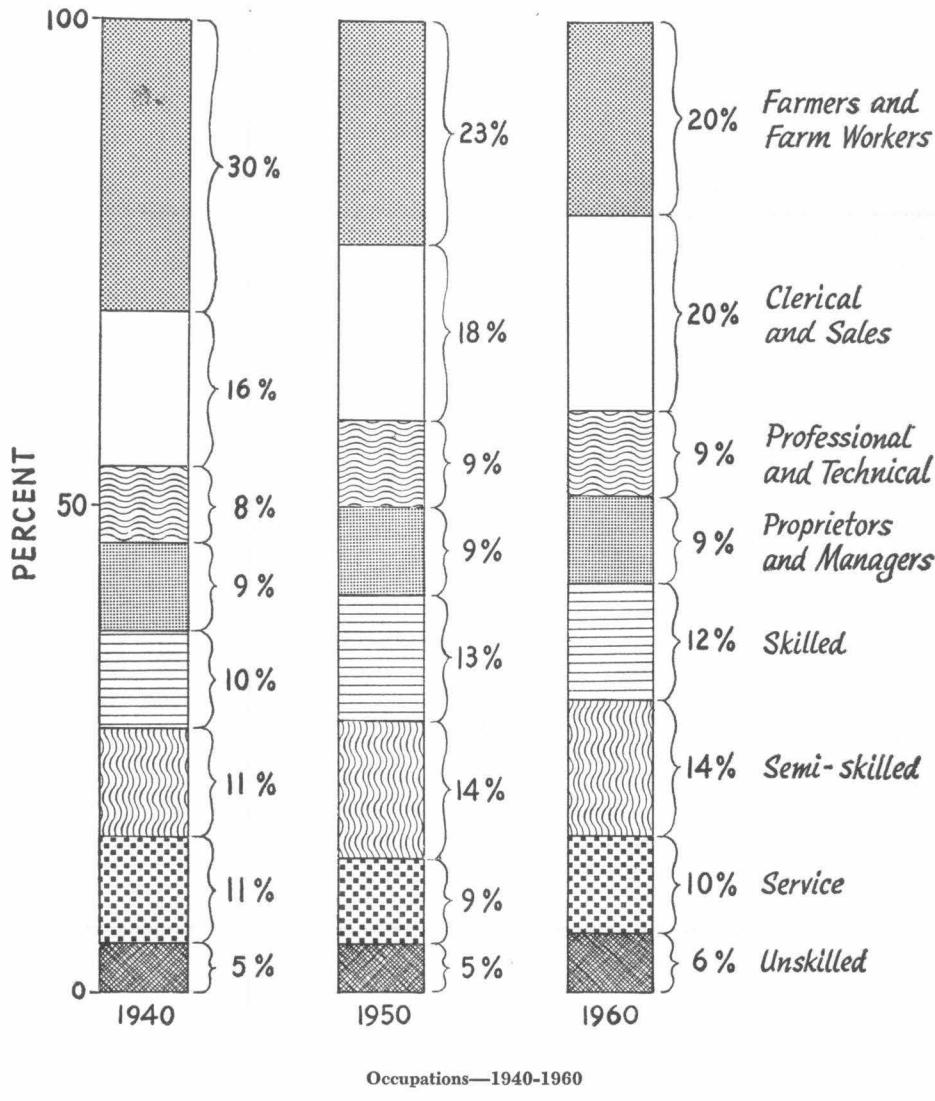
While giving away a machine that sells for \$500,000 and rents for some \$12,000 to \$14,000 per month may not sound like good business, the Univac installation was suggested by Sperry Rand, according to Dean Grambsch. Univac liked the University's student atmosphere, the Dean pointed out, and the convenience of rooms already set up for class room use and close to dormitory facilities.

Univac, which annually hires some half-dozen Minnesota business graduates, also foresees greater success in recruiting graduates already trained on Univac, according to Dean Grambsch.

Similar training centers have already been set up by Univac at Emory University in Atlanta, Ga., at Purdue University, Lafayette, Ind., and at the University of Southern California.

## Minnesotans At Work

Per Cent of Employed Work Force in Occupational Groups  
1940-1960



	Male	1940 Female	Total	Male	1950 Female	Total	Male	1960 Female	Total
The State	720	209	929	839	305	1,144	987	343	1,330
Professional and Technical	39	39	78	56	44	100	64	50	114
Farmers and Farm Workers	275	7	282	235	24	259	242	24	266
Proprietors and Managers	73	7	80	89	12	101	104	13	117
Clerical and Sales	87	67	154	104	116	220	141	128	269
Skilled Workers	87	2	89	139	5	144	160	4	164
Semi-skilled	82	19	101	122	38	160	143	41	184
Service Workers	35	67	102	40	64	104	62	75	137
Unskilled	42	1	43	54	2	56	71	8	79

Occupational Shifts are a major feature of the American Economy. The long run decline in the percentage of people employed in agriculture continues to be felt in Minnesota, although in the decade 1950-1960 the rate slowed down. It is obvious that the shift to clerical and sales and to semi-skilled jobs is a measure of the growth of industrialization and mechanization in Minnesota.

Source of these data is the Minnesota Department of Employment Security.

