

MINNESOTA BUSINESS NEWS

Published by the School of Business Administration

Number Five

University of Minnesota, Minneapolis 14, Minnesota

February 1962

Regents OK Business School Reorganization

Nearly all steps toward reorganization of the School of Business Administration, as approved by the University of Minnesota Board of Regents in November, are complete. The reorganization expands two departments (Business Administration and Economics) into five. The new departmental alignment and chairmen are:

- *Department of Accounting*, Prof. Carl L. Nelson.
- *Department of Business Functions and Management*, Prof. Albert K. Wickesberg.
- *Department of Economics*, Prof. John A. Buttrick.
- *Department of Industrial Relations*, Prof. Herbert G. Heneman.
- *Department of Quantitative Analysis*, Prof. John Neter.

Dean Paul V. Grambsch, in presenting the reorganization plan to the Regents, said that the greater decentralization of administrative responsibilities under the reorganization plan would enable the School to carry out more intensive research and instruction in special business fields.

In addition to the departmental realignment, the Regents approved the creation of six new offices within the School. They are:

• *Research Division*. Primary duties of this division are to administer the legislature's special appropriation for studies of the state's business and economy. Prof. Delbert C. Hastings is director.

• *Case Collection Division*. This division is charged with the administration of a program designed to provide Minnesota business professors with proximate and timely "cases" for classroom and research use. Prof. Nicholas Glaskowsky is director.

• *Computer Center*. This office administers the operation of the Univac Solid-State 80 Computer located at the School. The system is used for both research and instruction. Credit and non-credit courses in computer programming and operation are planned. Prof. Gordon Davis is faculty supervisor.

• *Management Development*. This office will establish programs of special training seminars for business executives.

• *Business Conferences*. Conferences on subjects of current business interest for Minnesota businessmen will be conducted by this office.

• *Carver Reading Room*. A specialized collection of study materials for graduate students is provided in the School's Carver Reading Room. The supervisor is Prof. R. Glen Berryman.

In other action, the Regents approved the establishment of a Graduate School of Business Administration. This School will go into operation when sufficient funds have been obtained to underwrite its functions. Creation of the new Graduate School will "put emphasis on professional business training with the intensive instruction, scholarship, and research that this implies," Dean Grambsch explained to the Board of Regents. The Graduate School of Business Administration will

take over and expand the graduate degree programs which have been available through the present School of Business Administration. Dean Grambsch also indicated that some funds may have to come from the business community to get the Graduate School in operation.

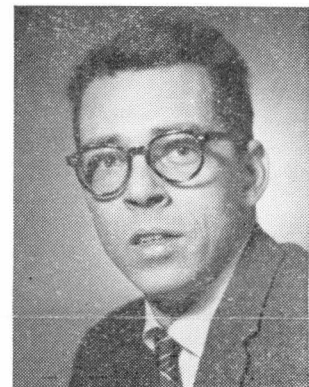
The Department Heads



Prof. Albert K. Wickesberg
*Business Functions
and Management*



Prof. Carl L. Nelson
Accounting



Prof. John A. Buttrick
Economics



Prof. Herbert G. Heneman
Industrial Relations



Prof. John Neter
Quantitative Analysis

Have You Explored *All* Industrial Possibilities?

Many communities are intensely beating the bushes for a new industry . . .

By Dean Paul V. Grambsch and Prof. Delbert C. Hastings

The State of Minnesota and its counties and cities share a pressing problem with other such areas throughout the United States—the problem of economic development. Each area seeks and needs economic growth, especially in the form of new industrial plants, to bring in new jobs and new incomes. The need is great if the cities and the state are to provide jobs for high school and college graduates, to absorb workers displaced by increased efficiency and automation in industry and agriculture, to replace declining economic activities, and to contribute to increasing levels of income and living standards.

This problem has led to the creation (in Minnesota as elsewhere throughout the United States) of a large number of commissions, committees, boards, agencies, and departments directed toward industrial and business development. Some of these bodies are governmental; others are civic or business sponsored. Their support comes from taxes in some cases, by fees, contributions, or assessments on members, or by purely volunteer work.

Much Activity, But . . .

These organizations vary greatly in activity and scope, but common activities include the publication of brochures and pamphlets which describe the assets and advantages of each area for industrial location. Many groups place advertisements in national newspapers and trade journals. They also sponsor trips near or far to meet with prospective industrial newcomers. In some cases the city provides or offers material assistance in the form of a building especially constructed or remodeled for the newcomer and offered at a low rental rate. Capital funds for equipment are sometimes locally raised for presentation to the industrialist.

While these activities may be (and probably are) all to the good, too often they seem to reflect a hope which for most proves vain—the hope that some large nationwide firm will

locate a branch plant in the industrial development group's area of interest, thus "solving" the local area's problems. While such an event is not *unknown*, it is rare enough that by no means all industrial development groups can hope for success. Competing groups throughout the nation, in every city and state, are seeking after the same limited number of prospects. Their substantial time, effort, and expense is often fruitless.

It strikes us that the industrial development groups are paying insufficient attention to an alternative which perhaps offers less spectacular results at times, but one which is likely to result in stable growth. This alternative is *the encouragement of local initiative to start and develop business and industrial activities* which will broaden the local industrial base. The Biblical quotation that a prophet is without honor in his own country apparently applies in industrial development also! The ignored local resident who has ideas for products and services may prove the best bet as a source of new "entrepreneurs," the economists' term for individual initiating and generating of added economic activity. Money spent on advertising, brochures, and travel might perhaps better be spent on assisting local innovators, inventors, and manufacturers who operate from basements or garages. Such funds might even help some "impractical dreamers" bring their ideas to fruition and put them into the form of goods and services to be produced. Of course, broadening and expanding present local businesses serves the same end.

What Do You Think?

We are curious to discover, if possible, what proportion of the economic growth which has occurred in many Minnesota communities throughout the past decade has come from outside firms moving into the area and what proportion has come from local innovation or growth of already established local firms. We suspect that, except in a few cases, the "inside" contribution to development has been greater than the "outside."

We would be interested to hear from chambers of commerce and development groups through the state, and indeed throughout the Upper Midwest, on this matter with respect to their local areas. If our conjecture is correct it may mean that the direction of emphasis in industrial development activities needs to be changed somewhat toward self-help, self-development, and local initiative.

*. . . when the bird may
be right at home in a
"tinkerer's" basement.*

Study Investigates Air-Truck Service

An Analysis and Evaluation of the Development of Coordinated Air-Truck Transportation with Special Reference to Northwest Airlines, Inc., by Prof. Nicholas A. Glaskowsky. Business Report Series No. 2, University of Minnesota School of Business Administration. 91 pages. December, 1961.

Of the seven types of coordinated transportation services—truck-rail, truck-water, truck-ocean, rail-water, rail-ocean, water-ocean, and air-truck—only the first six are commonly available to shippers at present. The last, air-truck, has not yet been widely established.

Air-truck service was first introduced on an experimental basis at Minneapolis-St. Paul International Airport in November, 1957, by Northwest Airlines and several cooperating trucking companies. Prof. Glaskowsky has analyzed the experiences of these companies during their first 18 months of operation. He concludes that the experiment has been moderately successful.

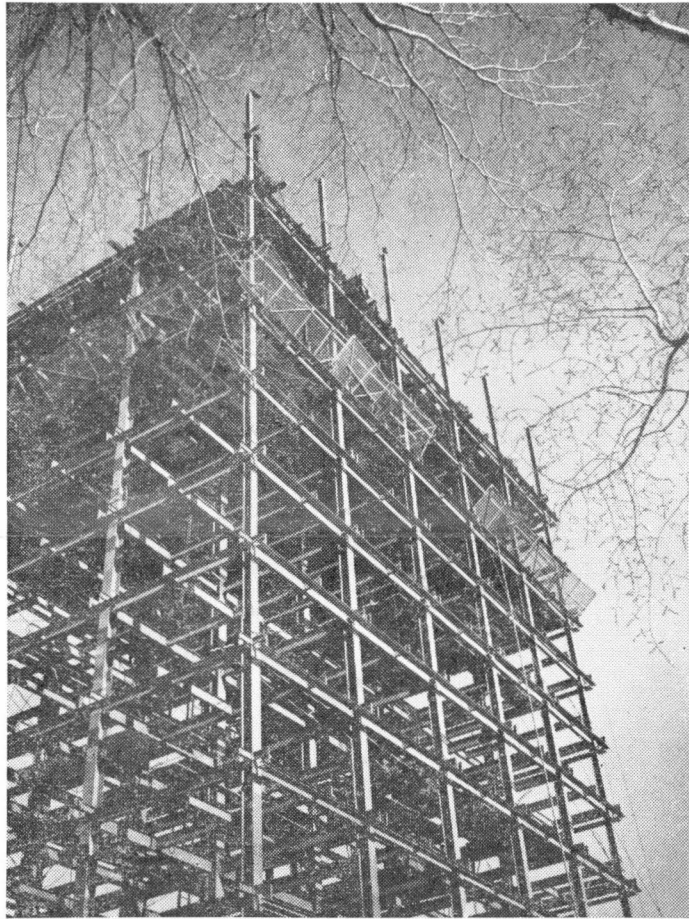
Air-truck services can help many shippers serve their present customers better; it will allow some shippers to service markets which previously could not be reached; and in some cases, it will enable some shippers presently using straight air service to effect savings in cost and/or time.

