



UNIVERSITY OF MINNESOTA

business news

SCHOOL OF BUSINESS ADMINISTRATION

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April 1968

ETHICS SYMPOSIUM

Computers, Data Banks, and Individual Privacy



Richard Ruggles

The annual Ethics Symposium sponsored by the School of Business Administration with the support of the Merrill Cohen Memorial Fund will examine the ethical problems related to the use of data banks on May 2 in Room 5 Blegen Hall on the West Bank Campus. The public is invited.

Professor Richard Ruggles of the Department of Economics of Yale University will speak on the rationale that the positive features of data banks may be less well understood than the negative.

Mr. John DeJ. Pemberton, Jr., Executive Director of the American Civil Liberties Union, will speak on the inherent dangers and abuses of data banks, together with the legal aspects and possible legal remedies.

Professor Arthur Miller of the School of Law, University of Michigan, will present a synthesis of the ideas and requirements involved in working toward desired solutions.

The topic, "Computers, Data Banks, and Individual Privacy," was chosen because of its present significance not only in the business community but in American society in general. The possibilities of misuses of data banks, with consequent damage to rights of privacy and individual liberty have been increasingly brought to the attention of the public through Congressional hearings and through the mass media.

The three speakers have been chosen to attain a diversity of opinion and background, and are well qualified to bring out the many facets of the subject and the implications inherent in the problems.

Much of the publicity has concerned the proposed Federal Data Bank. However, a wide variety of other bodies of records may also qualify as "data banks" and are of equal concern and subject to public policy decisions of one kind or another. Examples include the files of credit bureaus, FBI files, military personnel records, the mailing lists of commercial firms, state tax department records, drivers license records, property tax records, motor vehicle registration records. Personnel records of a major industrial firm also may be held to constitute a data bank. One of the best known data banks used for scholarly research purposes is the personal financial characteristics data collected by the Survey Research Center at the University of Michigan.



John de J. Pemberton, Jr.

A great deal of the written and spoken word to date has emphasized the dan-



Stephen F. Keating

Stephen F. Keating, president of Honeywell, Inc., will be featured speaker at the Business Day Banquet May 8, concluding Business Week.

Business Week is an annual affair arranged by the student board of the School of Business Administration for



Arthur Miller

gers of data banks. Less well known perhaps are the reasons for bringing data banks into existence and for improving the accessibility of data in present collections, and for coordinating the contents of sundry collections. In addition to a consideration of the efficiencies to the scholar and administrator of the use of such facilities, a consideration also should be given to the ethical problems implicit in not using data banks.

The purpose of this symposium is to air these and other views regarding the use of data banks to assist in arriving at accommodations which are necessary so that the diverse and perhaps contrary objectives may best be served.

The published proceedings of the symposium will be made available at a later date upon request to the Research Division of the Graduate School of Business Administration, University of Minnesota, Minneapolis, Minnesota 55455.

Keating, B-Day Speaker, May 8

business and pre-business students. Held during spring quarter this year, it will begin on Friday, May 3, with a noon program. Tours and speakers will be featured on Monday and Tuesday, May 6 and 7. The B-Day Banquet in Coffman Union on Wednesday, May 8, will wind up the week. Classes will be dismissed after second hour and all business and pre-business students are invited to attend the banquet, and to sit at tables headed by representatives of many local and national companies. Last year sixty-eight companies were represented at the affair.

School of Business To Participate in State Technical Services Activities

On January 1 of this year the School of Business Administration began a relationship with the State Technical Services activities of the University, when Dean Paul Grambsch appointed Professor D. C. Hastings, chairman of the Department of Quantitative Analysis, to undertake this liaison work.

The State Technical Services Act of 1965 (Public Law 89-182) was enacted by the Congress with the objective of facilitating distribution of results of technological research to business firms. The purpose of the act parallels somewhat the purposes of the Agricultural Extension system. Administration of the Act is centered in the Office of State Technical Services in the U.S. Department of Commerce. The governor of each state was asked to designate a state agency to carry out the purposes of the Act.

In Minnesota the State Planning Agency was so designated, with Joseph Sizer responsible for the program. He in turn contracted with the Minnesota Department of Economic Development and with the University of Minnesota. Within the University, John Hoyt, Jr., Associate Professor of Agricultural Economics, was designated program leader. There is also an advisory committee composed of business representatives.

The University program has begun by establishing contacts with industrial firms through specialists who assist in identifying technical problems, and seek information by which to solve the problems. Library and bibliographic services are provided through a "Technical Information Service" at Walter Library, headed by a professional librarian, Theodore Peck.

Directories of information and service sources are being compiled for the assistance of the technical agents and business firms. A limited number of training programs and seminars to bring news of recent methods to industry are planned. The Department of Economic Development is contributing the services of its field staff to assist in the business contact work.

The Technical Agents in the University who are working with Professor Hoyt, include: Pete Lele, food process engineer; Edward Zottola, food microbiologist; Lewis Hendricks, forest products specialist; Marshall Keith, technology transfer agent; and D. C. Hastings, business management specialist. Other agents will be appointed as need and funds warrant.

The program requires some matching funds to be provided by cooperating agencies, but it is largely financed by federal appropriation.

A major problem in the initial stages of the program is to make business firms aware of its existence and the services provided. To this end Professor Hoyt's office has instituted a State Technical Services *Newsletter*, with a mailing list initially restricted to the firms listed in the Minnesota Directory of Manufacturers, but broader distribution will be achieved with each issue. Each *Newsletter* includes a Referral Form which interested firms may return, indicating problem areas and requests for assistance by the appropriate technical agent or the technical librarian.

It was apparently the belief of the framers of the Act that business firms would flock to take advantage of the service, but quite understandably that has not occurred. Also Congressional intent apparently centered largely in the dissemination of technological information; while dissemination of managerial information was not explicitly excluded, it was not emphasized. However state officials associated with the program and early users have tended to emphasize the need for such services on a par with the technological, and this emphasis seems likely to increase.

As a policy limitation, it is not intended that the technical agents nor faculty members assisting them will, as part of the program, perform consulting services in competition with commercial business service firms. Emphasis in contacts with firms is expected to be limited chiefly to isolating problems, making available published information through the bibliographic services, and indicating further steps which might be taken by the firm.

Should the program prove sufficiently promising, and assuming continued funding, it will probably develop into a state-wide business and technology extension service. Because of the initial emphasis on dissemination of technological information, its use as a means of extending administrative and business management knowledge will be slowed, but such development seems inevitable.

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Paul V. Grambsch, Dean

Mary Louise Hill, Editor

Barbara Ward Lectures at University



Barbara Ward

Barbara Ward, noted British economist, discussed "Organizing the World Economy" before a capacity audience on February 19 in Coffman Union at the University at a public lecture sponsored by the School of Business Administration and the Department of Concerts and Lectures.

Western countries must assume obligations to insure justice in the world economy similar to the social responsibilities accepted in their own countries, Miss Ward believes. A policy to develop the economies of the world's underdeveloped countries must be forthcoming or catastrophe might result, she said. They must be given "better access to Western markets and higher prices for raw materials."

We should be putting one per cent of the gross national product (the amount by which we grow richer between Christmas and Easter) into foreign aid. "The trouble is, of course, that in all our economies—whether state capitalism or private capitalism, in Russia or America, we spend a tremendous amount for defense," Miss Ward stated.

"We are completely without plans, without strategies, without hope when it comes to thinking about how the world economy is going to run," she said. Among other points, she suggested an international credit system that would make the gold standard more flexible.

Miss Ward said the final answer to whether we can develop a viable world economy can be found in the "question of where ultimate loyalty lies. If ultimate loyalty would go beyond national loyalties to a concept of a world society of which we are all a part, and if we could crawl over the barriers of nationhood and loyalty, then we might succeed."

Miss Ward, the wife of Sir Robert Jackson, former commissioner of development of Ghana, has traveled all over Europe and America; lived a year in Australia, went to India with her husband at the invitation of the Indian Government to study their Five Year Plan, and has spent a great deal of time in Africa. Her husband was governor of Ghana for a time.