# The Ethics Gap: New Views . . .

Late in 1960, the United States Department of Justice charged 29 makers of heavy electrical equipment, among them such American corporate giants as Westinghouse and General Electric, with fixing prices in violation of the Sherman Anti-Trust Act. Earlier, the Chrysler Corporation and both the Truman and Eisenhower administrations had been rocked by public disclosure of conflicts of interest.

Since then, discussion of the status of ethics in competitive business enterprise in the United States has found many voices. From our scholarly Ivory Tower, we hear these, among others:

● A milling company executive says that the electrical companies were undeniably guilty of breaking the law. He focuses on ethics as a two-part question, saying that legal business activity and ethical conduct are completely separate entities.

● A University of Minnesota professor sees the crucial test of ethics in what we do, not what we think. Anything illegal is unethical, he says. He believes that the right road to profits is to have a management "so good it's almost impossible to compete with."

● Another University professor sees ethics as "a tremendous grey area." What a man sees as unethical in the other fellow, he sees as business practice in himself. This professor asks, aren't some actions illegal but not unethical, because the laws are not enforced and not obeyed by general consent of society? Aren't such things as exaggerated advertising claims, for example, almost part of business tradition today? Furthermore, he wants to know, what is a just price? Is it a price that gives the buyer the lowest possible price in the short run, without providing for future research which could lead to a still lower price in the long run? He asks, "Can we really know what is right and what is wrong?"

● A banker views ethics as the degree to which society enables every man to live up to his own high standards of conduct. The banker is J. Cameron Thomson, retired board chairman of Northwest Bancorporation, who asks searchingly whether ethics and the drive for high profits have equal representation in business life today. He warns that corporate pressure to make a good showing at all costs must be lessened so that individuals are free to live up to their own highest standards without being either tempted, or forced, to tear them down. Mr. Thomson feels that corporation managements do not emphasize enough their belief that, assuming a favorable economic climate, better products and services, competitive prices, and better selling, achieved according to standards of high integrity, will provide sound, adequate profit margins through the years.

● Business managements themselves have reacted to the price-fix scandals in widely differing ways.

Westinghouse stood behind its accused employees and trumpeted that "our customers have at all times received fair and full value."

General Electric, on the other hand, refused to defend its accused. At his company's annual meeting on April 26, 1961, GE board chairman Ralph J. Cordiner had this to say:

"There is a need for every one of us to re-examine his own standards in the light of this experience—for it has reaffirmed some fundamental lessons: first, each of us is finally responsible for his own acts, and when any one of us makes a serious mistake, he hurts all the rest. Second, no one can set himself above the law . . ."

And another corporation president, Frank W. Jenks of International Harvester, told stockholders at his company's annual meeting that "the American business system cannot exist or function" unless the public believes that a company's management is "honest and straightforward."

And so, the debate continues. But what of action?

General Electric and numerous other companies are creating extensive safeguards—written ethical codes, questionnaires, investigations, more careful accounting and supervision procedures—to prevent future violations of anti-trust laws.

Here in Minneapolis, the Pillsbury Company, for one, has taken concrete action in the form of a Conflict of Interest questionnaire and a three-page memo on "Living with the Law," which has gone to Pillsbury people all over the country.

Stressing the "real benefits" of "vigorous competition," the memo warns specifically against conflict of interests (including gift-giving), collusion with competitors, price discrimination between customers, and expense account padding.

Similarly, the local chapter of the Society for the Advancement of Management, noting that purely ethical conduct in business without competitive struggle, while it may be the best of all possible business worlds, is not the American way, attempts to solve the problem of ethical conduct by offering four "Guides for the Executive" which circumvent potential problem areas. They suggest:

(1) Use foresight to avoid ethical problems. For example, hire wisely and schedule work to avoid excessive firings or layoffs.

(2) Support such laws as conservation legislation, which force good business citizenship.

(3) If an industry traditionally uses sharp practices, and you don't like sharp practices, stay out of the industry.

(4) If you live up to these first three points, your personal ethical conduct is assured. If you can't, you need a written code of ethics. Find one, or write one, and stick to it.

\* \* \*

Apparently, then, the "theorists" have some answers, and so has the business community. But we wonder—how many men see no connection between a general ethical principle like "Thou shalt not steal" and an everyday business problem like price-fixing, which many view as stealing from the customer? And, if there is a gap between the two, is the gap narrowing, or widening? What do you think?

## Building Leaders . . .

A three-stage pattern of leadership development, in which authority shifted rapidly and clearly from the popular leaders to new leaders chosen for their ability to act as coordinators, occurred spontaneously this spring during a management game played by students in Business Administration 60, a senior course in Business Policy.

During the three-week "game," students were divided into teams. Each team made a simulated two years (eight quarters) of business decisions for an imaginary business firm.

Early in the game, team members decided that the easy, quick way to organize was to choose a leader. They made their choices on an arbitrary, immediate basis—because a fellow was "a good Joe" or "really smart."

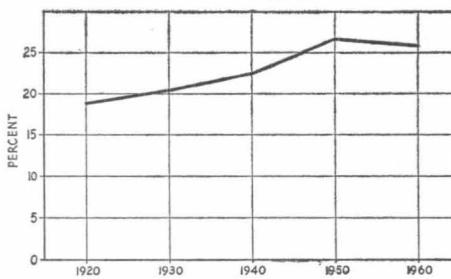
As the game progressed, the teams found that being "a good Joe" or "really smart" did not necessarily indicate leadership ability. In this second stage, democracy took over. Team members began to vote on all decisions.