Much early development of air-truck service stemmed from the views of participating carriers that it would be a profitable marginal business which would require almost no additional capital investment. But, Prof. Glaskowsky believes, if they are to see this type of service grow, they will have to give more than marginal attention to some of the problems involved in such areas as promotion and coordination of systems and facilities.

In this report, Prof. Glaskowsky compares the characteristics of air-truck service with those of the coordinated transportation services which have been successfully developed. Viewed in their light, he believes that air-truck service is likely to be a success if it is efficiently operated and marketed by the transportation companies providing it.



Steel Beams in a Winter Sky



ERECTION OF STRUCTURAL STEEL for the School of Business Administration tower on the West Bank campus is complete. The 13-story faculty office building, with office and conference space for 400 faculty and staff members, is expected to be finished by January 1, 1963.

Wanted:

SBA Alumni for Job Opening List

Mrs. Kathleen Anderson, placement manager for the School of Business Administration, announced recently that her office is receiving many calls from business firms who want to talk to SBA alumni about possible job changes.

"We have an especially large number of calls for people to fill middle-level jobs," Mrs. Anderson said. "These can best be filled by alumni who have been graduated five to ten years."

Although a large number of alumni maintain active files with the placement office, many apparently do not know of the continuing placement services maintained by the placement office. Mrs. Anderson invites each SBA alumnus who is

even remotely interested in a new position to reactivate his file. Or, if he did not fill out the required placement forms as an undergraduate, the placement office will be glad to open a new file for him.

When an alumnus is on the active placement list, he receives a brochure every three weeks which describes about 70 job openings. Most openings are in the fields of marketing research and accounting. Many openings are particularly lucrative for persons willing to relocate.

For further information, School of Business Administration graduates can write Mrs. Kathleen Anderson, School of Business Administration, Placement Service, Minneapolis 14, Minnesota.

Faculty Unites with CofC for Management Program

The School of Business Administration is cooperating with the Minneapolis Chamber of Commerce in a Management Development program to be held March 14 through April 12, 1962. The series of five sessions is designed for executives who have recently assumed increased responsibilities, or who are expected to be promoted to jobs with increased executive duties in the near future.

Topics to be presented in the program are closely related. Each participant will be paced through an experience in executive leadership which he is not likely to get in any other way. Says Prof. Nicholas A. Glaskowsky, Jr., Associate Professor of Management and Coordinator for the program: "No single university course, no company training program ordinarily gives the point of view to be presented here. The topics are not normally explored by executives under any other circumstance."

In the five weekly sessions, to be conducted at the Ambassador Motor Hotel in Minneapolis, participants will study these topics:

- *The Climate of Management.* Major questions dealing with the environment

of business, government regulation, social restraints, and ethical problems.

- *Management and Rational Decision Making.* The art and science of decision making. The application and uses of mathematics and other modern tools to solving practical problems facing management today.

- *Management of Change.* Changes brought about by decisions. The theory of change and the individual. Automation, its impact on management.

- *Management of Conflict and Cooperation.* Causes and identification of conflict involving individuals and groups and of management problems in gaining cooperation.

- *New Developments in Management.* Various panel presentations on important management areas such as sales, finance, industrial relations, insurance, etc. This final session will tie the entire program together with a challenging speaker of national importance.

Theoretical sessions will be followed by periods of practical application. A feature of the program will be a general management business game processed on University computer facilities.

Subcommittee members of the Minneapolis Chamber's Management Development Committee who helped plan the current program are:

Edwin F. Ringer (chairman), Executive Vice President, Foley Manufacturing Co.; Edward W. Asplin, Assistant Vice President, Northwestern National Bank; R. R. Coon, Technical Assistant to the General Manager, Remington-Rand-Univac; Willis K. Drake, Vice President, Midwest Technical Development Corp.; Dr. Seymour Levy, Manager of Manpower Development and Personnel Research, The Pillsbury Co.; Edward E. Lewis, President, Magnetic Controls Co.; Stanley J. Nelson, Manager for Residential Operations, Minneapolis Honeywell Regulator Co.; and Robert E. Weigel, Executive Secretary and Manager, Business Relations Department, Minneapolis Chamber of Commerce.

School of Business Administration members of the Planning Committee are:

Dean Paul V. Grambsch (chairman); Herbert G. Heneman, Professor and Chairman of the Department of Industrial Relations; Thomas A. Mahoney, Professor of Industrial Relations; Albert K. Wickesberg, Professor and Chairman of the Department of Business Functions and Management; and Professor Glaskowsky.

A Plea for a Proper Address

Is your copy of the *Minnesota Business News* properly addressed?

In an effort to up-date all addresses, we are completing an extensive overhaul of our mailing list. If your copy is incorrectly addressed; or, if you know of someone who is not receiving the *News* who would like to be added to our mailing list, please let us know. Address your card or letter to Miss Jean Bartelt, 127 Vincent Hall, University of Minnesota, Minneapolis 14, Minnesota.

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Economics Professor Receives Fellowship

A Ford Foundation Faculty Research Fellowship for 1962-63 has been awarded to Prof. John G. Turnbull of the University of Minnesota economics faculty.

The Fellowship consists of full salary for one year plus travel monies. Prof. Turnbull's study topic will be "The American Economic Security System: A Critical Appraisal." The study will seek to ascertain the changing characteristics of economic insecurity and the ways in which economic security programs are adjusting to these changes.

Prof. Turnbull is the sixth member of the University's Department of Economics to win a Ford Foundation Fellowship. He has worked for over a decade in the area of economic security and has written three books and numerous articles.

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John B. Webster, Editor

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May 1962

New Graduate School Answers a Need

In November, 1961, the Regents of the University of Minnesota approved a proposal to establish another major component of the University—a Graduate School of Business Administration. Plans are now being formulated to constitute this new school in the 1962-1963 school year.

Initially, the new Graduate School of Business Administration will take over the present fairly substantial graduate curricula and programs in business, and will be staffed by selected members of the present business administration faculty. With sufficient funds, full scale operation can be expected by 1968.

Since the "go ahead" by the Regents, many have asked: "Just what is this new Graduate School? Is it an extension of the present graduate degree programs in business, or is it an entirely new program? Why is such a school needed?"

Here are some answers:

The business world probably moves faster and responds more quickly to the dynamic changes of our modern society than any other American institution. As an institution, the large-scale business enterprise is still relatively young. At the turn of the century, when life was slow, businesses could move slowly: they could make their goods and keep their books by hand and still survive. Later, as new inventions speeded communications, transportation, and manufacturing methods; businesses found that, in order to survive, they needed to employ workers skilled in making and operating *machines* which had increasingly replaced *hands* in making goods and doing office work. Now, businesses are again challenged: man is again being displaced, this time from his job as operator of machines, by a series of devices and methods which we know as "automation" and "computerization." The developments of the past 100 years have progressively changed man's role from a furnisher of muscle power to a furnisher of brain power.

Accentuating as well as accompanying the change in man's

role arising from technological developments has been the change arising from social and governmental developments. From the simple unencumbered agrarian life of a century ago, our society has become urbanized, regulated, and complex. From a country concerned with the internal expansion into the frame of its own domain, we have been thrust with a vengeance into preoccupation with the affairs of the entire world.

Education for Business Responds to Need

It is small wonder, then, that Americans have turned increasing attention to the education of present and future participants in business. Small wonder, too, that business schools have come into existence and have begun to mature only in recent history. Responding to the emerging needs of business for leaders trained in skills of management, finance, and marketing, collegiate level business schools are indeed a 20th Century institution. In slow-paced 1900 there were only three such schools in existence. As businesses grew, so did the numbers of schools. When the American Association of Collegiate Schools of Business was formed in 1916, it had 14 charter members. By 1961 it had 110 member schools.

In this early period, groping to meet the challenges and demands of business for trained personnel, many U. S. collegiate business schools "just grew like Topsy." Some originated from economics departments, others from the accounting profession, still others from groups of businessmen and educators seeking the establishment of professional schools. Thus, as they have grown, business schools have been characterized by diversity. They started from diverse backgrounds, evolving and expanding rapidly from these origins. In their infancy they have understandably lacked a fully developed body of knowledge which characterizes more mature professional schools, as in law, medicine, or engineering. Proponents of these business schools have understandably had to battle the inevitable opposition of those not similarly convinced, until the need for professional business training has become apparent to all.