Miss Ward, formerly Foreign Affairs Editor of *THE ECONOMIST* of London,

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UNIVERSITY GOALS STUDY TO BE PUBLISHED

a view from the academic administrator's chair

That "Protecting academic freedom" is the number one goal of universities is the consensus of 7,500 university administrators and faculty respondents in a study made in 1967 by Paul V. Grambsch, Dean of the School of Business Administration, and Edward Gross, professor of Sociology and Industrial Relations, formerly of the University of Minnesota and now at the University of Washington in Seattle.

"This may be of considerable surprise to many people who have always assumed that administrators did not feel as strongly about academic freedom as did faculty. Much as academic persons squabble among themselves as to the meaning of the term, there seems to be little question but what educators in general present a united front to the non-academic world in this matter," they said in their report to the Office of Education.

The study, *Academic Administrators and University Goals*, funded by the Office of Education, will be published in September 1968 by the American Council on Education, Washington, D.C. The project focused on university administrators—their views concerning the goals of the university—their perceptions of the relative degrees of influence various groups in the university family have—their feelings about the working of the formal and informal organizations of the university—and finally their own career patterns plus their feeling about their own jobs.

Approximately 16,000 questionnaires were sent out, 7,500 replies were received, a gratifying number of returns by all accepted standards, covering 77 selected universities. Nine denominational schools, in which it was determined that church organization and direction played a substantial role, were set aside and treated as a special case. Further study may reveal that these schools are possibly not as different as we presently believe.

Questionnaires, with some 300 questions, were sent to presidents, vice-presidents, academic deans and non-academic deans, department heads, and people classified as directors. Trustees and regents were included and a ten percent sample of faculty so as to compare faculty with administrators.

How Do Administrators View University Goals?

Grambsch and Gross were interested in two questions: first, how do administrators and faculty perceive of the goals as they really exist in their institution? Second, what do the respondents think

the goals should be, what goals are over-emphasized, and which ones are under-emphasized. The first question deals with reality as perceived by the respondent. The second question deals with ideals as conceived by the same person. By getting at both the perception and the conception, a rough index of areas of conflict might become apparent and give some indication of the degree of cooperation and stability in the organization.

From an intensive search of the literature, including university catalogs and bulletins, plus the combined ideas of the principle investigators and their colleagues, a list of 47 goal statements was prepared. The respondent was asked to indicate the relative importance of the goal ranging all the way from "of absolutely top importance" to "of no importance" with three steps in between. He was also asked to indicate his evaluation as to how important a goal *should* be. The term "goal" was used in a rather wide sense to include everything that might be thought of as an aim or objective of an organization. Some of the goals might be thought of as output goals commonly called the teaching, research, and service goals. Others might be considered as adaptation goals which have to do with adapting the university to the environment in which it lives. Others might be known as management goals because they deal with how the place is run. In addition there are motivation goals and goals of position having to do with increased prestige, etc.

Academic Freedom: Number One Goal

The respondents not only overwhelmingly believe that protecting academic freedom is the number one goal, they believe even more strongly that it should be. After academic freedom, however, the rankings immediately start to change. Altogether there are 17 goals which are ranked higher on the "should" table than they are on the "is" table. Of these 17, seven are either student expressive or student instrumental goals, four are management goals, three are motivation goals, one is a positional goal and one a direct service goal.

The two investigators think this finding is "most significant because it is a good indication of our respondents' feelings that universities should reorient their goals so as to pay more attention to their job of providing educational opportunities for the students. The student goals that should be up-ranked, according to our respondents, all deal with matters of scholarship and student intellect and not with student activities."

Another upward shift between the "is" and "should" rankings occurred with the subject of institutional loyalty and pride, and was considered significant as probably expressing administrators' difficulty with faculty mobility. Along the same line, one goal that was ranked sharply upward is the one calling for rewarding persons in accordance with their contributions to the institution. There is evidently a feeling at present that universities do not do this to the extent they should.

Looking at the downward shifts, it is interesting to note that both research goals, pure and applied research, dropped sharply in ranking. The actual mean scores did not drop, but the rank dropped significantly. Grambsch and Gross interpret this to indicate the desire for balance. Apparently the respondents feel that the present goal structure is too much weighted in favor of research.

The other important down-ranking has to do with the adaptational goals and the positional goals. It would seem the entire process is resented in which so much effort is spent in obtaining and maintaining good standing. The respondents deplore the striving to "keep up with the Joneses" and wish it were not so.

One further note on the down-ranking has to do with the goal of providing student activities. In the first place, the goal on the "is" table ranked in 27th place which is in the lower half. On the "should" ranking, it was down to 43rd place—almost at the bottom. This is especially significant when it is recalled that student goals that dealt with scholarship moved up in the ranking considerably.

Contrasts in State and Private Universities

In a comparison of state and private universities—in the private universities goals emphasized revolve about student expressive matters such as the student intellect, affecting the student permanently with the great ideas, and helping the student to develop objectivity about himself (no expressive goals distinguish the state universities at all), training the student in methods of scholarship and creative research, serving as a center for the dissemination of ideas for the surrounding area, and encouraging graduate work. In contrast, state universities emphasized to a distinctly greater extent than the private universities preparing the student for useful careers, assisting citizens through extension and doing applied research.

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FROM THE FACULTY PEN

A Basic Bibliography of Experiments in Marketing, compiled and edited by Robert J. Holloway, published by the American Marketing Association, 1967.

The articles and books listed represent the work of 200 different authors. The experiments reported in this bibliography are from 30 different publications (periodicals) and 50 books. A rigorous definition of "experiment" was rejected in favor of a greater inclusion of articles which did have some kind of experimental emphasis. This listing should prove helpful to many marketers, both in business and in academic circles.

The bibliography is available from the American Marketing Association, 230 North Michigan Avenue, Chicago, Illinois 60661, (price per copy: member—\$2.00, non-member—\$4.00).

Marketing in a Changing Environment, Robert J. Holloway and Robert S. Hancock, John Wiley & Sons, Inc., 498, (\$7.95).

This basic textbook in marketing gives the reader a thorough understanding of the environmental forces and multi-disciplinary aspects of marketing.

Its authors have based the book on the premise that certain forces and pressures within any social/economic system generate the character of the observable system of distribution. They see the forces and pressures of marketing as actually being the environment in which marketing takes place—the environment being identified as social, economic, political (legal), ethical and technological. The environment in turn is conceived to influence market activities which are product, pricing, persuasion and marketing logistics. Through the use of this approach, and by restricting discussion to basic marketing concepts, the authors relate the text to international marketing.

The book may be obtained from University of Minnesota Book Stores.

The Theory and Practice of Nonpar Banking, Paul F. Jessup, Northwestern University Press, 122 pages, (\$5.00).

This book gives a brief history of the practice of nonpar banking from 1900 to 1964 and an analysis of the size and type of community that these banks typically serve.

Jessup notes that in 1965 there were 1,492 nonpar banks in the United States, representing about 10 percent of the nation's banks, generally smaller banks, and their deposits represent only about 2 percent of the nation's total bank deposits. Nonpar banks operate in 15 states. (Some states prohibit the practice entirely.) But in those 15 states, they account for 27 percent of all insured banks. Moreover, in five states—Minnesota, North and South Dakota, Georgia and Mississippi—

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University Goals

(continued from page 3)

A striking difference is the extent to which the goal of accepting good students only is emphasized in private universities and by contrast the goal of educating to their utmost whomever can get in the state universities. This illustrates the traditional elitist goal of the private university in contrast to the land-grant, service goals of the state university. It is also in the state university that there is emphasis on satisfying the needs of the local area and keeping costs down as well as keeping harmony within the university.

Contrasts in Power Structure Goals

In examining the power structure of the universities in relation to goals, there is a striking consensus on the part of administrators and faculty on what the goals are and on what they should be, and further the kind of university one has when the administrators have power is not very much different from that kind one has when the faculty has power. What does make a difference is when legislatures and state governments are perceived as having power.

Thus one notes a complete reversal from the goal structure that tends to obtain when faculty and deans have power. For example when the faculty have power the goal of student intellect receives strong emphasis. When legislatures have power, it is positively de-emphasized. "Develop student objectivity" similarly is reversed, as is the case for training scholarship and research, student careers, disseminating ideas, preserving the heritage, accepting good students only, keeping costs down, maximum opportunity for professors, student right to inquire, and perhaps most disturbing, protecting academic freedom. For all of these goals there is a complete reversal of their relationship when legislatures have power as compared to the situation when faculty have power. The situation is similar where state governments are perceived as having power.