Soon, though, teams found that there was a lot of delay in voting, and that time was important. They also learned that the majority did not always make the right business decision.

In the third and final stage, the teams became effective business organizations. Specialists evolved in areas like marketing and finance. A new type of leader emerged, a man recognized for his ability to bring others together and to act as a moderator and interpreter.

## Women At Work . . .

Per Cent of Employed Work Force, 1920-1960



Growth in the absolute numbers of women job-holders in Minnesota from 164,000 in 1920 to 343,000 in 1960 is significant. However, the proportion of women in the total employment appears to be leveling off around 25% after a long rise.

Minnesota Business News  
University of Minnesota, Minneapolis 14, Minnesota

Number Three

Paul V. Grambsch, Dean  
Professors Delbert C. Hastings, John G. Turnbull  
and Thomas A. Mahoney, Publications Committee

Rhoda G. Jacobs, Editor

## For Small Business Firms

# New Studies Spark Planning And Growth

Replies of 106 Minnesota businessmen to a multi-page depth interview form the foundation for these individual reports on organization growth, market planning, and forecasting. The reports are three of a series of seven being published by the University of Minnesota School of Business Administration under a grant from the Small Business Administration. The firms studied were chosen to meet the Small Business Administration's sole criterion for describing "small business"—they each have less than 500 employees. The sample was devised so that the selected firms would be broadly representative of small Minnesota manufacturing firms by industry, by area in

the state, and by large city-small city location. A later check with published data showed that interviewed firms were distributed in the various industries and distributed geographically in almost the same proportions as all firms of this size class in the state. The interviewers were advanced graduate students in the School of Business Administration. Interviews, each of which took between two and three hours, were partially structured through use of a lengthy questionnaire, but each interviewer was free to follow leads as they developed. The questionnaire is included with Prof. Wickesberg's report on organizational relationships.

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"Organizational Relationships in the Growing Small Manufacturing Firm," by Prof. Albert K. Wickesberg. Small Business Administration. 65 pages. April, 1961. \$1.50.

Sparked by an interest in the patterns of organization that appear as a small manufacturing firm grows and lives, and by a lack of factual information in the field, Prof. Wickesberg investigated a representative sample of Minnesota small manufacturing firms and arrived at some interesting conclusions.

The general picture revealed is one of loosely-defined patterns of authority and responsibility, and of highly informal working relationships. Creation of formal units to perform such jobs as purchasing, sales management, or production management often comes as an unplanned-for and unexpected need, although a definite organizational growth pattern does appear as a firm increases its number of employees and its dollar sales. Since World War II there is also a decided trend to use consultants over a wide range of business problem areas.

Prof. Wickesberg believes that a number of factors contribute to management's obvious reluctance to begin organizational planning. First, there is reluctance to try something new, especially when present performance is satisfactory. There is also an apparent lack of willingness to try organizational changes when little or nothing is known or can be demonstrated concerning probable net gain to the firm—where dollar benefits versus dollar costs cannot be seen clearly before the move is made. The author also found that in many firms the chief executive was too busy to study organizational problems, with any kind of planning other than the most general and informal sort almost physically impossible.

However, Prof. Wickesberg points out, if executives of small manufacturing firms or their designated representatives would become familiar with organizational growth patterns, then evaluate their individual firms and perhaps make certain changes, they might find it possible to perform current tasks and duties more effectively and still have time to get ready for anticipated growth.

This study includes specific findings in every category of supervision, with some 26 illustrative tables.

"The Place of Forecasting in Basic Planning for Small Business," by Prof. Delbert C. Hastings. Small Business Administration. 60 pages. May, 1961. \$1.50.

Planning is increasing, says Prof. Hastings. In 1953, barely 20% of America's business firms were making any long-range plans for their futures. By 1958, more than 50% were engaged in planning for the future, and the percentage is probably even greater today.

On the other hand, much of the writing and legislation concerning small business is based on the assumption that all small firms want to be large firms, yet the Minnesota survey on which this study is based shows that some 4 out of 10 firms are only mildly interested, if at all, in achieving larger size.

With these facts in mind, Prof. Hastings delves into the "who," "why," and "how-to" of small business planning for other goals as well as growth. He quotes manufacturers' comments about forecasting: "It gives us time for more intelligent decisions." "We don't panic now when a slump hits us." "We can get men easier." "We can borrow money easier now because we know and can tell the bank what we're going to do with it." "Planning has saved us time and money in the long run."

Having established the premise that planning costs money but is worth it, Prof. Hastings discusses short and long-term forecasting in detail, describing various methods of forecasting and indicators that can be used. He cites a number of trends that have made planning more necessary today. Among them are changes in the composition of the market arising from population growth, longer life spans, and the growth of suburbia and leisure time, and changes in production technology and the need for greater investment per worker.