Thus, because of the technological advances in business and industry in the 1960's, there has been growing recognition by business and industry leaders, as well as by business educators, of the need for business schools to meet a challenge more stern than any they have previously encountered. Even the collegiate business schools with high standards and solid curricula have been put to task. The challenge has forced every responsible business school to examine closely what it is doing and where it is going. The challenge, in some cases, has called for certain realignments.

Graduate Schools of Business

A typical reaction has been to move toward the pattern established by schools of law and medicine: an undergraduate education with strong liberal arts content, leading to senior undergraduate or postgraduate professional training for business. Inevitably requiring considerable investment of time by the student, the program reflects the conviction that the

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A Summary of Degree Programs

This issue of *Minnesota Business News* contains two articles which summarize the degree programs of the School of Business Administration. Both may be of interest to readers who may have occasion from time to time to advise young people concerning their preparation for college and their selection of a major field of study in college. The *undergraduate* program is set forth in an article on the back page. It points out the advantages of a collegiate education in business and briefly outlines the types of degrees available in business administration at the University of Minnesota. The *graduate* program will be found in an article which begins on this page and which outlines the functions of the new Graduate School of Business Administration.

Persons desiring more information about either degree program are invited to write:

Paul V. Grambsch, Dean
School of Business Administration
University of Minnesota
Minneapolis 14, Minnesota

A Perspective on Discount Retailing

by Prof. Robert S. Hancock

In recent years, and particularly in recent months, the attention of businessmen has been directed through print and discussion toward the apparent success and expansion of discount retailing. Some comments treat the so-called "discount house" as an unnatural "state of affairs." It is regarded as having a single-wedged impact that centers on the problem of the inability of the small and traditional retailer to meet a strong competitive force. When conceived in this perspective, some of the typical questions raised in both print and discussion are:

How should the traditional service-type retailer meet this type of competition?

Can retailers who command a higher price survive in this competitive struggle?

Aren't the large and financially strong retailers (department stores and mail order-general merchandise stores) also feeling the pinch of "discount houses"?

Should city ordinances be adopted which would close the discounter on Sunday so as to temper his competitive advantage?

These and similar questions are generally posed when a market occurrence appears to upset the status and foothold of long-standing business institutions which have earned a revered position in the community. And while it is true that these are logical and thought-provoking questions to ask, it is also true that they may be too narrow in context—they may, in fact, not be the most significant nor the most important questions which might be considered. It could well be that the *really* important impact of discount retailing—the one which could hold for the long run—may center on certain other segments of marketing structure.

Statistics vs. Compassion

It is not easy to brush aside and show no compassion for the retailer who firmly believes he is competitively suppressed by discount-type retail institutions. Yet, objective mortality statistics reveal that retailing at best is a precarious venture. For all those who invest their time and funds into a retail business, there are few (in either relative or absolute terms) who succeed and prosper.

No reliable data are available which show that new forms of competition hasten the departure of a particular retailer. Yet, anyone successfully involved in this kind of business activity, or any marketing endeavor for that matter, clearly recognizes that this is no business where one can rely on *status quo* decisions. In the marketplace, change is a much more certain phenomenon than no change.

To this observer, the key to most marketing successes, and in particular retail successes, lies in the businessman's ability to forecast and adjust to changing market conditions. This is exactly the reason why we now see widespread discounting of retail prices. Whether the discounter recognizes it or not, it remains that discount retailing is a natural occurrence of certain changes that have been occurring in the nation's socio-economic structure.

The United States' economy has recently experienced marked changes—changes which have been reflected in increases in family income and rises in the discretionary buying power of the population. When these are coupled with increased rates of family formations and a high degree of ownership by a highly mobile population (as they have been), dramatic effects are bound to be registered in the distribution structure.

Despite the improved financial position of consumers, most of them experience limited financial resources relative to their wants and desires. Furthermore, their wants and desires are

vastly enlarged by their home ownership. And because of their improved mobility, *the place* where they are likely to go to satisfy their wants and desires also changes.

Psychologists have long recognized that most people have a strong tendency toward improving their lot. For a sizable segment of consumers, improvement of their lot means acquisition of more and more goods of all descriptions. The average wage earner wants the status associated with material goods and at the same time he must seek savings to reach his real or imagined goal. It is no wonder, then, that the discount price has become an effective appeal as the vast average-income and status seeking market has developed.

Price Alone Is No Gauge

We should not, however, assume that all consumers are going to measure their value satisfactions by price alone. Higher prices for better quality, for rare and exclusive merchandise, and for numerous services seem to be in some rough way a measure of satisfactions by other segments of the consumer market. In other words, the same socio-economic phenomena that gave the foothold to discount retailing has also opened new avenues for numerous retailing innovations. The consumer market, in an aggregative sense, is vast and its detectable segments are extremely large. While other retailing innovations are not as dramatic as the development of the discount house, they are equally significant because today's consumer market is highly susceptible to segmentation.

During pre-World War II years the consumer market was relatively limited in terms of consumer purchasing power, products, and the innovations and appeals that could be used to build trade. In contrast, the consumer market today is *so healthy and so vast* that it is quite capable of supporting everything from the most prestigious product and prestigious retailer to the most common discount house.

Because of the size and character of the present day consumer market it would appear that the threat of the discount house to long established retailers has been somewhat over-emphasized. The basis for this contention rests on the fact that no single type of retail institution has ever completely dominated the retail field and there is no evidence today which would lend support to a different view.

The character of the consumer market is ripe for many divergent opportunities. Retailers need only to be able to detect the underlying forces governing change in the market place and have the business flexibility to adjust to these changes.

The Real Question

The really begging question today stems from the fact that discounting is practiced not only by the recent entrant—the discount house, but also by the more traditional type of retailer. In most metropolitan areas we either have or soon will have large numbers of retailers playing the game of discounting. The question is, therefore: "What is the real meaning of the practice of discounting—what will be its long-run effect on marketing structures?"

The real meaning to widespread discounting is the success that this competitive weapon has in breaking down traditional pricing structures. The kinds and quantities of goods moving through the discount segment of the market are certainly numerous enough and large enough to stimulate an impact involving a series of problems for manufacturers, market intermediaries, and other institutions functioning in the market place.

With the breakdown of traditional pricing structures it behooves manufacturers and market intermediaries to examine

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Graduate School of Business Administration—A New Leader

(continued from page one)

professional businessman must be both a well-educated man and a professionally trained administrator. Thus, graduate schools of business administration have been and are being established in response to a widely felt need.

At present there are 10 Graduate Schools of Business Administration in the United States which are graduate schools exclusively, offering no undergraduate work. These are professional schools serving the business community just as law schools serve the legal profession; medical schools, the medical profession.

Some of these business schools differ from such professional schools as law in that a portion of their courses are taught by faculty from other disciplines, e.g. liberal arts. Others are oriented much more closely toward solving everyday problems which businessmen must face and pay little heed to theoretical underpinnings of administrative and decision-making processes which typify business administration in general. Yet, all these graduate schools of business are alike in that they are self-contained—their courses are open only to students enrolled in the school.

The Situation at Minnesota

Since its establishment in 1919, the School of Business Administration at the University of Minnesota has awarded approximately 7,000 degrees, both undergraduate and graduate. Many of its alumni are engaged today in distinguished and illustrious careers. From its beginning, the School has been closely allied with instruction in economics. Today, it offers a carefully structured undergraduate degree program which begins with two years of pre-business (liberal arts or engineering) followed by two years of specialized business training in the School of Business Administration. Graduate programs are also offered, leading to the broad professional degree of Master of Business Administration (MBA); or to the specialized Master of Science (MS) in accounting, business finance, industrial management and administration, insurance, marketing, statistics, or transportation; or to the specialized Master of Arts (MA) in economics or industrial relations. In addition, the Doctor of Philosophy (PhD) in business administration or economics is offered for those who desire advanced training for positions of business and government leadership, and for positions on college and university faculties.

Yet, even as the School has tried to develop and pattern its education training to the needs of business and to Minnesota, it recognizes continu-

ously the need to serve better. Recently, for instance, the School has developed and offered a systematic short program of management development to meet the needs of businessmen who must keep abreast of new trends in their fields while regularly employed. This "Management Development Program" was recently held for the first time in cooperation with the Minneapolis Chamber of Commerce, and will be repeated at other times and locations as needed.

Similarly, to meet the need for more thorough training in business administration for the employed college graduate, especially but not exclusively for those whose undergraduate degrees were in non-business fields, the School established a program two years ago to offer its MBA degree entirely through evening classes. The "Night MBA," as it is popularly called, has proved popular to the extent that there is now a substantial waiting list for admission, owing to the shortage of qualified faculty and the determination to maintain quality standards equal in all respects to those of the regular daytime program.