Dean Grambsch and Professor Gross feel that results thus far indicate that "an analysis of organizations in terms of their goals can be highly revealing. Very likely the same methodology would be useful in studying organizations other than universities. Business organizations, for example of almost any size and complexity should provide worthwhile subjects. A comparative study of profit and non-profit organizations through the study of goals would make a real contribution to the management literature."

Sixteen U Alumni Become Chartered Financial Analysts

Sixteen holders of degrees from the University of Minnesota have been awarded the professional designation of Chartered Financial Analysts by the Institute of Chartered Financial Analysts.

They were among 491 financial analysts who received the designation as the result of completing a course of study and passing a series of examinations.

Some 1,700 candidates took the group of examinations under supervision of the Institute of Chartered Financial Analysts, which was formed in 1962 under sponsorship of the Financial Analysts Federation to promote professional standards among persons who analyze stocks and bonds for investment.

Those from the University of Minnesota:

Robert S. Davis (B.B.A. '35) of 1029 Third Ave. South, Stillwater, Minn. 55082; vice president and investment officer, St. Paul Fire & Marine Insurance Co., St. Paul.

Alexander D. Kerr (Ind. Eng. '36) of 408 West Ave., Wayne, Penn. 19087; vice president, Security Research Bureau Inc., Philadelphia.

Harold W. Stevenson (B.S. '43) of 14 E. Ellis Drive, Tempe, Ariz. 85281; professor of finance, Arizona State University, Tempe.

Sherwood Benson (M.A. '50) of 236 Callan Ave., Evanston, Ill. 60202; senior investment analyst, Allstate Insurance Co., Northbrook, Ill.

Robert J. Mullen (B.A. '51) of 2164 Juliet Ave., St. Paul, Minn.; financial analyst, Dain, Kalman & Co., Inc., Minneapolis.

Eugene D. Holen (B.S. '52) of 1734 N. James St., Tacoma, Wash. 98406; vice president-director of research, Frank Russell Company Inc., Tacoma.

Robert C. Talbert (B.B.A. '53) of 5109 125th Ave. S.E., Bellevue, Wash. 98004; assistant vice president and investment research officer, Seattle-First National Bank, Seattle.

John E. Schwarz (B.B.A. '53) of 4611 Arden Ave. South, Minneapolis, Minn. 55424; assistant treasurer, Dayton Company Corporation, Minneapolis.

Roger E. Larson (B.B.A. '56) of 4503 Oak Drive, Minneapolis, Minn.; investment officer, Board of Pensions, Lutheran Church of America, Minneapolis.

Edward W. Libby (B.B.A. '57) of 928 Woodlynn, St. Paul, Minn.; trust officer and assistant secretary, Northwestern National Bank, Minneapolis.

John W. Kelly (B.B.A. '58) of 6048 Fourth Ave. South, Minneapolis, Minn. 55419; investment counsel, The American Lutheran Church, Minneapolis.

Fred R. Friswold (B.B.A. '58) of 6600 Girard Ave. South, Minneapolis, Minn.; assistant vice president, Dain, Kalman & Co. Inc., Minneapolis.

Morton Douglas Silverman (B.B.A. '58, B.S. '60) of 2135 Noble Ave. North, Golden Valley, Minn. 55422; director of institutional research, Piper, Jaffray & Hopwood, Minneapolis.

Gerald Leon Gorski (B.A. '62) of 1591 Clarence St., St. Paul, Minn. 55106; security analyst, First Trust Company, St. Paul.

Mrs. Marguerite Ann Krueger Jacobson (B.S. '63) of 7428 Lyndale Ave. South, Minneapolis, Minn.; analyst, Investors Diversified Services Inc., Minneapolis.

Charles McI. Webster (M.B.A. '64) of 5029 Kent Ave., Minneapolis, Minn.; portfolio manager, First National Bank of Minneapolis, Minneapolis.

Business Administration Seminars Scheduled

FINANCE

The Department of Finance and Insurance is offering a Distinguished Visitors Seminar during Spring quarter 1968. It is limited to twenty persons, with preference given to doctoral candidates whose major or related field is finance. Professor J. R. Nelson is directing the seminar.

The seminar will provide an unusual opportunity to meet leading financial authorities. Meetings of the seminar are scheduled each Wednesday afternoon from March 27 to May 29. Each visitor will be on campus, and available for consultation, for two days.

Nine top financial authorities from various U.S. universities have agreed to participate in the program, whose purpose is to bring to Minnesota some of the leading scholars in the areas of financial management, investment analysis and banking.

In addition to the student seminars, the visitors are extending their stay to include a special series for businessmen entitled "Dialogues in Applied Finance." While the student seminars are intended to nudge the frontiers of financial analysis and research, the businessmen's seminars will emphasize the applications of finance on current problems rather than theoretical expositions.

The speakers understand the importance of talking to businessmen in businessmen's language about businessmen's problems. It is expected that participants will acquire new ideas concerning finance and financial management as a result of this program.

The businessmen's seminars are presented by Continuing Business Education, a department of the School of Business Administration and the General Extension Division, directed by Dr. Peter Rosko. The seminars are breakfast meetings held from 7:30 to 10:00 on nine consecutive Wednesdays, with the exception of one Thursday session on April 18, from March 27 through May 22 at the Sheraton-Ritz Hotel in Minneapolis.

The dates, speakers, and topics follow:
March 27—Ronald F. Wippern, Dartmouth University

Professor Wippern will deal with the practical aspects of investment decisions under uncertainty and with the allocation of capital within a multi-division firm.

April 3—Eugene Lerner, Northwestern University

An integrated framework for capital budgeting decision making will be presented including a critical evaluation of current procedures and suggestions of ways of improving them.

MANAGEMENT DEVELOPMENT

April 10—Robert W. Johnson, Purdue University

Professor Johnson, reporter-economist of the committee drafting the Uniform Consumer Credit Code, will discuss the general nature of the Code and how it will change relationships between manufacturers of consumer products, retailers, and bankers on the one hand and consumers on the other.

April 18—Stephen Archer, University of Washington

The Cost of Capital will be approached by Professor Archer via an examination of the significance of risk in managerial decisions.

April 24—Paul Cootner, Massachusetts Institute of Technology

Professor Cootner will discuss the use of quantitative techniques in security analysis focusing on statistical analysis of stock prices and on price predictability.

May 1—Lawrence Fisher, University of Chicago

Professor Fisher will discuss his research on rates of return from investing in common stocks dealing with rates of return in 820 time periods, and on the distribution of outcomes of individual stocks and the effects of diversification of a portfolio on the riskiness of investment.

May 8—Henry Latané, University of North Carolina

Professor Latané, a former Wall Street security analyst returned to the "Ivory Tower," will discuss the use of computers and quantitative methods in portfolio management.

May 15—Hsiu-Kwang Wu, Boston University

Professor Wu will discuss the trading activities of different investor groups—odd lotters, margin traders, insiders—and how these relate to economic efficiency. He is deeply concerned about the relationship between the government and the business community and believes inadequate consideration is given to economic efficiency and overemphasis put on legal aspects under government regulations.

May 22—Donald Jacobs, Northwestern University

Professor Jacobs, who has done extensive consulting work with the Illinois Bankers Association, various federal bank regulatory agencies, and with commercial banks, will deal with the practical aspects of such questions as what the banking system of the future will look like, what effects electronic transfer mechanisms will have on business, how bank pricing practices will change. He will discuss what implications future changes are likely to have for controllers and treasurers doing financial planning.

How do managers solve interpersonal problems, mediate conflicts, plan, delegate, and control? Do managers understand organizational behavior, how organizations grow and develop, how personal and social values influence behavior?

These are the goals of the University of Minnesota School of Business Administration Management Development Seminar to be held June 2-14 at Madden's Inn, Brainerd, Minnesota. This year the seminar will be a 2-week in-residence program rather than the 5-week, 2 half-days per week program of past years. The change was made in response to talks with a number of business management education directors.