Actually, he says, small businessmen make forecasts every time they take an informal look ahead, have a hunch, or draw a conclusion from something they've read or talked about with customers, bankers, or other businessmen. What Prof. Hastings concerns himself with are the gains to be had from making forecasts and plans more systematic. As he points out, "Though planning does not insure profits, it comes closer to that goal than any other business management method yet devised."

"Market Research and Market Planning for the Small Manufacturer," by Prof. Robert J. Holloway. Small Business Administration. 52 pages. February, 1961. \$1.50.

Two goals—finding the status of marketing within the small manufacturing firm, and offering useful suggestions to small manufacturers interested in improving their marketing operations—guided Prof. Holloway in preparation of this report.

Prof. Holloway's interviewers found that many managers thought of "market research" in terms only of "surveys." These men denied using market research until a broader definition was supplied—a definition including any kind of marketing fact finding and analysis. Then they reported considerable informal research going on all the time, in the form of feedback from customer to salesman to management.

Having concluded that even under this broad definition Minnesota businessmen do far too little market research, the author points out that market research and market planning are "twin tools" for eliminating or reducing many of the small manufacturer's important administrative problems.

Taking into consideration the informality smaller manufacturers seemed to prefer, the need for keeping costs low, the desire of the owner to continue to control his operation, and the owner's heavy reliance on the experiences of others, Prof. Holloway draws on his own experience and on suggestions offered by the businessmen interviewed in order to offer detailed steps to market planning. There are also some excellent charts designed to help in developing an intelligent marketing research program.

Of the three reports presented here, this one includes the most complete presentation of data on the 106 firms studied. The author notes, for instance, that only about 10% of the founders of the interviewed firms had a background in sales. One obvious finding was that the character of the firm tended to reflect clearly the strength of the president, as exemplified by one president well trained in design work who had developed almost complete production integration but whose marketing was "in a bad way." Prof. Holloway also offers a number of interesting statistics on objectives of firms, types of customers, channels of distribution, and market areas.

**Summer Institute Is 1 of 3 in U. S.**

## New Math 'Magic' Solves Business Problems

"Gee-whiz" aspects of modern mathematics are the subject of intensive study for 36 University professors attending a Ford Foundation Mathematics Institute this summer on the University of Minnesota campus.

Designed for business school faculty members, the Institute's courses teach linear algebra and programming and theories of probability. Follow-up seminars at the students' home universities next fall will teach them how to apply these new theories to everyday business problems.

For instance, the probability theory, which shows that chances are 8 out of 10 that two people in a group of 36 will have the same birthday, can indicate with similar assurance that, given a certain situation, a certain course of action will probably produce desired results. And freight-car deployment, warehouse inventory planning, and product distribution are only three of the areas in

## Profs Get Grants

Five professors will be temporarily absent from the School of Business Administration's faculty roster during the 1961-62 school year, while four others, recipient of special grants, will carry on research projects here in Minnesota.

Prof. Walter W. Heller has been granted leave from the University to become chairman of Pres. Kennedy's Council of Economic Advisors. Prof. Edwin H. Lewis, marketing specialist, has received a Fulbright award and will travel to the Universities of Madrid and Barcelona, Spain.

Ford Foundation Faculty Study grants will enable Prof. Marcel K. Richter to study at University of California at Berkeley, while Prof. Robert J. Holloway will spend the year at Stanford and Prof. George Seltzer will study here at Minnesota.

Prof. Anne O. Krueger will spend a year in India under an Economic Development Study grant.

Under Small Business Administration auspices, Profs. Edmund A. Nightingale and Donald V. Harper will undertake a study of the St. Lawrence seaway and Prof. Robert S. Hancock will study franchises.

which linear algebra can come up with intelligent business solutions.

Dean Paul V. Grambsch of the University's School of Business Administration, who directs the Institute, explains why the Ford Foundation decided it was worthwhile to finance special mathematics study for college professors.

"Everybody recognizes that new knowledge has been piling up over the years," Dean Grambsch says, "but most of our full-time faculty took their own graduate work 20 years ago and haven't had time while teaching to keep up with this kind of modern math."

"While trying to turn out mathematically literate graduate students, we've discovered we have quite a catch-up job to be done on us as faculty members. We know now that there are mathematical solutions to many problems in inventory, location, transportation, and distribution which we once believed were subject only to judgment—but we have to learn this new mathematical 'magic' ourselves before we can pass it on to students."

Two years ago, according to Dean Grambsch, the Ford Foundation financed a full year of basic mathematics study at Harvard for 40 business school professors. However, recognizing that this approach

wouldn't train enough people fast enough, Ford decided to put its teaching funds into the new 8-week Summer Institutes.

At Minnesota, a \$68,300 Ford grant pays the salary of two teaching professors, each a nationally-known authority in his field, and pays half-time salary plus living and travel expenses for the 36 students.

Classes meet for 2½ hours every day. There's plenty of time left over—and the students need it—for homework. Tutoring sessions with graduate-student math "whizzes" are available for those who need help in solving the tough ones.

The Institute's faculty members are probability theorist Kenneth O. May of Carleton College and Prof. Henry Block of Cornell University Engineering School. Their students come from three Midwest universities—17 from Minnesota, 13 from Illinois, and six from Wisconsin. The Institute has been planned and coordinated by a faculty committee under the leadership of Prof. Thomas A. Mahoney, one of the original full-year Ford math scholars who is professor of industrial relations at the University of Minnesota. Similar Institutes financed by Ford Foundation grants are also being offered this summer at the University of Pennsylvania's Wharton School of Finance and at Harvard Business School.