Thus, the growing need for undergraduate training and the growing number of graduate students in business are making the present organizational and administrative arrangements as well as the present size of the staff inadequate. Realizing that graduate training in business will enable them to advance into general management positions more readily, more and more students who have received their undergraduate degrees in other disciplines (engineering, natural sciences, liberal arts) "cap off" their college education with specialized training in business. These students whose initial entry to the study of business is at the graduate level require instruction from the beginning in the subject matter of business, but at a more mature level than the undergraduate. Hence, as the graduate student rolls swell, the faculty is becoming hard pressed to juxtapose the undergraduate and graduate curriculums.

The establishment of the Graduate School of Business Administration is thus a natural reaction to the need for adapting organizational structure to the functions to be performed. The move will facilitate further development of training for business while assisting the maintenance of the high quality in academic standards which is traditional in the University of Minnesota.

How It Can Help Businesses

What can a Graduate School of Business Administration organized along

such lines provide for the Minnesota business community? In the first place, it can provide an improved supply of professionally educated personnel—men and women who have completed a rigorous regimen of education for business leadership.

Second, it can provide a center for management development programs and a forum for greater discussion of new ideas and better solutions to current and future problems. Indeed, this will be one of its obligations.

By its very cohesiveness, the Graduate School of Business Administration will be a powerful leadership force in the development of economic activity in the state and region. It will be able to do this principally through its research program which will be closely tied with the aims and objectives of the School.

Graduate degrees currently administered by the graduate faculty of the School of Business Administration (MBA, MS, and PhD) will be administered by the faculty of the new Graduate School of Business Administration. The MBA, however, will be the principal degree of the new school. It is recognized throughout the nation as the leading professional degree in business—a degree which specifically prepares candidates for executive positions in industrial and commercial enterprises.

Role of the Present School

The present School of Business Administration will be retained as a two-year (junior and senior years) undergraduate degree-granting institution. Eventually, its curriculum will be substantially modified to reduce any major overlap with the curriculum of the Graduate School of Business Administration. Both schools will be headed by the same dean.

Further economic growth and development of Minnesota and the region requires an increasing number of well-educated and professionally trained people. The broad, professional outlook of the Graduate School of Business Administration will help marshal the intellectual resources which can contribute to these goals.

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Number Six

Paul V. Grambsch, Dean

John B. Webster, Editor

Trait of the Undergraduate Program: Flexibility

To provide a broad, liberal education and to develop intellectual abilities for the administration of business undertakings—these are the educational objectives of the undergraduate program of the School of Business Administration. They are objectives rooted in the School's traditional emphasis on the academic field of economics; and they are reflected in degree programs which are long on liberal arts subject matter (mathematics, natural and social sciences, humanities), yet flexible. Each student is allowed considerable breadth of selection to follow his own special needs and interests.

The School has maintained from its beginnings entrance requirements equal to or surpassing those of liberal arts programs. Because of this, and because of its strong background in economics subjects, criticisms of low quality and "narrow vocationalism" which have been

A Perspective on Discount Retailing

(continued from page two)

carefully the meaning and make-up of price as it applies to their market planning and strategies. Price must provide not only for some predetermined level of revenue for the manufacturer, but it must also be sufficiently high (or gross margins adequate) to support all of the marketing functions in the channel of distribution.

Discount prices at the retail level cannot long persist without pressures for change and adjustment working themselves back through the channel of distribution.

The important problem area then seems the need for manufacturers and market intermediaries to thoroughly examine their product lines, prices, and physical distribution policies in light of their relationship and compatibility to present as well as future market developments.

levelled at some collegiate schools of business have never been valid at the University of Minnesota. To be admitted, a student must first prove himself through successful completion of two years of college work (freshman and sophomore years). Ordinarily, his business degree will follow in two additional years.

At least partial evidence of the success of this flexible program appears in the large number of business firms, large and small, local and national, which come to the School seeking its graduates. In recent years the number of such firms conducting interviews on the campus has exceeded the number of graduates, and the number of positions made available through these interviews is perhaps four or five times the number of graduates available to fill them. By discussion with representatives of firms of different industries, sizes, and locations, the student is better able to match his own tastes. Aside from those entering military service, family businesses, or other prearranged positions, nearly all of the School's graduates are placed in business positions by the time their diplomas are awarded.

The Prebusiness Curriculum

As noted earlier, a student seeking entrance to the School of Business Administration must first complete, with at least a C-average grade, a 2-year prebusiness curriculum. If the prebusiness work is done at the University of Minnesota, the student initially enters either the College of Science, Literature, and the Arts (selected by most prebusiness students), or the Institute of Technology. In addition, quite a number of students take their prebusiness work at other institutions and transfer to the University of Minnesota at the end of two years.

Prebusiness requirements for the student in the College of Science, Literature, and the Arts consist of 90 quarter

credits. Some of these specify particular courses (college algebra and freshman English), while others specify a certain number of credits from a general field (e.g., eight credits in natural sciences, 15 in social sciences). Also, a total of 22 credits of business and economics courses are required as a prerequisite to later work in the School of Business Administration; and 15 to 20 credits of electives for student selection.

A student preparing himself for the joint engineering-business program will enter the Institute of Technology and must complete 92 quarter credits during his freshman and sophomore years. These credits will include the business and economics as well as those prerequisite to later work in engineering.

Degree Curricula in Business

Upon successful completion of the prebusiness requirements, the student will enter the School of Business Administration. Here, if he selects the most popular degree program, the *Bachelor of Science in Business* (BSB), he will take a "core group" of 14 required business and economics courses (42 quarter credits), an additional 18 credits of business and economics electives, and another 30 credits of electives which may be selected broadly throughout the University's offerings. Thus, of a total of 180 quarter credits required for graduation, the student need take no more than 82 in business and economics courses (sufficient to insure a professional background); the remainder of 98 credits are either required to be selected from liberal arts courses, or are electives selected by the student from liberal arts, business and economics, or other available courses in the University. A special program under the BSB permits more specialization in accounting.

The *Bachelor of Science in Economics* program, which permits specialization in either economics or statistics, is directed at preparing students for professional positions in either of these two fields. While selected by only a minority of entering students, it provides a high-quality professional education for students with either of these specific interests.

The *Bachelor of Agricultural Business Administration* program, offered jointly by the School of Business Administration and the College of Agriculture, Forestry, and Home Economics, permits the student to specialize in branches of business which relate to agriculture.

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MINNESOTA BUSINESS NEWS

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July 1962

New U.S. Foreign Trade Policy An Urgent Necessity—Neal

One of the great economic issues of our day is one which, if handled right, will in a few years cease to be an issue. If handled improperly, however, it will bring on many problems—perhaps economic chaos.

What is this issue? It is the role of the United States in the expanding world market.

Should we reduce tariffs? Should we form a new trade policy? Emphatically "yes" says Alfred C. Neal, President of the Committee for Economic Development (CED). And in his address to the spring convocation of the School of Business Administration, University of Minnesota, he outlined what we might expect to achieve.

At the outset, Mr. Neal indicated that the issue is not *whether* we should liberalize trade policies and reduce tariffs; it is plainly a case of *how much* and *how soon*. In the light of new world trade establishments, our old objectives, mainly centered about protection for domestic producers, cannot remain in the forefront. We must enter vigorously into negotiations toward a new foreign trade policy—a policy which can, if bargained properly, bring about a new capacity to compete.

Our objectives are both long-range and short-range. One of the most immediate goals is to stem the outflow of dollars. This deficit in "balance of payments" has been running from between \$2.5 to \$3.8 billion per year since 1958.

A second objective of a more immediate nature, but with long-range overtones, is to maintain such an interchange of trade between nations so as to alleviate pressure points for communist exploitation. An example, Mr. Neal said, would be if there should come a split between Europe and the U.S. through a lack of economic union. If this should happen, "then the great industrial countries of the Atlantic community would enjoy prosperity at the expense of such third countries as Japan or the under-developed nations." Such conditions, of course, would be detrimental to our interests in the "Cold War."

To alleviate these problems, Mr. Neal said, besides entering vigorously into negotiations, the U.S. needs to stimulate its own rate of economic growth and rate of gain in productivity. "We can do both if we can avoid the discriminatory effects of the Common Market's external tariff." He indicated further that a failure to stimulate growth through reduction of tariff barriers would result in an increasing pile up of farm surpluses and ever higher unemployment in this country.

The U.S., in planning how to reduce tariffs and how to

(continued on page four)



Alfred C. Neal
President, CED

June '62 Graduates Make \$485 Per Month

Starting salary for this June's Business School graduate is averaging \$485 per month, according to Placement Director Kathleen Anderson. Last year's average was \$451.

Those receiving master's degrees this year will average \$575 in their first jobs.