The seminar will be taught by selected faculty from the University of Minnesota School of Business Administration as well as from other universities. Time will be allocated for study and relaxation as well as classes. Emphasis will be on active involvement through case discussion and role-playing. Supplementary readings and class lectures will also be offered.

Faculty Award

Professor Robert Holloway and co-author E. T. Grether have been named winners of the annual Alpha Kappa Psi Foundation Award for the best article published in the *Journal of Marketing* in 1967. The presentation will be made at the June meetings of the American Marketing Association in Philadelphia. The article, "Impact of Government upon the Market System," was reviewed in August 1967 *Minnesota Business News* and is available upon request at no charge from the Graduate School of Business Administration.

Barbara Ward

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is regarded as one of the most influential writers in the English speaking world. Some of her books are *THE RICH NATIONS AND THE POOR NATIONS*, *FAITH AND FREEDOM*, *FIVE IDEAS THAT CHANGE THE WORLD*, *INDIA AND THE WEST*, and her latest, *NATIONALISM AND IDEOLOGY*, published in 1966, was a Book-Of-The-Month Club selection.

In December 1967, she was appointed Albert Schweitzer Professor of International Development at Columbia University.

Her lecture at the University was presented through the courtesy of Honeywell, Inc.

Faculty News

Professor Robert K. Mautz, of the University of Illinois, has been named a Distinguished Visiting Professor in the University of Minnesota School of Business Administration for the 1968-69 academic year.

Mautz has been a professor of accountancy at the University of Illinois since 1941. He is a certified public accountant, was associated with private accounting firms before joining the Illinois faculty, and serves presently as the director of a research study on financial reporting by diversified companies for Financial Executives Research Foundation and as a member of the AICPA (American Institute of Certified Public Accountants) governing council.

The new professorship is financed jointly by the University of Minnesota and the AICPA. The University was selected to be the first school to receive a grant which the AICPA will give annually for the purpose of advancing accounting education and strengthening relations between business schools and the accounting profession.

"Professor Mautz is one of the nation's leading accounting theorists and teachers, and we will be fortunate having a scholar of his stature associated with our faculty," said Dean Paul Grambsch of the School of Business Administration.

The distinguished visiting professor will spend most of his time in working with faculty members both individually and in groups in furthering their growth and development, and adding the necessary ingredient of experience and wisdom to what is already considered to be a fine collection of intellects. In addition it is expected the visiting professor will spend some time in conducting a graduate seminar especially for those students who are planning to continue working toward a

Ph.D. This work will have substantial long-run benefits to the accounting teaching profession and is in keeping with the aims of the AICPA—to assist a growing and developing accounting department to achieve excellence and first rank.

Dr. Ivan Ross has been appointed assistant professor in the Center for Experimental Studies in Business. Professor Ross began his duties the first of February after completing a year as professor at Chapman College of California teaching aboard ship in the Division of International Education on World Campus Afloat as it visited 32 countries on six continents.

Ross is a psychologist who will be focusing on consumer oriented analysis in his teaching duties and research association with the Center in developing applications of behavioral sciences to business problems.

Dr. Ross worked for General Mills in consumer behavior research before becoming associated with Chapman College. He received his Ph.D. from Purdue University in 1966.

Dr. Jose Trevino of Monterrey Institute of Technology, Mexico, has been appointed visiting professor of Quantitative Analysis Winter and Spring quarters. Professor Trevino received his graduate training at the Case Institute of Technology of Cleveland, Ohio.

Dr. Robert Bell, corporate economist with the Pillsbury Company, lectured in Quantitative Analysis Winter quarter. Dr. Bell received his B.S., M.S., and Ph.D. from Cornell University and has taken post-doctoral training at Purdue.

From The Faculty Pen

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they account for more than 50 percent of all insured banks.

Professor Jessup states, "Not only does the practice of nonpar banking impose a substantial cost burden on par banks, many of which are located outside the states permitting nonpar banking, but it has other debatable economic consequences." Jessup concludes that legislation should be enacted requiring all banks to remit at par with a reasonable time to permit nonpar banks to adjust.

This book is available through Northwestern University Press, Evanston, Illinois.

Profits in the Modern Economy, edited by Harold W. Stevenson and J. Russell Nelson, University of Minnesota Press, 202 pages, (\$5.95).

There is much misunderstanding about the whole concept of profit, as well as the source of profit. The term is used in reference to a single firm, in reference to the aggregate of all firms, or as an element of national income. Often, it is used to represent both an amount in dollars of residual income and a percentage of return on invested capital or sales. Therefore, when a representative of business, labor, or government is discussing profit, he is likely to select the usage which best supports his point of view.

The aim of this book is to provide a basis for a better understanding of the nature and role of profits in today's economy. It is a compilation of papers and discussions by nineteen contributors ranging from professors of economics and business, to executives of several financial or industrial firms, to government officials.

This book may be obtained from the University of Minnesota Press and the University Book Stores.

Cohen Ethics Symposium

Computers, Data Banks, and Individual Privacy

May 2 2:30 p.m.

Room 5 Blegen Hall

University of Minnesota
Minneapolis Minnesota

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MINNESOTA BUSINESS LEADERS NAMED TO ADVISORY BOARD

Dean Paul V. Grambsch of the School of Business Administration announced recently the appointment of a group of high level business executives friendly to the University as an advisory board to the School of Business Administration to be known as the Consultative Council.

The Council was appointed by University President Malcolm Moos. It is composed of twenty-two members broadly representative of the Minnesota business community. Hugh Galusha, president of the Federal Reserve Bank of Minneapolis, is chairman.

The purpose of the Council is to provide advice and counsel to the School on the entire range of its program and to serve as a two-way communication link between the school and the business community.

Dean Grambsch, in announcing formation of the group, expressed the view that "the interest, advice and support of such a high level assemblage of businessmen on a formal and systematic basis at this particular stage in the school's development would be of inestimable value in assisting it to make an expanded contribution not only to the total educational potential of the state but to business as well."

The newly appointed Consultative Council met for its first meeting on May 17 at the School. It was devoted to a description of the school's program by the faculty and to a discussion between council members and faculty of areas and ways in which the council might be of special help to the school.

It was generally agreed among those present that the faculty talent, facilities, and the program offerings of the school were impressive as described, but that the public generally, and even the business community, was largely unaware of the growing excellence of the school. Council members indicated that the school merited substantial public, business, and governmental encouragement and support.



Grambsch and Galusha

Members of the Council are:

Atherton Bean, Chairman of the Board, International Milling Company, Minneapolis
Judson Bemis, President, Bemis Company, Inc., Minneapolis
John E. Carroll, President, American Hoist & Derrick Company, St. Paul
J. P. Farry, President, First Federal Savings & Loan Assn., Albert Lea
Clarence G. Frame, Senior Vice President, First National Bank of St. Paul, St. Paul
Hugh Galusha, President, Federal Reserve Bank of Minneapolis, Minneapolis
Kenneth Glaser, President, Lend Lease Transportation Company, Minneapolis
William A. Hodder, Vice President, Organizational Planning and Development, Dayton Corporation, Minneapolis
Ronald M. Hubbs, President, The St. Paul Companies, Inc., St. Paul
Robert J. Keith, Chairman of the Board, The Pillsbury Company, Minneapolis
William Lange, President, Foley Bros., Inc., St. Paul
W. J. Madden, Madden Lodge on Gull Lake, Brainerd
Leonard H. Murray, President, Soo Line Railroad Company, Minneapolis
Robert S. Nickoloff, President, First Federal Savings & Loan Assn., Hibbing
Cyril P. Pesek, Vice President, Corp. Long-Range Planning and Engr., Minnesota Mining & Manufacturing Co., St. Paul
Louis F. Polk, Vice President—Finance, General Mills, Inc., Minneapolis
Henry Rutledge, President, Northwest Bank Corporation, Minneapolis
Alan K. Ruvelson, President, First Midwest Capital Corporation, Minneapolis
E. Palmer Tang, Partner, Touche, Ross, Bailey & Smart, Minneapolis
Whelock Whitney, Chairman of the Board, Dain, Kalman & Quail, Inc., Minneapolis
Alfred M. Wilson, Executive Vice President, Honeywell, Inc., Minneapolis
Edgar F. Zelle, retired President, Jefferson Transportation, Minneapolis

MANAGEMENT SYSTEMS RESEARCH CENTER PROGRAM INITIATED

The School of Business Administration has established the Management Information Systems Research Center, adopted a new educational program in Management Information Systems, and initiated an Associates Program of large Minnesota-based firms, Dean Paul V. Grambsch announced today. Professor Gordon B. Davis will head the new program.