## Business School Offers Publications

Studies of current business trends and possible solutions to actual business problems are two of the services offered to Minnesota businessmen by the University of Minnesota's School of Business Administration.

Still available in quantity are 26 back issues of "Business News Notes" listed here:

No. 50: "Racial Differences in Consumption Patterns" (1960).

No. 49: "An Economic Theorist Looks at the Farm Problem" (1960).

No. 48: "Minnesota's Maverick Cities" (1960).

No. 47: "Sample Surveys and Prediction: An Example of Pitfalls to Avoid" (1960).

No. 46: "Personal Income in Minnesota, 1929-1958" (1960).

No. 45: "Post-War Development of Financial Institutions and Insurance Companies in Minnesota" (1959).

No. 44: "The Iron Ore Industry in Minnesota" (1959).

No. 43: "Transportation Trends in Minnesota" (1959).

No. 42: "The Problem of Controlling Inflation" (1959).

No. 41: "New Horizons for Business Management" (1958).

No. 40: "Marketing Decisions in the Small Firm" (1958).

No. 38: "A Method for Making Production-Combination Decisions" (1958).

No. 36: "The Wholesale and Service Trades of Minnesota" (1957).

No. 34: "The Changing Pattern of Minnesota's Retail Trade" (1957).

No. 33: "The Variable Annuity: a New Horizon in Life Insurance" (1957).

No. 32: "Minnesota Resort Profits" (1956).

No. 31: "Strengthening the Management Team" (1956).

No. 29: "Delegating Executive Authority" (1956).

No. 26: "Minnesota and the General Sales Tax" (1955).

No. 23: "Mankind's Greatest Opportunity—the New Evolutionary Revolution" (1955).

No. 20: "Group Accidental Injury and Sickness Plans" (1955).

No. 19: "The Class Rate Cases and the Minnesota Economy" (1954).

No. 18: "Sales Promotion Decisions" (1954).

No. 14: "Testing Assumptions Underlying Economic Predictions" (1954).

No. 13: "Public Warehousing in Minnesota" (1954).

No. 11: "Planning for Capital Expenditure" (1953).

Also available are three longer booklets, part of the Studies in Economics and Business Series published by the University of Minnesota Press:

No. 19: "Price Discrimination in Property and Liability Insurance" (1959). 100 pp. \$2.50.

No. 21: "Estimated Distribution of Minnesota Taxes and Public Expenditure Benefits" (1960). 45 pp. \$1.50.

No. 22: "The Impact of Unionism on Wage-Income Ratios in the Manufacturing Sector of the Economy" (1961). 71 pp. \$1.75.

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SCHOOL OF BUSINESS ADMINISTRATION  
Minneapolis 14, Minnesota

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# MINNESOTA BUSINESS NEWS

Published by the School of Business Administration

Number Four

University of Minnesota, Minneapolis 14, Minnesota

November 1961

## Graduate Enrollments In Business Up 25%

The number of graduate students registered in the School of Business Administration is 126 more than one year ago. A total of 498 graduate students are registered this year compared with 372 for the fall quarter, 1960.

Dean Paul V. Grambsch, in announcing these figures, said that while graduate registrations are up, undergraduate registrations are down slightly. Official University statistics indicate 572 juniors and seniors registered in the School of Business Administration this fall compared with 652 a year ago. Pre-business freshmen and sophomores are estimated at 1,157 this fall as compared with 1,054 in 1960.

The upswing in graduate enrollments is part of a nationwide trend, the Dean said. "Holders of bachelor degrees in engineering and liberal arts are recognizing the need for more business knowledge and are entering business schools for graduate degrees to cap off their formal education," he added.

The downward trend in undergraduate enrollments is also part of the national trend. At Minnesota the decline can be traced to at least two factors: (1) standards for admission are tighter, and (2) performance standards for the student once he is admitted are more strict.

The fact that enrollments of pre-business freshmen and sophomores is up indicates that there is no lessening of interest in business degrees on the part of students.

The 498 graduate students registered this year are working toward the following degrees: Master of Arts in Economics, 120; Master of Business Administration, 68; Master of Science, 79; Master of Arts in Industrial Relations, 44; and Doctor of Philosophy, 25. Another 162 students are in the evening Master of Business Administration program.

Registrations in evening classes with Business Administration or Economics prefixes total 3,574. This is about 27 per cent of total University of Minnesota evening class registrations (13,371).

Evening class registration in Business Administration and Economics courses are over one-half the number of registrations in the day school program. The number of registrations for day-time courses in the School of Business Administration this fall is 5,937.

## Enrollment Breaks All Records

University of Minnesota enrollment reached an all-time high—30,846—in the final tabulation for the fall quarter, 1961. The addition of students enrolled in general extension classes brings the total to 42,130.

The new mark exceeds the previous record of 28,312 recorded in the fall of 1947 when World War II veterans crowded the campus.

More new students entered the University this fall than did a year ago—10,631 compared with 9,389. Freshman attendance is 14 per cent above last year.

As admission requirements of the University have edged upward, more students are staying in school because they continue to do well in their studies.