Figures recently released by Mrs. Anderson indicate a narrowing of the gap between graduates placed within Minnesota and outside the state. In 1959-60, graduates placed within Minnesota averaged \$417 per month to \$447 to those placed outside, a difference of \$30. In 1960-61 the average was \$443 within to \$460 outside—\$17 difference. Now, the average is \$483 within to \$488 outside—\$5 difference.

Mrs. Anderson said that the greatest employment demand this year is for accountants; and, although accounting majors will average \$492 per month in their first jobs as compared to \$485 in other fields, it is surprising that the beginning salary difference was not even higher since the demand is great.

The number of graduates from which companies had to pick at the University of Minnesota School of Business Administration this year was slimmer than usual. One reason: 21 per cent of the graduates went into military service this year. Last year's figure was 13 per cent.

Although final tabulations are not yet complete for the 1961-62 year, figures released by Mrs. Anderson based on the previous year show that a total of 539 companies listed 1,357 job openings, with 198 company recruiters holding 2,910 individual interviews. A total of 314 seniors and 356 alumni registered with the placement office during that year. Similar figures are expected for the year just completed.

The major fields of employment, the percentage of graduates going into each field, and the average starting salary in the field (for 1960-61) are as follows:

Accounting, 30 per cent, \$444; Marketing, 34 per cent, \$450; Manufacturing-Production, 16 per cent, \$491; Insurance, 6 per cent, \$420; Banking, 6 per cent, \$415; and General Training Programs, 8 per cent, \$447.

New Telephone Numbers

In May the University of Minnesota replaced its manual telephone switchboard with a "Centrex" system which electronically routes incoming calls directly to departmental and staff offices, but which requires new telephone numbers. Here are the new telephone numbers of departments within the School of Business Administration:

Dean's Office	373-3701
Departments:	
Accounting	373-3599
Business Functions and Management	373-3713
Economics	373-3690
Upper Midwest Economic Study	373-3724
Industrial Relations	373-3826
Quantitative Analysis	373-3580
Placement Office	373-3736
SS 80 Computer Center	373-3608

The Case for Technical Operations

by L. A. Hatch

Vice President for Long Range Planning
Minnesota Mining and Manufacturing Company

This is a summary of remarks made by Mr. Hatch at a session of the Minneapolis Chamber of Commerce—School of Business Administration Management Development Program.

In this mid-Century, American business has come to realize fully that our companies, our countries, and maybe even our world can no longer be considered isolated domains. We are being acted upon by tremendous forces beyond individual control. How do we deal with such situations? How do we learn what these forces are? How can we as businessmen develop programs to adapt to, modify, or take advantage of these forces?

Maybe we can find a clue to some answers by examining one of these forces—the growth of the European Common Market. Here we have a movement which in its early stages is strictly economic; but it has already begun to force changes in political thinking too. Many companies are now trying to learn more about this force, to plan how to defend themselves from it, and to map a counterattack.

I have been making a special study of the effect of the Common Market on our Technical Operations. While it will take years to complete, some preliminary observations are already evident.

Since World War II a great many European industrialists have visited this country on business. They have seen American industry develop power by having their own complete technical organizations. As a result of what they have found here, they have become more technically sophisticated and have acquired some of our industrial "know-how." The old European concept was that research should be conducted only in their universities, while industry concentrated on production and finance, with some, but not too much interest in sales. This idea is passing and will soon be obsolete. It is passing principally because of an economic factor—the growth of a middle-income market.

Challenge of the Common Market

A common observation of American technical observers in Europe is that there is, so far, little evidence of a bridge between the fine scientific accomplishments of the universities and the application of important new knowledge by industry. The absence of a middle-class market is a possible explanation. This group, by its size and buying power in the United States, has been the primary source of the demand for new products; whereas European industry has been more concerned with meeting needs than wants. Their principal markets have been split between the very large numbers of low-income people, and the very small luxury market of a few people possessing extremely high incomes. A mass market as we visualize it does not exist, or rather, it exists but is not capable of functioning in the absence of income.

It seems reasonable to expect that the effect of the Common Market will be to increase the standard of living. It will increase the income at the lowest level and encourage the growth of the middle class. This will most certainly affect all industrial operations in Europe.

If my observations are reasonably accurate, it seems logical to expect a technical explosion in Europe in the next ten years. Currently and for at least five years, it will be handicapped by the absence of adequately trained engineers to provide the manpower for building the bridge between research and production. But I think it equally logical to assume that this demand will eventually be met. (I might add that I view with alarm the tendency on the part of some American university educators to try to emulate the already obsolete relationship of European science and industry. This can only be because of the educators' lack of knowledge of American industrial Technical Operations and what they have done for American industry.)

A Missing Combination: Theory-Reality

During a recent European trip, I visited several industrial laboratories. I was forcibly struck by the changes I saw in the short period of eight years. I saw new laboratories carved out of production areas or housed in quonset huts. I saw what they called "practical" scientists struggling to express their ideas in prototypes. I saw many fine machinists and well-trained technicians trying to help them. But all seemed to be suffering more from proper knowledge and training for the job than from a lack of theoretical information and manual skills. This is the classic situation where theory collides with reality. Their need will some day be met and we will really have a fight on our hands. Once the European universities throw off their self-imposed classic limitations and meet industry's desperate need, we will have more competition and more cooperation.

Americans have been accused of being practical rather than philosophical in their approach to problems. I am *not* willing to concede this as a valid criticism. In fact, it might be something of a compliment. Our whole approach in a free society, in which the state is still the servant of the people, is to permit men to better their conditions of life by their own efforts. This produces an ebullience at the grass roots which permits the government to function as a controller and encourager, rather than the reactionary relationship of the government being the source of all power and the people simply the servants thereof.

The practical approach is natural to men who want to benefit themselves, and, since our form of government provides that they can only do this by benefiting other people, the flood gates are opened to raising the standard of living.

This is the fundamental basis on which American industrial technology was built. Right or wrong, it has provided the highest standard of living in the history of the world. Russia is quietly following our example, disregarding the old world's teachings. This is why engineers and industrialists are more deeply concerned than the less informed public.

American industrial Technical Operations may, then, be the best counterattack to such a force as the Common Market and against the day when European universities and industries become wed. But we ourselves must fully know what Technical Operations are and what they can do.

Technical Operations are probably one of the more volatile and dynamic forces with which modern industry must deal. Technical Operations are a two-edged sword: they can cut

(continued on page four)



L. A. Hatch

2 Small Business Studies Ready for Release

Small Business and Union-Wide Bargaining, by Prof. George Seltzer. Small Business Administration. \$1.50.

During the past 15 years, the terms "pattern bargaining" and "labor monopoly" have been linked closely with discussions regarding collective bargaining. They are terms which semantically lead one away from an older concept of bargaining where the employer negotiates with his own men particular issues and differences of the moment, especially with regard to the conditions of one plant in relation to a highly competitive industry. Now, as the former president of a major steel company has said, there may be a new pattern—a pattern where there is a "deadly sameness which destroys initiative and which often spells disaster for a business not favored by natural circumstances." If this is so, it is of particular interest to the economic well-being of small business. Some pertinent questions might be: Can small business conduct its collective bargaining negotiations independently? Is small business doomed by the inexorable unfolding of irresistible union power expressed by an inflexible union-wide negotiating policy?

In an effort to cast some light on the questions related to collective bargaining and small business under collective bargaining, Prof. Seltzer has made a study of the negotiating experiences between the United Steelworkers of America, AFL-CIO, and small businesses in the Steelworkers' District 33, the "Minnesota" district. He chose the Steelworkers particularly because it has been closely identified with the practice of union-wide bargaining—a method whereby case-by-case negotiations supposedly receive considerable direction from the national organization. He makes a comparison between the relative bargaining experience of local "non-steel" (small foundries, forge shops, etc.) units in the "Northern" district of District 33, which centers on the Duluth metropolitan area, and the "Southern" district of District 33, which is based on the Minneapolis-St. Paul metropolitan area.

Following a description of the seven distinct "rounds" of negotiations which occurred during the 1950's, Prof. Seltzer notes these trends:

- There was wide-spread departure throughout the District from the "key" bargaining issues as set forth in national basic steel agreements at the time of negotiation.

- There was a closer degree of relative adherence to the "key" bargain issues by local non-steel units located in the vicinity of concentrated Steelworker membership (the "Northern" area) than

in the area where membership was more limited and dispersed (the "Southern" area).

- There was a markedly higher incidence of agreement with the nominal wage issues included in the "key" bargain than with issues which had to do with such things as insurance, pensions, contract duration, etc.

In general, in collective bargaining relationships with the United Steelworkers of America, small businesses are likely to be confronted with union-wide bargaining policy formulated on the basis of "key" bargaining issues negotiated with the basic steel industries. But this policy will not be a rigid "deadly sameness." Instead, it will be a pragmatic policy—a policy acting as a framework for the beginning of negotiations which will essentially be worked out under the older concept.