"The electronic computer has completely recast the nature and scope of systems which provide information for operating and managing organizations and has opened up vastly enlarged potentials for innovations in system design and operation," Davis pointed out. "As the direct consequence, a new discipline or field of collegiate training and inquiry—Management Information Systems—is emerging which integrates the capabilities of the computer into the information-decision structure of organizations."

The School of Business Administration has established the Management Information Systems Research Center to focus research efforts in management information decision systems, and the new educational program to keep it abreast of the new discipline, while the Associates Program is designed to afford business organizations the opportunity to interact with the University's research and educational activities in Management Information Systems.

This recent addition to the School's program and facilities recognizes that the emergence of new equipment capabilities and new approaches to analysis and design of information-decision systems mean that both the University and the business organization are confronted by dynamic and rapidly changing requirements. The business organization needs to apply these new developments to its own unique information and decision needs; the role of the University is to engage in research and education.

(Cont'd. on page 2)

The Job of Business Is Change, Says Keating

What is the role and responsibility of business in the modern world? Is the primary motivation of business for profit inconsistent with society's goals?

Stephen F. Keating, president of Honeywell, believes that it is "the job of business to make things happen, get things done, change the world"; and he told Business Administration students that business had "the technology, the organization, and the impetus" to do just that.

Keating was featured speaker at the Business Day Banquet on May 8, concluding Business Week, an annual affair sponsored by the student organization of the School of Business Administration.

In discussing the crisis of our metropolitan cities, Keating said that "the problems seem to pile up, overlap and multiply each other." They are not single or separate, but "clusters of problems." And clusters of problems are what the businessman is by training and experience accustomed to dealing with. He is equipped "to structure problems in a meaningful way — a way that helps to organize answers."

Businessmen are as disturbed and shocked as all our citizens at the urban problems, and "embarrassed that in the midst of our general affluence a shocking portion of our people are deprived." They believe that "finding a solution has become a national goal with top priority." Accompanying the conviction that "the problem *must* be solved is a feeling of optimism that it *can* be solved."

In appealing to youth to consider a career in business, Keating pointed out the changing role and commitment of business to participate and to lead in the solution of the problems of society. He noted some of the contributions of business and businessmen through Urban Coalition and National Alliance of Business organizations, and invited young people who "want to be where the action is," to "get their piece of the action" through business. He cited the campaign and theme of the Advertising Council, "the fastest way to change the world is to work in a business that does," to indicate "the attitude of business toward itself today," as well as describing "what business can and should bring to the attack on the social problems we are facing."

Keating, who heads the Minneapolis Urban Coalition, stressed that business in no sense has forsaken its traditional objectives or interests and that business motivation should not be confused with social goals, but that in many instances they are parallel. The activities that pri-

vate enterprise is engaged in — rebuilding tenement districts in Harlem, designing computer systems that will help educators do a better job of teaching, working on instrumentation systems that will aid in heart research and in fighting air and water pollution — to aid in the solution of the world's social problems are in the mainstream of business enterprise. "They spring from traditional business interests. But they are also society's business."

Keating concluded by welcoming those who wanted to be part of this work, and emphasized the need "for people who want to become deeply and personally involved." He said you "give up leisure time, accept tension, volunteer for worries you could avoid, and probably get less sleep," but that it offers an opportunity for significant accomplishment and is immensely rewarding.

Systems Research Center

(cont'd from page 1)

The objective of the Associates Program is to provide a vehicle for relating the research efforts of the Center to the problems of the business organizations and for relating the experience and needs of business organizations to the researchers in the Center. It is expected that the result of this interaction will be to improve both the relevance and the quality of the research being performed. The program promises substantial benefit to participating business organizations while at the same time providing resources which will enhance the amount and quality of research performed.

"In a dynamic field such as Management Information Systems, there is a need for interaction between the Research Center and information systems executives from industry. The rapidity of change makes such information exchange an important element in a program for keeping industry personnel abreast of research in the field," Professor Davis noted. "Moreover, research in an applied field," he stressed, "should not be divorced from the realities of the problems to which it is addressed. The interaction of the business community and the Center will make the research effort more meaningful and will provide useful evaluations of proposed and ongoing research projects. It was in order to formalize and identify the relationship between the Center and interested business firms that an associate program was established."

The firms invited to participate in the activities of the Center were selected from those having complex and large-scale information requirements. The Associate firm is asked to designate an official representative who will serve in a liaison capacity.

The Associates of the Center will meet periodically, receive research reports, participate in research evaluation sessions and in research projects involving the application of theoretical models to 'live' information systems problems.

Support for the Research Center, which requires expensive facilities, has been sought from the business community and governmental and foundation research grants in addition to University funds. Although the University is providing substantial support it alone cannot provide amounts adequate to accelerate the research and educational programs to the level of activity necessary for excellence.

To become an Associate a firm is asked to pledge support for a three-year period. At the present time sixteen firms have contributed \$480,000. Several additional ones are being considered.

Dean Grambsch in announcing the establishment of the program expressed his pleasure at the enthusiastic reception by the business community, and the appreciation of the faculty and their eagerness to embark on the program. He said that the response of the firms contacted has been most gratifying and he felt was an indication of the confidence of the business community in the School.

The Center presently has some fifteen faculty members who are qualified and experienced in quantitative techniques, computer technology, and the management application of these tools. The faculty is drawn from the School of Business Administration and other departments of the University. The Center has an administrative and service staff of ten full and part-time personnel in addition to the faculty group for managing the training and research program. It is housed in Blegen Hall adjacent to the School of Business Administration building. An expansion to double the space is expected to be completed within the next six months.

The Management Information Systems Educational Program, to begin in the Fall of 1968, will provide graduate study in the analysis, design and operation of computer-based information systems. The student will be able to obtain a knowledge of the management process, of the functional areas of business and of computer hardware, software, and programming and its application to the analysis, design, and administration of management information systems.

The educational program of the Center will also include seminars and courses to provide business personnel an opportunity to continue their education in management information systems on a non-degree or post degree basis.

SBA INTENSIFIES MARKETING RESEARCH

the program in marketing studies

A stepped up program in Marketing Studies has been developed by several faculty members in the Graduate School of Business Administration with the purpose of exercising leadership in basic research and of disseminating the results of this research to students, to colleagues, and to business executives. The support of selected firms is being enlisted for the program.

"Because neither government nor foundations typically support university research in business to the extent they do in other fields, support from business is most crucial if we are to have an outstanding School of Business at Minnesota. If business wants to look to the University for leadership, then more direct support for University research in business must be forthcoming," said Robert Holloway, professor of Marketing and director of the Center for Experimental Studies in Business, who will head the new program.

In stressing the importance of marketing to the viability and growth of the firm and the essential nature of research to the study of marketing, Holloway noted that "marketing productivity in any sense can hardly improve without adequate research."

The Program in Marketing Studies involves research, teaching, and service activities. Research projects themselves will serve as teaching vehicles. In addition, research results will be presented in courses and disseminated to the business community.

During the past five years the Center for Experimental Studies in Business has conducted projects which have involved applications of the behavioral sciences to analyses of consumer decision-making. It is proposed to expand this stream of research to encompass contributions for the mathematical sciences. It is also intended that research will explore in greater detail the relationships of marketing to the economy and to society as a whole. Marketing in low-income areas, competitive marketing behavior, and social influences on consumer decision-making are examples of projects currently underway.

Research in the Program complements, rather than duplicates, commercial marketing research. Projects may develop new concepts or ways of thinking about marketing problems, they may frequently involve experimentation with new research methods and techniques. Such new concepts and methods usually have application to more than one company and industry, and to more than one specific type of marketing decision.

The Program involves not only conducting research but also integrating research into teaching activities of the School. It influences the education of every student in marketing in the School with its greatest impact on graduate students specializing in Marketing.