DAUSE L. BIBBY (left), president of the Remington Rand Division of Sperry Rand Corp., was the speaker at the award dinner of the 8th Annual School of Business Administration Alumni Institute October 5. Here he points out some differences between an early model computer and a new model to VAL J. OLSON (center), head of the Univac Solid-State 80 Computer Center at the University, and PAUL V. GRAMBSCH, dean of the School of Business Administration.

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## Univac 80 Awaits Problems

Construction men and technicians have been busy in Room 4 Vincent Hall in recent weeks creating an air-conditioned home for a Univac Solid-State 80 Computer. When their work is completed in December, faculty, students, and trainees will attempt to confound it with complex problems.

The seven-unit system will be used jointly by Univac and the University for three years. Univac trainees will use the computer at night, while University faculty and students will keep it occupied during daytime class hours. At the end of three years, the system will become the property of the University of Minnesota.

Since early October 125 faculty members and graduate students have been attending a weekly course in programming procedures. This series of courses will end in December, but it will be conducted again at a later date if there is sufficient demand, according to Val J. Olson, head of the Computer Center.

The School of Business Administration is planning to use the \$500,000 system for research and for credit and non-credit courses in computer programming and operation. If scheduling permits other University departments will also be invited to use the Univac Solid-State 80. The facilities will also be available to private industry for research activities. Interested firms are invited to contact Mr. Olson for further information.

## *Modern Way to Run a Business*

# Research Provides Key for Decisions

By Prof. Delbert C. Hastings

The practice of business management by guess, hunch, and chance has just about seen its last days. It has been dying out for 50 years, gradually giving way to a new practice—the control of business by facts, figures, and data. The change has placed a new perspective on the word "research" and its use in business management.

Research implies systematic study of relevant problems. It is a careful and deliberate sifting and sorting of all factors relating to a precisely formed question, and then a thoughtful weighing and evaluation of data which are gathered or produced specifically to solve or answer that question. It might be called the opposite of "snap judgment."

Research has been replacing more traditional management methods because it can better serve the basic three-fold objective of the business firm—continued existence, profitability, and growth. The "research view" is that business objectives and business decisions can best be achieved by deliberate and formal study. This study may be based on information gleaned from surveys, experiments, case studies, or test operations; and the results may settle a major issue, e.g., whether or not the firm goes ahead on a new project. Use of research findings are equally applicable in settling problems encountered in day-to-day operations.

### **Research Useful in Many Areas**

It is evident that a large number of business firms believe in the efficacy of research. Many have extensive facilities devoted to *product research and development*. Some of these firms and others are also engaged in *marketing research*. Somewhat newer areas of business management on which firms do their own research include such fields as personnel, finance, transportation, operations, organizational structure, forecasting, and inventory control. Competition hastens the spread of the use of research in such areas; for as soon as research on a particular topic proves its value to one firm, its competitors must adopt the practice to keep from falling behind.

While research is more widespread in large firms, it is by no means uncommon in small firms. Now, as in the past, new firms are born when someone has an idea and develops a product or service which he can sell. But because of the more technical nature of products or services now, new development is more likely to stem from the results of some research activity. Often a new firm is formed because a researcher employed by a large firm wishes to enjoy the fruits of his own ideas. New firms are thus formed in the technical fields by a splintering process from large firms which are heavily engaged in research. The new small firms, too, find that they must continue heavily in research to maintain the pace of the larger firms.

### **Other Groups Give Assistance**

Governmental bodies and trade associations assist the business research process by providing a vast flow of public information. Numerous commercial research organizations also stand ready to supplement and even to replace research facilities within a firm. But each firm's research needs are to some extent its own specialty.

To use effectively the vast amount of information arising both within and without, each company needs people who are knowledgeable in research. This competence is needed at three levels:

- The first encompasses the use of the results of research in making operating decisions. This requires an ability to communicate with and understand technical workers, and to bring their results to bear on operating problems.

- A second level involves maintaining continuous awareness of new developments outside the firm. A firm need not and cannot be expected to originate all the new knowledge it will use, but it is wise for it to take advantage of knowledge appearing from other sources.

- Finally, if a firm maintains its own research facilities, it needs technically trained people who are competent to perform the research work for the firm.

### **Business Serves Society Through Research**

The research problems of any business organization are complicated by the rapid change and the large volume of new knowledge which continually appears. Each firm is forced by the competition of the products of other firms for the consumers' dollars to develop new products and adopt new techniques which can keep it abreast. A surprising but important feature is that firms may be strongly influenced by knowledge in areas which at first glance seem irrelevant. For example, developments in such diverse fields as archaeology, drama, and medicine may be important to a furniture manufacturer! This feature compounds the businessman's problem since he must have facilities to maintain awareness of new developments in many fields rather than concentrating on a selected area.

In this regard an important point to keep in mind is this: *Business is the institutional route by which, to a large extent, the benefits of new knowledge are brought to the public*. And new knowledge is of little value unless it is put to use. This use comes often through the goods and services which are produced by business firms for the consuming public. The practical meaning of new knowledge in our society, therefore, lies to a considerable degree in how thoroughly and capably this social function can be performed by businessmen. It follows that society ought to avoid harassments and controls of business which impede the performance of this function.