2 of a Series

These reports are two of a series of seven which are being published by the University of Minnesota School of Business Administration under a grant from the Small Business Administration, Washington, D.C. When authorized for release, copies may be purchased. To obtain copies, write:

Prof. Delbert C. Hastings
School of Business Administration
University of Minnesota
Minneapolis 14, Minn.

Equity and Long-Term Financing for Small Manufacturing Firms in Minnesota, by Prof. Harold W. Stevenson. Small Business Administration. \$1.50.

In the past few years, several new ways of helping small businesses with their long-term financing problems have appeared on the national scene and in Minnesota. This study examines several of these methods from the standpoint of limitations and availability, particularly with regard to Minnesota.

Although the potential sources of long-term financing at first glance appear numerous, restrictions of these sources to prescribed situations narrow the list of eligible firms. For instance, private sources of capital are readily available to highly profitable and attractive firms; but the moderately attractive business ("good," but not superior) usually must rely on other sources.

If a manufacturer cannot generate capital from private sources, who can help? The obvious answer is the community banker, for it is he who is able

to see the financing picture most clearly both from within the context of the community and through his personal contacts in the larger financial centers. And he may "prescribe" one or a combination of several remedies, i.e., lease financing, insurance company term loans, SBIC financing, or a public offering of securities.

In recent years, lease financing by suppliers has been of considerable importance in equipment financing. Small manufacturers have also received aid for construction of plant buildings from insurance companies, community development organizations, and from the Small Business Administration.

Banks usually extend term loans with maturities of about 5-7 years, but some smaller banks evidently are still not adept at diagnosing this type of loan. The SBA programs include direct loans to small firms that are unable to obtain financing on reasonable terms and indirect loans involving financing of state or local development organizations (SBIC's).

Ten SBIC's have been formed in Minnesota; and, although they differ in objectives and policies, it appears that their principal role for the future will be to provide a conditioning step for many small businesses as they consider moving from private to publically owned status.

Manufacturing firms in Minnesota generally appear to have several potential sources of funds open to them and they themselves are not urgently seeking funds. Many firms, however, do not plan their requests for long-term financing very far into the future. In general, owners of small manufacturing firms are wary of external financing that will entail a sharing of ownership. Some owners appear to be content with growth that does not occasion external financing.

Suppliers of capital have a task of convincing the owners of certain highly-promising firms that externally financed expansion with a sharing of ownership can be beneficial. To the extent that small manufacturers achieve better understanding of external financing sources and growth prospects, improved financing and growth should be forthcoming.

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Paul V. Grambsch, Dean
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John B. Webster, Editor

U. S. Must Revolutionize Authority To Cut Tariffs

(continued from page one)

formulate a new trade policy, can learn much from the negotiations recently concluded in Europe between the Common Market nations and "outsiders" such as the U.S. Here, the European community made a broad sweep—they cut common external tariff by 20 per cent across the board with only a few reservations. The whole agreement consisted only of a short statement and a few pages of explanatory notes. The U.S., however, in these negotiations, produced a telephone-book-size list which proposed item-by-item negotiations and cuts. The result was confusion; and, "it was only because the President was willing to breach the peril points on about \$75 million in trade that the United States was able to bring off any agreement at all," Mr. Neal said.

"If the United States wishes seriously to reduce the discrimination inherent in the common external tariff of the Common Market, it must improve, if not revolutionize, the authority and the method available to its tariff negotiators. We must, I believe, have authority to make percentage cuts in tariffs on broad categories of goods in order to get concessions from the Common Market and other countries that are of particular value to the United States."

Further, Mr. Neal said: "We must be prepared to go to zero tariffs on quite considerable quantities of trade in exchange for equivalent treatment from our friends overseas."

Lessons from Europe

As to how these cuts might affect domestic producers, Mr. Neal indicated that here again we can learn some lessons from the experiences of the nations of the European community. Here, in the Treaty of Rome which established the Common Market, a special fund was set up to deal with the problems of adjust-

ment. And, in addition, each country was allowed to set up its own program.

We may even be learning some of these lessons, Mr. Neal pointed out. In the trade expansion bill before Congress, it is proposed that there be extended unemployment compensation benefits, retraining facilities, and even a relocation allowance. For firms there is a provision for technical assistance, for loans, and for tax benefits—mainly an extension of the carry-back, carry-forward period for losses.

U.S. reduction of tariffs will provide immediate aid to the balance of payments problem in two ways, Mr. Neal indicated. First, our very willingness to negotiate will permit us to obtain the full benefits of concessions granted to us in the past. Second, by working hard for a good bargain, and, hopefully, getting it, we will be able not only to expand our exports, but also our imports. "Moreover, as the channels of trade open up, over time we can expect that the

Technical Operations Can Provide Growth

(continued from page two)

your profits and, improperly managed, can threaten your financial security. Properly managed, they can insure greater security for invested capital and new opportunities for venture capital and new opportunities for growth within established markets. When most effectively directed, they can provide for new growth which is financially sound and potentially more profitable than a high percentage of ordinary business activities.

I use the term *Technical Operations* to avoid the problem of semantics involved in "research and development." For modern industrial Technical Operations mean more than the "either-or" that these words connote. Technical operations mean research *and* development, theory *and* practice. American in-

Reprints of Speech Are Available

The Committee for Economic Development is composed of 180 leading businessmen and educators from throughout the nation. Its work is supported by voluntary contributions from business and industry. It is non-profit, non-partisan, and non-political.

Copies of Mr. Neal's address to the School of Business Administration Convocation are being reprinted. To obtain copies, please write:

Paul V. Grambsch, Dean
School of Business Administration
University of Minnesota
Minneapolis 14, Minnesota

greater rate of growth in the Common Market than here, and the higher productivity of agriculture here than in Europe, will both gradually work in our favor."

dustry has provided world leadership in bringing the technical phase of industry into the same level of consideration as finance, production, and sales.

A modern industrial Technical Operation includes the following components:

Research for new knowledge.

Product Development to put technical knowledge to work.

Experimental Production to provide process data and samples.

Quality Control to provide tests and specifications.

Technical Marketing to evaluate, explore, and develop a new market.

New Products to emphasize new growth.

Included in Technical Operations are unexpected benefits which result from the response of technical men to new problems. I believe it is to the everlasting credit of American industrialists that they in turn were perceptive and sufficiently free of preconceived ideas to implement the unplanned idea output, train their technical men in the skills they needed over and above their university education, and risk the money to finance the whole transaction.

Dollars spent on Technical Operations won't automatically buy protection and progress, but failure to consider the risks of technical financial malnutrition is inexcusable in these days of increasing competition—locally, nationally, and internationally. The thorough understanding, utilization, and control of Technical Operations are essential to meet the challenge of change.

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In a 'Phone Booth or Voting Booth

Judgments Mix Like Tom and Jerry

Honesty and high quality performance by businessmen is essential if American business is to maintain its freedom of action and to make progress. This is because business success is influenced as much through citizen political voting as it is through consumer "voting" in the marketplace. And disapproval by consumers and citizens of what the businessman says and does in the latter strongly influence their decisions in the former.

These observations were made by Frederick R. Kappel, chairman of the board of the American Telephone and Telegraph Co. at the 9th Annual Alumni Institute of the School of Business Administration.

Entitled "Business Performance in a Political World," Mr. Kappel's speech was the climax of a day of seminars at the Radisson Hotel in Minneapolis October 2.

The Bell System chairman, a 1924

University of Minnesota graduate, praised the democratic process and the way it operates in the business and political world. Although at times this world is arduous and exasperating, he indicated, it is here that businessmen meet their opportunities as well as their problems.

Mr. Kappel observed that the democratic system is not a simple process: in fact, it gets more complex each day. But businessmen should not despair. "On the contrary, we are lucky that we can do business in a country where political life is everyone's concern."

The American enterprise system by its very nature furthers the democratic process each day. Because industry is able to produce an endless variety of goods, it forces people to think and choose. Industry thus fosters habits of judgment and this, in turn, not only educates consumers on how to make selections in

(continued on page two—Telstar)

Rolls Continue At High Levels

Continued high levels of enrollments; the opening of the Graduate School of Business Administration; and anticipation of a move into a new building set the tone for the opening of the 1962-1963 academic year at the University of Minnesota School of Business Administration. The details:

Enrollments

Enrollments in the School of Business Administration for the fall quarter, 1962, continued at the high levels of recent years. A total of 563 students were registered in the School of Business Administration (which includes juniors and seniors only), and a total of 1,050 were enrolled as pre-business freshmen and sophomores. Undergraduate enrollments in economics degree programs total 100.