The impact of the Program extends beyond research and teaching in marketing to the University and the business community. Faculty throughout the University are drawn into the Program as consultants. Results are made available to faculty members in other areas, and discussed in detail with those who wish to introduce this research material into their courses. Results are also disseminated to the business community through publications, seminars, continuing education programs, and informal contacts.

Since 1962 the University has provided basic support for the Program through the Center for Experimental Studies in Business consisting of experimental laboratories and offices along with basic administrative support. The major resources of the Center and the Program are faculty personnel. More than twenty faculty members are involved in research, to the extent that time and funds permit. Through this involvement the Center has begun to build a highly competent team of researchers, including specialists in marketing, management, finance, operations research, quantitative analysis, and behavioral sciences.

Six marketing specialists are active in the Center:

Professor Robert J. Holloway — has served as Director of the Program in Marketing Studies and has supervised several behavior studies within the Program. He is currently President of the American Marketing Association.

Professor Edwin H. Lewis — active for several years in the Program, has teaching and research interests in the area of marketing systems, and marketing communications.

Associate Professor Richard N. Cardozo — is currently conducting behavioral research projects within the Program. His major fields of interest are consumer behavior and marketing management. Before joining the faculty in 1967, he taught at the Harvard Business School.

Associate Professor C. William Rudelius — specializes in problems of industrial and defense marketing. He has experience in both commercial and academic research.

Associate Professor Alan R. Pennington — is currently supervising research

into consumer behavior. He specializes in marketing systems and communications.

Assistant Professor Ivan Ross — is currently directing research into consumer attitudes and personality traits as related to purchase behavior. An industrial psychologist, Professor Ross has also worked as a professional market researcher.

The continuing stream of graduate students who are attracted to the Program are another important resource. Several have completed outstanding dissertations within the Program. Others are now employed by such companies as Pillsbury, Green Giant, Benson Optical and 3M, still others hold appointments at leading universities.

The Management Information Systems Research Center of the School of Business Administration will lend its support to the Program in Marketing Studies projects involving marketing simulation and sophisticated data analysis. Results from research will provide data to build models of markets. These models will form vehicles for teaching and research which will be used by marketing and management information systems faculty and researchers.

Paul V. Grambsch, Dean of the School of Business Administration, stressed that "the key to a successful future for the Program is continuing financial support which will enable it to undertake research in a number of areas of vital concern to businessmen in Minnesota." In addition, he said, "continuing support will permit major studies of significant problems rather than sporadic research in limited areas, encourage studies of change, adaptation to change, and phenomena which change through time, permit investment of resources in research whose payoff may be a year or more distant, release faculty members from non-research activities and enable them to devote their released time to research, and attract outstanding scholars from outside the Twin Cities area to the Program."

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Faculty News

R. Glen Berryman, professor of Accounting in the School of Business Administration, was one of six University faculty members honored on Cap and Gown Day, May 23, for their outstanding contributions to undergraduate education.

The six faculty members were selected, upon the recommendation of the All-University Council on Liberal Education, to receive the Standard Oil Foundation-Horace T. Morse Awards. They received a University citation and a \$1,000 grant provided by the Foundation.

Traditionally, the Cap and Gown Day Convocation recognizes outstanding students. It is fitting, however, that special recognition is given as well to faculty members since, in many ways, they are responsible for the achievements of these students.

Professor Berryman received his B.S. and M.B.A. degrees from Northwestern University, and his Ph.D. from the University of Illinois in 1958. He has been a member of the University of Minnesota faculty since 1958.

Paul V. Grambsch, Dean of the School of Business Administration, was named vice president and president-elect of the American Association of Collegiate Schools of Business (AACSB) at the annual national meeting. He will serve as president of the 130 collegiate member organization for the 1969-70 year.

The AACSB was formed in 1916, for the dual purposes of serving as the accrediting agency for business administration colleges and of promoting higher education for business administration on the North American continent. The first Canadian member, the University of Alberta, was admitted this year.

Dean Grambsch has been active in the organization since 1954, when he was dean at Tulane University. He served as secretary-treasurer this past year, and as chairman of the Standards Committee and the Accreditation Committee in the past several years. At one time he chaired the Long Range Planning Committee whose work culminated in the AACSB Assembly.

The AACSB Assembly is composed of the collegiate members of AACSB, 160 additional business schools who are working toward accreditation, and forty national business firms, including three from Minnesota, General Mills, The Pillsbury Company and 3M. The Assembly was formed to provide opportunities for business, government, foundations and educational institutions to work together on problems of mutual concern.

Edwin H. Lewis, professor of Marketing and chairman of the Department since 1965, will spend the next academic year on sabbatical furlough at Lancaster, England where he has been invited to lecture in the graduate program in marketing at the University of Lancaster.

In addition to lecturing, he expects to make a comparative study of British marketing systems, particularly the channels of distribution used for manufactured goods.

In 1961-62, Lewis spent the year in Spain as a Fulbright lecturer at the Universities of Barcelona and Madrid. While there he made a study of Spanish marketing channels.

Kaiser Fellowship Awarded

David G. Fulcher of Robbinsdale, Minn., has been designated as the 1968-69 recipient of the \$3,500 Kaiser Fellowship in business.

Fulcher is a teaching assistant in the marketing department. He received a bachelor of science degree from the University in 1966 and is currently completing a master of business administration degree and preparing to enter the doctoral program.



Grambsch, Fulcher, Varco

Walter L. Varco, Manager, Salaried Recruitment, Kaiser Aluminum and Chemical Corporation, presented a check for \$4,500 to Dean Paul V. Grambsch of the School of Business Administration. The 1968-69 grant is designated \$3,500 stipend to a graduate student, and \$1,000 to the School of Business Administration for unrestricted use.

The award is given on the basis of merit to a particularly promising graduate student in the field of business administration, preferably marketing.

This will mark the eleventh year that the Kaiser Fellowship award has been made. "It is a substantial grant and continues to be one of the more coveted awards available to graduate students in business," said Professor Edwin H. Lewis, chairman of the marketing department.

FROM THE FACULTY PEN two books

Auditing and EDP by Gordon B. Davis, published by the American Institute of Certified Public Accountants.

This publication is the result of the efforts of a special Auditing EDP Task Force of Institute members with broad experience in auditing EDP, appointed by former AICPA President Robert M. Trueblood in March of 1966.

Professor Davis, on leave from the University of Minnesota, acted as chairman of the task force and had primary responsibility for directing the work of the group, drafting material and editing and revising the text.

The first seven chapters are, in effect, a primer in EDP. These chapters provide the reader with the kind of background information needed to understand the operation, administration and application of the computer — be it for auditing or some other purpose. Since the book is addressed to the auditor special emphasis has been given in these chapters to such subjects as error detection and correction; software, hardware and management controls; and preservation of the audit trail. The remaining chapters are directed at specific audit approaches and methods of implementation.

This book may be obtained from the American Institute of Certified Public Accountants, 666 Fifth Avenue, New York, New York 10019 at \$12.00.

Marketing Channels: Structure and Strategy by Edwin H. Lewis published by McGraw Hill Book Company, 330 West 42nd Street, New York, New York 10036.

This book is part of the Perspectives in Marketing Series edited by Robert D. Buzzell and Frank M. Bass which explores various facets of marketing in depth.

Marketing Channels approaches the subject by dealing with economic functions of channels of distribution along with the growth of marketing channels in the United States. The evolutionary changes in channels are considered including the growth of large scale retailers and specialized forms of wholesale institutions. Channel structures in other countries are compared to those in the United States.

The second part of the book covers the decision making aspects of marketing channels as one phase of marketing strategy. A discussion of distribution policies, methods of channel control and channel decision factors leads to the development of a channel decision model. The final section presents theoretical explanations for marketing channels including the "gap" theory, the sorting concept, the "marketing flows" concept and others.

This book is available from McGraw Hill at \$5.95, cloth cover; \$3.50, paper cover.

FROM THE FACULTY PEN

additions to reprint series

"A Study of the Importance of the Planning Horizon on Reports Utilizing Discounted Future Cash Flows" by Andrew D. Bailey, Jr. and Jack Gray reprinted from *Journal of Accounting Research*, Vol. 6, No. 1, Spring 1968 (No charge)

Service potential is the essential element in asset valuation. Where measurements of current service potential in terms of discounted cash flows can be supported by sufficient objective evidence . . . they are generally used.