### **The Place of the University School of Business Administration**

What is the place of the University School of Business Administration in this complex relationship among knowledge, research, and business? The answer is three-fold. First, since business needs people trained in research at three different levels, as pointed out above, the instructional efforts of the professional business school should be directed toward filling these needs. It should inspire within each student an appreciation of rigorous research and an ability to use its results. It should train to a high technical level those students who wish to become research workers in the functional specialties of business administration. It should also provide advanced levels of education for those rising from the lower to higher positions in business firms where the ability to evaluate research results and bring them to bear on operating problems is important.

A second aspect of the professional school's responsibility lies in the research performed within the school by its faculty and graduate students. Research within business firms is properly directed at operational problems. The professional school,

(continued on page four)



University President O. MEREDITH WILSON (left) presents an Outstanding Achievement Award to CARL D. CORSE. The award is given to alumni who have distinguished themselves in their chosen fields.

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## Corse Receives Achievement Key

Carl D. Corse, United States State Department economist and an expert on foreign trade negotiations, received the University of Minnesota's Outstanding Achievement Award October 5 at the School of Business Administration's Alumni Institute. University President O. Meredith Wilson presented the award.

A 1930 graduate of the University's business school, Mr. Corse has served as a government economist since 1939. Presently he is special assistant to the United States assistant secretary of state for economic affairs. He has been a delegate to many international trade meetings and was minister of the U. S. delegation to the 1960-61 tariff negotiations in Geneva, Switzerland.

Mr. Corse also received the Master of Arts degree from the University in 1935 and is a member of Phi Beta Kappa. He served as a teaching assistant at the University for four years and was an instructor in the School of Business Administration in 1938-39.

The University's Outstanding Achievement Award, consisting of a gold medal and a citation, is presented to alumni who have distinguished themselves in their chosen field.

### Minnesota Business News

Published by  
School of Business Administration  
University of Minnesota  
Minneapolis 14, Minnesota

Number Four

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Paul V. Grambsch, Dean

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John B. Webster, Editor

# Computers Hungry For More Questions

Management today stands in awe of the computer, says Dause L. Bibby, president of the Remington Rand Division of Sperry Rand Corp. This device, developed only 15 years ago, can provide such rapid answers to so many difficult questions, that businessmen are hard pressed to find enough questions to ask of it.

To better utilize its capabilities is the heart of the challenge which the computer places before the executive. It is the area where businessmen and university schools of business must press forward if the decision-making process is ever to be automated.

Mr. Bibby spoke to the 8th Annual School of Business Administration Alumni Institute in downtown Minneapolis October 5. He traced the history of the development of the computer and outlined some areas where executives could make greater use of its capabilities.

The world's first electronic computer, the ENIAC, was invented only 15 years ago, the computer firm executive said. Now, there are 5,000 computers in operation and \$250 million is spent each year for research and development. He predicted that in five years, 10,000 to 15,000 computers will be at work in the United States alone.

The computer has enabled business to speed up operations and to break down many clerical procedures into finer detail. The procedural bridge has been crossed—businessmen have learned how to automate routine jobs; but work into what the computer can do in helping with the decision-making process has just been scratched.

### Research Skill Needed

Mr. Bibby quoted Dudley Browne of Lockheed Aircraft who stated the problem this way: "You can't trace the anatomy of executive decision-making by following an executive around and taking notes on his behavior. You must X-ray his subconscious. . . . It is at universities such as this that research into management itself—into the sublime workings of judgment, intuition, and imagination—must press forward if we are ever to automate the decision-making process."

To point out that work in this area is moving at snail's pace, Mr. Bibby said: "For every 1,000 hours devoted by the nation's best scientific minds to developing better computing equipment, just one hour is spent by businessmen in devising methods to improve its use."

In the field of modern management, experiments have been made in the "gaming" approach (originally developed in World War II to steer convoys through mine-and-sub infested waters) to guide a company through the thickets of competition, profit squeezes, and inertia.

The three challenges: (1) management must stop thinking of the computer as a glorified bookkeeping machine; (2) the job of the executive must be to invent, through ingenuity and experiment, new and challenging applications of the computer; and (3) management must seek to raise the level of employee knowledge and responsibility. The people whom they employ must know how to operate something far more difficult than a 10-key adding machine. And, in the process of employee education, management must re-educate itself.

### Several Publications Still Available

Studies of current business trends and possible solutions to actual business problems are two of the services offered to businessmen by the University of Minnesota's School of Business Administration. The School offers the following publications:

*Small Business Management Research Reports:*  
"Organizational Relationships in the Growing Small Manufacturing Firm," by Prof. Albert K. Wickesberg. 65 pages. \$1.50.

"The Place of Forecasting in Basic Planning for Small Business," by Prof. Delbert C. Hastings. 60 pages. \$1.50.

"Market Research and Market Planning for the Small Manufacturer," by Prof. Robert J. Holloway. 52 pages. \$1.50.

"Basic Planning and the Transportation Function in Small Manufacturing Firms," by Prof. Donald V. Harper. 62 pages. \$1.25.

*Studies in Economics and Business Series:*

No. 19: "Price Discrimination in Property and Liability Insurance," by Prof. C. Arthur Williams, Jr. University of Minnesota Press. 100 pages. \$2.50.