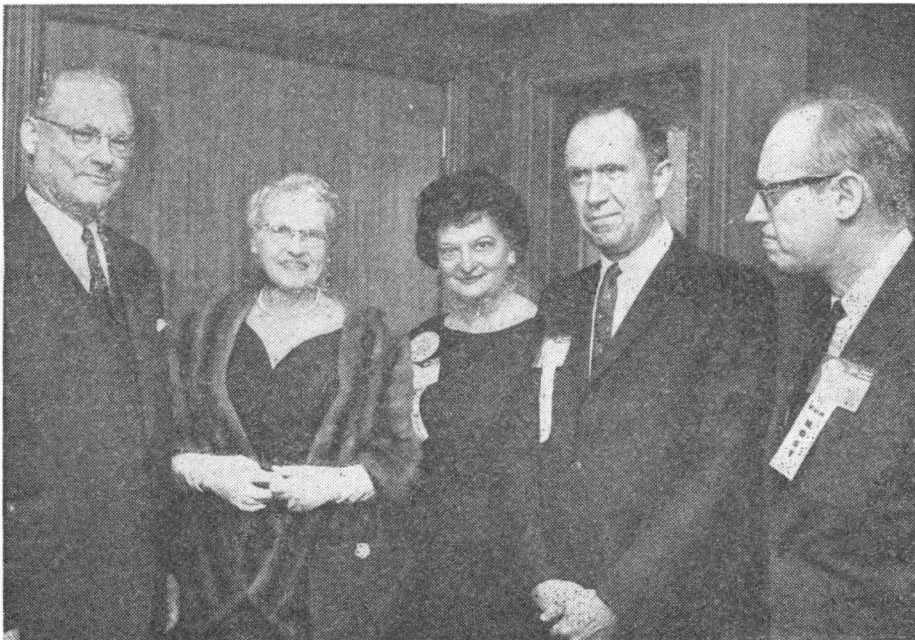
Graduate student registrations in business fields also continue at a high level, although not as high as the record 498 set last year. This year a total of 433 graduate students are working toward the following degrees: Master of Arts in Economics, 133; Master of Science, 40; Master of Arts in Industrial Relations, 30; Master of Business Administration, 25; and Doctor of Philosophy, 31. Another 174 students are in the evening Master of Business Administration program, an increase of 12 over 1961.

Graduate Office Opens

Administrative implementation of the Graduate School of Business Administration, established by the Board of Regents in November, 1961, progressed during the summer of 1962, with the opening of the GSBA office in Vincent Hall 112. All matters pertaining to graduate students in business administration are now handled through this office, as well as graduate course scheduling and assignments. Prof. Albert K. Wickesberg is director of graduate programs in business.

New Building

Construction of the new University of Minnesota west campus development is progressing at a rapid pace. The first building of the 3-building complex, a 5-story classroom building, was opened September 24. The 13-story School of Business Administration Tower is expected to be completed in March.



FREDERICK R. KAPPEL (left), chairman of the board of American Telephone and Telegraph Co., was the principal speaker at the 9th Annual Alumni Institute of the School of Business Administration. Here he poses with his wife and a group of Institute leaders. They are (left to right): MRS. KAPPEL; MISS IRENE KRIEDBERG, Sperry-Rand-Univac, chairman of arrangements; CHARLES T. MCGARRAUGH, Northwestern National Bank of Minneapolis, general chairman; and GLEN F. GALLES, Minneapolis-Honeywell, president of the University of Minnesota School of Business Administration Alumni Association.

Telstar Represents a Deep Belief in the American System

(continued from page one)

goods, but also it teaches them how to make judgments in political affairs.

Mr. Kappel, in a blunt no-nonsense manner, continued: "Some may think that the judgments people make in a used-car lot—or a telephone booth—are unrelated to the judgments they arrive at in a voting booth. I don't. . . . Economic experience and political choice are mixed like Tom and Jerry.

"In our society the relations between industry and government do not begin in Washington. They begin in millions of minds that are influenced every day by the kind of job that we in business do: the goods we sell, the wages we pay, our behavior in the community, how we sound when we speak, and whether we show ourselves as people that other people can trust.

"And the mistakes we make, the shortcomings we exhibit, do not merely send customers into a competitor's arms. They also make people think as citizens, and influence their political decisions."

How the System Works

After setting this context, Mr. Kappel offered examples of his points. In particular, he told of the development of the Telstar satellite and how one American industry (the Bell System, naturally), through conscientious, honest effort, was able to boost this nation ahead in international communications. And it is evident, he indicated, that the public sensed this honest effort; for representatives of the voters placed their confidence in private enterprise by refusing to allow international communications to be under complete governmental control.

Communication by satellite is being made possible by private industry's research and development. Six basic components—the transistor, the solar battery, the traveling wave tube, the maser, the wave guide, the horn antenna—are direct outgrowths of about \$1.4 billion spent by the Bell System since the end of World War II.

Rockets were, of course, developed at government expense. However, each launching of a communications satellite is paid for completely (including the cost of the rocket), by the Bell System.

"The satellite story does tell the world that government and private enterprise in the United States can work together on the most complex problems," Mr. Kappel said. He also indicated that Telstar represents a deep belief in the American system that only wants occasions for expression.

"There is a pride that wants to be nourished. There is a willingness for us in industry to show what we can do, and a strong desire to see us outdo ourselves. . . . Let us not think that the spirit that made this country great is a thing of the past. Let us make it our business, rather, to pile up evidence to the contrary."

Of course, Telstar is only the beginning, he continued. In the future, more important political questions are coming up. The time has come now for businessmen to re-equip themselves to keep our economy moving ahead. "In what we say and do we must not only prove that private interest is not in conflict with public interest; we must also show that the goals we set, and the means we use to achieve them will point toward progress for the nation as a whole."

Confidence and Trust

Business can work with government with confidence and trust in each other even in such touchy areas as rate charges and taxation.

Again drawing from Bell System experience, he said:

"It took us nearly 15 years after the war to get telephone charges in the various states on a basis that would compensate for the inroads of inflation and put us in a financial situation where our customers, employees, and share owners would not be subject to the risks of inadequate service, diminished employment, or insufficient compensation, with every downward swing in the business cycle.

"I can hardly think of a more distasteful task than making these upward changes in rates. But we did it because we felt it was the only right thing to do. Further, it was only accomplished because the regulatory authorities, no less than ourselves, faced the same facts, wrestled hard with them, and came to the conclusion that a better level of profit was important to progress. I think the results today clearly demonstrate how right they were.

"In 1962, for instance, which has not by any means been the year of greatest telephone growth, still we have been able to run a construction program of some \$3 billion. Much of this is for modernization and improvement that will benefit customers in years to come. In other words, because our financial situation is better, we can build for the future, maintain employment, and contribute much more, and more evenly, to the country's economic growth."



University President O. MEREDITH WILSON (left) chats with BRYAN E. SMITH, Outstanding Achievement Award recipient. Mr. Smith is chairman of the board of Liberty Mutual Insurance Co., Boston, and a 1925 University graduate.



Smith Receives Achievement Key

Bryan E. Smith, chairman of the board of Liberty Mutual Insurance Companies, Boston, Massachusetts, received the University of Minnesota's Outstanding Achievement Award October 2 at the School of Business Administration's Alumni Institute. University President O. Meredith Wilson made the presentation.

Consisting of a gold medal and a citation, the award is given to alumni who have distinguished themselves in their chosen fields.

A graduate of the University in 1925, when he received Bachelor of Science and Master of Arts degrees, Mr. Smith began his career with Liberty Mutual 36 years ago after a brief period as a University economics instructor. He served as the company's field office manager in Duluth, St. Paul and Pittsburgh before becoming vice president of the Middle Atlantic and New York divisions in 1938.

Reprints Available

Mr. Kappel's speech to the 9th Annual Institute of the School of Business Administration Alumni Association is being printed in pamphlet form. To obtain copies, please write:

Paul V. Grambsch, Dean
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New Council to Aid in Economic Understanding

A program to encourage Minnesota schools to place greater emphasis on understanding of business and economic issues has been initiated with the formation of the Minnesota State Council on Economic Education.

Organized this fall, the Council is composed of business, labor, agricultural, and educational leaders from throughout the state. The Council will work closely with schools, the Minnesota State Education Department, and scholastic professional organizations in an attempt to raise the level of economic teaching and to aid the development of an understanding of economic issues among adults.

The College of Education and the School of Business Administration of the University of Minnesota will work closely with the Council in developing and carrying out its objectives.

The Council was conceived nearly two years ago when several Minnesota business and educational leaders recognized that the level of economic teaching in the high schools needed improvement. They saw that economics had all but disappeared as a separate course at the secondary level. Although practically all schools had good intentions to promote economic education, they were hampered because few teachers had adequate preparation in economics. As a consequence,

few students and graduates had adequate knowledge of the important domestic and world economic issues.

In addition to the development of teacher and school programs, the Council is presently planning a seminar for business, labor, and agricultural leaders which will review the college credit course, "The American Economy," which is presently being offered via CBS-TV. Scheduled for November 30 at Twins Motor Hotel, 1975 University Ave., St. Paul, specific suggestions will be offered at the seminar on how firms and organizations can develop in-service economic education programs. Prof. Harlan M. Smith of the University's Department of Economics will review the TV programs up to that date.