Before the accountant can prepare regular reports valuing a firm as the present value of new future cash flows, he must overcome many measurement problems. This study concentrates on measuring the proportion of the total value of the firm contributed by post-horizon cash flows.

Most advocates of a discounted cash flow approach to accounting reports have assumed that the discount process eliminates the need to make direct estimates of cash flows over the life of the firm. The results of this study indicate that the planning horizon must be extended far into the future before subsequent flows become insignificant. Therefore, workable reports of service potential cannot be prepared unless improved forecasting techniques are developed.

"The Auditor and the Computer," by Gordon B. Davis, reprinted from *The Journal of Accountancy*, March 1968. (No charge)

Computers have been commercially available for over 15 years, yet the recency of the major impact can be appreciated by noting that at mid-1967 over half of all computers had been installed in the preceding three years. The number installed is expected to double again in the next three years. Although much has been written about the impact of computers on the auditor, many CPAs are just beginning to be affected.

The auditor may not properly ignore the computer in the audit—first, because the computer requires its own set of controls related to automated procedures and, second, because many controls normally resulting from division of duties and human review and judgment are now concentrated in the computer programs. He may use the computer in carrying out audit procedures but this is frequently optional, depending on the characteristics of the system and the cost and effectiveness of this alternative. The auditor should be capable of choosing and implementing the best method for each data processing application and each particular audit test.

This article is based on the first chapter from Dr. Davis' book *Auditing and EDP*, which is reviewed on page four.

"Comparison of Independent and Joint Decision-making for Two Insurance Decisions" by J. Neter, C. A. Williams, Jr. and G. A. Whitmore reprinted from *The Journal of Risk and Insurance*, Vol. XXXV, No. 1, March, 1968 pp. 87-105. (No charge)

This paper considers two independent risk situations for each of which the outcome may be either no loss or a specified loss. It investigates the relationships between independent, sequential, and joint decision approaches to determining whether insurance should be purchased against either type of loss.

All three approaches lead to identical decisions when the disutility function is linear or exponential, whether of a convex or concave type. The difference in the acts selected can be explained by the "risk premium" implicit in the disutility function.

It is the hope of the authors that this study, which investigated the implications of the expected utility model with respect to the relation of independent and joint decision-making under specified assumptions, will encourage further research in this area.

"Estimating The Liability for Unredeemed Stamps," by H. J. Davidson, J. Neter, and A. S. Petran, reprinted from *Journal of Accounting Research*, Vol. 5, No. 2, Autumn, 1967, pp. 186-207. (No charge)

The unredeemed stamp liability of the trading stamp company can be measured by the cost to redeem a stamp multiplied by the number of stamps outstanding that will eventually be redeemed. The determination of the cost to redeem a stamp is a straight forward cost accounting problem, but the problem of determining the number of stamps outstanding that will be ultimately redeemed is more difficult.

This paper describes the problem and presents an analytical approach to a solution that has been successfully tested in several trading stamp companies. The model may also be applicable to a number of other situations such as the liability for tickets outstanding by a transportation company and the liability for certain types of product guarantees.

These reprints and Keating's address may be obtained from:

Division of Research
School of Business Administration
University of Minnesota
Minneapolis, Minnesota 55455

FROM THE FACULTY PEN

two articles

The Labour Market and the Intrafactor Allocation Mechanism in Canada by Mahmood A. Zaidi published by the Economic Council of Canada, October, 1967.

This study was undertaken for the Economic Council of Canada at the time (1966) when the Council was actively concerned with the question of whether an incomes policy would be a useful device for Canada. Basically, it addresses itself to the question of how well the Canadian labor market performed its allocative function of the classical type from 1953 to 1964.

Contrary to a widespread belief about the failure of the labor market as a resource allocation device, the results of this study suggest that, on a regional basis, the labor market does allocate resources fairly efficiently. The same conclusions, unfortunately, cannot be reached on an industrial basis.

The results are indicative of obstacles to the mobility of workers between industries, and suggest the value of further study of the institutional features of the Canadian labor market, including governmental and collective bargaining institutions. They also point to a need for close study of various techniques of manpower policy which might improve inter-industrial labor mobility. Further, analysis indicates that structural factors were less important than general demand deficiency in the late 1950's and early 60's when Canada experienced high unemployment rates.

Economic Statistics to Aid the Development of the Upper Great Lakes Economic Development Region by J. R. Nelson and C. W. Rudelius published by the Upper Midwest Research and Development Council, Minneapolis, March, 1968.

Success in planning, implementing, and measuring the results of programs to stimulate the economic growth of a multi-state region depends to a significant extent on the presence of useful economic statistics for the region.

Many economic statistics, however, have important limitations in their value for regional economic development because they are not available readily or when needed; they are inaccurate or inadequately detailed; and they are not comparable over time or areas.

This study analyzes the economic statistics that are available or that would be desirable to aid the economic development of the Upper Great Lakes Economic Development Region, which includes the northern portions of the states of Minnesota, Wisconsin, and Michigan.

Computers, Data Banks, and Individual Privacy

The annual Ethics Symposium sponsored by the School of Business Administration with the support of the Merrill Cohen Memorial Fund held May 2 on Computers, Data Banks, and Individual Privacy heard the advocacy of the use of modern and efficient means of gathering, storing, and retrieving data to deal with social problems along with a strong and urgent advocacy of a new and increasing sensitivity about the invasion of individual rights.

Richard Ruggles, professor of Economics, Yale University, described the changes in our society which have resulted in increased personal privacy "mainly because fewer people are interested in knowing about an individual's private life," yet "as the depersonalization of society has tended toward increasing privacy, there has been a substantial increase in recorded information about the individual."

Although it is generally agreed that the operation of our modern society requires a vast amount of information, not only about individuals to be used for administrative actions concerning those individuals, but about the operation of the society itself in order to understand the social and economic problems which exist in our nation and to devise policies aimed at changing underlying conditions. Many serious questions must be answered about what specific information should exist, how it is used, by whom and for what purposes.

Professor Ruggles believes that "the establishment of a National Data Center might well reduce the redundancy of the statistical system, and at the same time improve the consistency and coherence of the information, thus providing better information at lower cost to both the individual respondent and the govern-

ment." He stressed that the threat to individual privacy exists now, and "that one should not be under the illusion that the perpetuation of the existing highly decentralized system without controls provides any protection for the individual."

John D. Pemberton, Jr., Executive Director, American Civil Liberties Union, agreed that the problems are there now. "They don't arrive out of the introduction of efficient means of dealing with data. We may . . . become more systematic in our methodology of protecting the rights of individuals just because we do move from inefficient means of dealing with data to the more efficient ones. But we shall have to be determined to do so, for the hearings conducted in Congress on the Budget Bureau's data bank proposal in 1966 and 1967, have suggested that many proposals in this area have been insensitive to individual rights."

"All of these kinds of things exist in existing systems of data collection and data dissemination. What we fear, and maybe we fear much too unreasonably, is the efficiency that may be introduced by modern methods of collecting, storing and disseminating the information." We have been relying on inefficiency to protect our rights when we should not have. We should have been questioning right along the kinds of information being gathered and stored and for what purposes.

Pemberton stressed that an individual's rights "are apt to be violated if someone else gathers information about him, it may be even more dangerous if the government does so, but it is dangerous if *anybody* does so.

Arthur Miller, Professor of Law, University of Michigan, the third speaker on the panel, stressed the fact that the computer is not just a high speed calculator,

but is the heart of a communications network; and that just as we found that airplanes could not be allowed to fly at random and broadcasters broadcast at random, so must we conclude that we can't have computers operating at random, especially if they intend to transmit information one to the other.

Professor Miller emphasized that he thinks it "ludicrous to prevent the use of modern technology to carry out important governmental and nongovernmental operations simply because that technology might be abused." Given the complexity of modern society and the massive commitment in billions of dollars and man-hours in the fields of education, urban renewal, social welfare, natural resources development, it is crucial that we have the correct and appropriate information in the amounts required at the right time and place.