No. 21: "Estimated Distribution of Minnesota Taxes and Public Expenditure Benefits," by Prof. O. H. Brownlee. University of Minnesota Press. 45 pages. \$1.50.

No. 22: "The Impact of Unionism on Wage-Income Ratios in the Manufacturing Sector of the Economy," by Prof. Norman J. Simler. University of Minnesota Press. 71 pages. \$1.75.

*Business Report Series:*

No. 1: "Minnesota Business and the Cuban Revolution," by Prof. Robert J. Holloway and Roderick H. Rude. 15 pages. (mimeographed)

*Other Publications:*

"Collegiate Education for Business: A Critique and an Appraisal," edited by Prof. Douglas C. Basil. 63 pages.

"Small Business Uses of Individual Life and Health Insurance," lectures by Prof. William T. Beadle (Illinois Wesleyan University) and Prof. Charles C. Center (University of Wisconsin). Edited by Prof. C. Arthur Williams, Jr. 32 pages.

# 2 Professors Named to Newly Created Posts

Two professors in the School of Business Administration have been appointed by Dean Paul V. Grambsch to newly created offices in the School. Prof. Delbert C. Hastings will be Director of Research and Prof. Nicholas Glaskowsky will be Director of Case Collection. Both will hold these offices in addition to their regular duties.

As Director of Research, Prof. Hastings will coordinate the research activities of the School. This will include administration of funds for research purposes, the coordination of clerical and equipment facilities for heads of projects, and the encouragement of new research projects by faculty members.

The School of Business Administration has long recognized the need for research training as a preparation for employment in business firms, Dean Grambsch said. Courses in statistical methods and other courses relevant to research have been required at both the undergraduate and graduate levels since the School was founded in 1919.

At present, an undergraduate must include at least two courses in statistics and business research methods in his degree program. In addition, he gains research experience in report writing in a number of other courses. Graduate degrees are by tradition research oriented and candidates both at the master's and doctoral levels must devote considerable study to research methodology.

Besides the teaching program, the faculty of the School carries on a varied research program concerning the problems of both large and small businesses. Considerable emphasis is placed on problems within Minnesota. Summaries of findings are printed in *Minnesota Business News*.

Prof. Glaskowsky, as Director of Case Collection, will administer a program which is designed to provide Minnesota business professors with more proximate and up-to-date "cases" for classroom use. These will be written by graduate stu-

dents working under the supervision of business school professors.

The "case method" of teaching has been used in business schools since about 1912. Briefly, it works this way: Students are asked to read a description of a problem confronting a management. In this description are the relevant data necessary to arrive at a decision, and students are expected to come to class prepared

## 2 New Articles Appear in Print

Two articles by University of Minnesota School of Business Administration faculty members have recently been published. These are "Probability Inequalities of the Tchebycheff Type" by Prof. I. Richard Savage which appeared in the July-September issue of the *Journal of Research* of the National Bureau of Standards; and "Export Agriculture in Economic Development," a chapter by Prof. Martin Bronfenbrenner which appeared in *Land Tenure, Industrialization and Social Stability: Experience and Prospects in Asia*. This book, edited by Walter Froelich, is a publication of the Marquette University Press.

Prof. Savage's article is a continuation of work in his major field of interest, the study of non-parametric statistics. Studies in this area attempt to deal with a large class of cases which can't be dealt with by standard methods and which don't necessarily require the strong assumptions required in the parametric variety.

Prof. Bronfenbrenner has been a student of the problems of Asian countries for many years. He has spent considerable time in Japan. His chapter deals with an important problem facing many underdeveloped nations throughout the world.

to recommend a course of action and to defend it against contrary recommendations made by their classmates. The main objective is to help students analyze and evaluate business problem situations.

The background description in each case is not hypothetical; it concerns a real business firm and a real problem.

In writing cases, most of the information is gathered from interviews with company officials. All discussions are confidential and when the cases are written, names, locations, dates, etc., are disguised when the company requests it.

Prof. Glaskowsky cites several advantages for the preparation of cases from within the Twin Cities area for use in School of Business Administration classrooms. First, cases will be more current and will likely deal with business problems of more immediate interest than cases taken from national casebook files; second, cases will deal with problems characteristic of Minnesota and the North Central states and will have a proximity which will generate greater student enthusiasm; third, it will help bring businessmen and the School of Business Administration closer together; and fourth, student case writers will have a better opportunity to observe business activities first hand.

## Business Schools Have Research Duties

(continued from page two)

on the other hand, can take a more detached and broader view of business problems, seeking a less immediate but perhaps more lasting kind of knowledge.

A third aspect of this same responsibility lies in interpretation and dissemination of new knowledge. Interpretation is a valuable function which is sometimes overlooked in the emphasis on research. But each human institution needs a continuous evaluation of itself by some source which can be objective and dispassionate and which can view the institution in a broad setting.

Collegiate level schools of business have no monopoly on the study of an institution so widespread and interwoven in our culture as business; and conversely, they cannot be held solely responsible for lags or failures in business or in the study of business. But, vis-à-vis research, such schools do have a major responsibility as a source of trained people, as a source of ideas and knowledge, and as both an intellectual representative and critic of business.

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