The Minnesota State Council on Economic Education is an affiliate of the national Joint Council on Economic Education. Officers for 1962-1963 are:

Rufus A. Putnam, superintendent of Minneapolis Public Schools (chairman); Sherwood O. Berg, head of the Department of Agricultural Economics, University of Minnesota (vice-chairman, agriculture); Robert E. Hess, executive vice-president of the Minnesota AFL-CIO (vice-chairman, labor); Lloyd L. McBurney, chairman of the board, Tescom Corp., Minneapolis (vice-chairman, business); Ray G. Price, professor of business education, University of Minnesota (secretary); Donald T. Knutson, president, International Properties, Inc., Minneapolis (treasurer); and Roman F. Warmke, director of economic education, University of Minnesota (executive director).

14 New Faculty Members Now on School of Business Roster

Fourteen new faculty members are now on the roster of the School of Business Administration. The additions and replacements were announced at the beginning of the 1962-1963 school year by Dean Paul V. Grambsch. They are:

Allen R. Solem, professor of business functions and management. A holder of degrees from the University of Minnesota and the University of Michigan, Prof. Solem will be primarily concerned with industrial psychology and management. Previously he taught at the University of Rochester, Rochester, New York.

John A. Dettmann, professor of accounting at the University of Minnesota, Duluth. He will commute weekly to the Minneapolis campus to teach advanced accounting courses.

Lowell B. Galloway, visiting associate professor of economics. He previously taught at San Fernando Valley State College in California.

Harry P. Guenther, visiting associate professor of business functions and management. Prof. Guenther returned last summer from Beirut, Lebanon, where he had a three-year appointment with American University. During his last year there, he was department chairman and financial consultant to the Beirut Management College.

Ralph H. Hofmeister, lecturer in economics. He comes to the University of Minnesota from Massachusetts Institute of Technology.

Irving A. Balto, lecturer in accounting. A University of Minnesota graduate, he is also a practicing accountant.

Douglas R. Hellweg, lecturer in economics. A member of the research staff of the Minneapolis Federal Reserve Bank, he returns to the Minnesota campus after several years' absence.

Alvin S. Malmon, lecturer in accounting will teach advanced accounting courses.

Jack H. Doty, instructor in business functions and management. He comes to the

School of Business Administration from the University of North Dakota, Grand Forks, and will teach management courses.

Richard D. Heath, research fellow in the SBA Computer Center. A University of Minnesota graduate with a major in applied mathematics, he comes from prior employment with Sperry-Rand-Univac in St. Paul.

Franklin L. McCarthy, instructor in accounting, comes to Minnesota from the University of Chicago.

Warren Mitofsky, instructor in quantitative analysis. Mr. Mitofsky returns to the School of Business Administration from two years of service with the Bureau of Census in Washington, D. C.

Howard E. Sattler, instructor in accounting. He holds a graduate degree from Arizona State University and comes to Minnesota from service as an internal auditor for the Arizona Public Service Co.

Richard G. Woods, instructor in industrial relations, returns to Minnesota from a year of military service.

Several of last year's teaching and research assistants have been promoted to instructor or research fellow. They are:

Laurence P. Feldman, instructor in business functions and management in the field of marketing; **Andrew J. Grimes**, instructor and research fellow in business functions and management; **John B. Lilja**, instructor in accounting; **Ibrahim M. Oweiss**, instructor in economics; **Donald P. Schwab**, instructor in industrial relations; and **Roger C. Vergin**, instructor and research fellow in business functions and management.

Administrative changes:

Prof. Albert K. Wickesberg has been named director of graduate programs in business administration, a newly created position.

Prof. Robert S. Hancock will succeed Prof. Wickesberg as chairman of the Department of Business Functions and Management.

Economics, Business Grads Start Higher

College graduates in economics and business start their first jobs at from \$25 to \$59 per month higher than liberal arts graduates, according to figures recently announced by the employer committee of the Midwest College Placement Association and released by the job placement office of the University of Minnesota School of Business Administration.

In a comparison of non-technical starting salaries paid in 1961-1962 by 277 business, government, and industrial organizations to holders of bachelor's degrees, the MCPA discovered these average monthly starting salaries:

Accounting majors, \$483; business (general) majors, \$459; economics majors, \$449; liberal arts majors, \$424; and other non-technical majors, \$462.

Similar figures were also compiled for holders of master's degrees. Average monthly starting salaries (for persons with no experience) were:

Accounting majors, \$589; business (general) majors, \$607; economics majors, \$558; liberal arts majors, \$461; and other non-technical majors, \$582.

The bachelor's degree figures were based on 5,298 jobs taken; the master's figures, 726.

Study Investigates 4 Graduate Student Reports Monetary Theory Selected as 'Dean's Prize Papers'

Monetary Theory Resurveyed, by Prof. Harlan M. Smith. Business Report No. 4, University of Minnesota School of Business Administration. 100 pages. August, 1962.

In 1948 the American Economic Association published a volume edited by Howard S. Ellis entitled **A Survey of Contemporary Economics** which was an attempt to review the course of economic thinking in a number of economic fields over a period of about 15 years. Included was a chapter on monetary theory written by Henry H. Villard. Since that chapter was written much has happened which is of concern to students of monetary economics and many diverse articles have been written. This report is an attempt to update the Villard work. It covers the same areas and reviews similar developments beginning in 1948 and extending through the 1950's.

Prof. Smith's report is intended to provide a more detailed guide to the literature of the subsequent period than Prof. Villard did for his period. Since more literature is reviewed, there is correspondingly less restatement of issues and evaluation of theories.

The report will be of most usefulness to advanced students of monetary theory who are trying to find their way in the extensive technical writings on the theory of interest, monetary equilibrium, Keynes and the classics, price flexibility, real balance effects, and the quantity theory of money. It may also be of some interest to all keen students of banking and financial matters.

A portion of Prof. Smith's research was financed by a Ford Foundation grant to the School of Business Administration. Copies of this report may be obtained free of charge from the School's Division of Research.

Term papers of four graduate students in the School of Business Administration have been selected "Dean's Prize Papers" in 1961-1962 competition.

Winners and the titles of their papers are:

Keith M. Carlson, "Inflation and Economic Development With Special Reference to Post-War Peru"; **Heinz Heller**, "Consumer's Surplus: A Critical Review of Its Concept, Historical Development, and Usefulness"; **Jacques Henry**, "Term Paper on Myrdal's Writings"; and **Donald R. Wahlund**, "A Survey to Determine Opinions on the Care and Training of the Trainable Mentally Retarded."

The papers were selected from a total of 11 papers nominated for the competition by the professors for whom they were written. Judges were a faculty committee appointed by Dean Paul V. Grambsch. Principal criteria for selection were scholarly content and originality. The papers will be published by the School's Division of Research as part of a numbered report series.

Mr. Carlson, a native of Mitchell, South Dakota, holds a B.A. degree from Gustavus Adolphus College and an M.A. from the University of Nebraska. At Minnesota, he is working on a Ph.D. degree in economics and holds the Earhart Fellowship.

Mr. Heller, a native of Germany, held a research assistantship in the Depart-

ment of Economics last year. This year he is continuing his studies at the University of California, Berkeley.

Mr. Henry is a native of Cap de la Madeleine, Quebec, Canada and holds a B.A. from Laval University and an M.A. from the University of Ottawa. He is working toward a Ph.D. degree in economics and holds a teaching assistantship in the Department of Economics.

Mr. Wahlund holds a B.B.A. degree from the University of Minnesota and is working toward an M.B.A. degree. He is director of finance for the Minneapolis Board of Education.

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

"Small Business and Union-Wide Bargaining," by Prof. George Seltzer. 40 pages. \$1.50.

"Equity and Long-Term Financing for Small Manufacturing Firms in Minnesota," by Prof. Harold W. Stevenson. 83 pages. \$1.50.

Business Report Series:

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

No. 2: "An Analysis and Evaluation of the Development of Coordinated Air-Truck Transportation with Special Reference to Northwest Airlines, Inc.," by Prof. Nicholas A. Glaskowsky, Jr. 91 pages. (mimeographed)

No. 3: "The Challenge to the Executive," by Dause L. Bibby. 10 pages. (mimeographed)

No. 4: "Monetary Theory Resurveyed," by Prof. Harlan M. Smith. 100 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. Beadles (Illinois Wesleyan University) and Prof. Charles C. Center (University of Wisconsin). Edited by Prof. C. Arthur Williams, Jr. 32 pages.

"How American Business Can Win the Trade War." A speech by Edward Gudeman. 10 pages.

"U.S. Opportunity in an Expanding World Market." A speech by Alfred C. Neal. 10 pages.

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