Informational privacy has been protected, Miller said, largely because of various factors in society; large quantities of information about people haven't been available, it's been decentralized, it's been superficial, access has been difficult to procure, in our mobile society people are difficult to keep track of, and by and large most people are unable to interpret revealing information from the data they can get.

Professor Miller concluded by emphasizing that he is not against data centers, but is against the "irrational, unstructured growth of data centers without maximum intellectual input into the question of sociological impact."

The Ethics Symposium proceedings are available at no charge upon request to the Research Division of the Graduate School of Business Administration, University of Minnesota, Minneapolis, Minnesota 55455.

CONTINUING BUSINESS EDUCATION

Calendar of Programs

September 1968

- 12-14 — New Dimensions in Supervision
- 24-25 — Seminar in Communication and Persuasion
- 26-27 — Workshop in Employment Interviewing

For further information contact:

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December 1968

NEW WEST BANK COMPUTER TO BE DEDICATED

A new computer for the West Bank Station, part of the University Computer Center's system, will be formally dedicated on February 7, 1969. Alain Enthoven, retiring Assistant Secretary of Defense (Systems Analysis) will be the speaker at a public lecture at 3:30 p.m. in Room 5, Blegen Hall on the West Bank.

Special guests invited to the dedication ceremonies will be the MIS Associates, a group of firms with complex and large-scale information requirements who have been invited to participate in the research aspects of the Management Information System (MIS) Research Center. The public is invited to the lecture on management information systems by Alain Enthoven.

Alain C. Enthoven is an economist who spent four years with the Rand Corporation, 1956-60, and the time since then in the Federal Government, 1961-65 as Deputy Comptroller, Deputy Assistant Secretary of Defense, and 1965 to the present time as Assistant Secretary of Defense for Systems Analysis. He has been named a Vice President for Litton Industries and will assume this position when he leaves the Defense Department in January.

Enthoven spent a year at Oxford University and received his Ph.D. in 1956 from Massachusetts Institute of Technology. He taught at the University of Washington in the late 50's and served as consultant to the Brookings Institute from 1957-60.

The Management Information Systems Program of the SBA is a three part program composed of the Research Center, the educational program in Management Information Systems and the Associates Program and was initiated this Fall, headed by Professor Gordon Davis. An article describing the program appeared in

the August 1968 issue of the Minnesota Business News.

The Control Data Computer (CDC) 3200 is the equipment for the West Bank Computer Station which the School of Business Administration and Social Sciences share. It is a medium-scale, on-line computer located in Blegen Hall adjacent to the MIS Research Center of the School of Business. This equipment is approximately one hundred times faster than the previous equipment available to the Business School.

It was purchased in part by funds provided by the MIS Research Center, and is especially configured to support the research and educational activities in management information



Dr. Alain C. Enthoven

systems. It is a disc-oriented system with reader and printer plus Cathode Ray Tube (CRT) display devices.

The system is connected over communications lines to the CDC 6600 thereby providing a very advanced and extremely powerful facility. (The CDC 6600, one of the most powerful large-scale computer systems in service, is operated by the University Computer Center and is the main University computer for teaching and research purposes.) The CDC 3200 system will support three types of computer activity by operating either online to the 6600, offline as a stand alone unit or simultaneously in both modes.

(COMPUTER — cont. on page 2)

E. S. Mason To Give Ruvelson Lecture

Edward S. Mason, Thomas W. Lamont University Professor at Harvard University, will give the fourth Ruvelson Lecture on the Relationships of Business and Government January 21.

Professor Mason's Lecture is scheduled for 3:15 p.m. in Room 5, Blegen Hall, on the West Bank of the University Campus, on January 21. The public is cordially invited.

Professor Mason has been a member of the Harvard Faculty since 1923 and served as Dean of the Graduate School of Public Administration from 1947 to 1958. He stepped down as Dean to devote his full time to research when he was appointed Frank W. Taussig Research Professor of Economics in 1958. In 1959, he was appointed George F. Baker Professor of Economics, and he became Thomas W. Lamont University Professor in 1961.

The title of Mason's lecture will be "Advising Governments on Economic Development." For some fifteen years Harvard has provided an advisory service to developing nations in which Professor Mason has been involved, and currently has missions in Indonesia, Malaysia, Pakistan, Ghana, Liberia, and Colombia. It has had missions in Iran and Argentina.

In 1954-55, Professor Mason directed an eight-man team which drew up a plan for the economic development of Pakistan. In 1958, a similar plan was prepared for Iran. He served as director of the Pakistan and Iran Advisory groups until 1962.

The Alan K. Ruvelson Lectureship was inaugurated by the Graduate School of Business Administration in 1966 as an annual presentation on the relationships of business and government. It has presented Dr. Carl Kaysen, Director of the Institute for Advanced Study, Princeton, N.J., Dr. Robert C. Turner, Distinguished Service Professor of Business Economics and Public Policy at Indiana University, and Dr. James L. Goddard, Commissioner of the U.S. Food and Drug Administration.

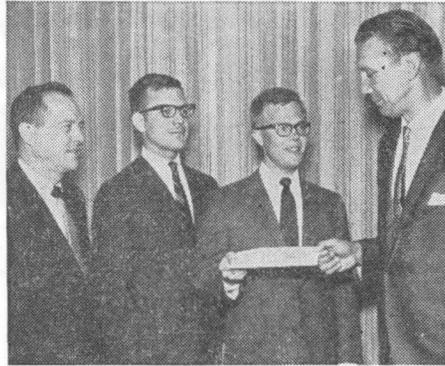
Business Aids To Graduate Education

Minnesota Bankers Association

The first Minnesota Bankers Association Graduate Fellowship in banking and finance at the University of Minnesota has been awarded to David M. Wang of Minneapolis. Minnesota Bankers Association President Choromanski, president of the Crystal State Bank, said the Association "is pleased to present the 1968-69 Fellowship to Mr. Wang, who is an outstanding candidate for the first MBA award."

The \$2,000 award was available to a college graduate or senior graduating in 1968 from a college or university in Minnesota with an undergraduate major in business, economics, banking or finance. The Association plans to continue the fellowship program in future years, working in cooperation with the Graduate School of Business Administration at the University of Minnesota.

Mr. Wang is a June graduate of the University of Minnesota with a bachelor of science degree in business. He was a Distinguished Military Cadet, and a member of Beta Gamma Sigma. Upon completion of his graduate studies, he will serve four years with the U.S. Air Force. He plans a career in the field of business finance, particularly in the securities markets.



Pictured (left to right) are Kenneth A. Wales, Minnesota Bankers Association Executive Secretary; Dr. Paul F. Jessup, Assistant Professor of Finance, University of Minnesota; David Wang; and Minnesota Bankers Association President J. J. Choromanski, president of the Crystal State Bank, Crystal, Minnesota.

(COMPUTER — cont. from page 1)

The system can operate: (1) stand alone as a training environment for hands on hardware, software and systems work by students and faculty in MIS; (2) stand alone as a controlled man-machine environment for research purposes; (3) online to the 6600 as an input-output station for sending and receiving problems which involve large amounts of internal calculation.

Price Waterhouse Foundation

The Price Waterhouse Foundation has made a grant for the sixth year to a graduate student in the field of accounting education through the School of Business Administration.

The doctoral candidate selected to receive the 1968-69 award is Platon Speros, who is in the final dissertation stage and anticipates receiving his degree next year. He received his B.S. and M.B.A. degrees from Indiana University.

The award was established by the Foundation to assist able students interested in teaching accounting because it considered that assistance equally important or more so than assistance to students contemplating entering the professional or business field.

CONTINUING BUSINESS EDUCATION

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Basic Seminar in
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Jan 30-31
Workshop in
Employment Interviewing

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Peter Rosko, Director
612/373-3680

DIALOGUES IN MARKETING PRESENTED BY SCHOOL OF BUSINESS

Dialogues in Marketing, a series of eight breakfast meetings with leading authorities in the field of marketing and marketing related disciplines, was inaugurated by Lee Loevinger on November 20.

The series, sponsored by the School of Business Administration, are intended for presidents, marketing executives and other high level executives with interests and responsibilities in marketing decision making. While here, the visitors conduct a seminar for graduate students in Business Administration, in addition to participating in special dialogues with businessmen on topics of particular interest to the business community.

Today's marketing manager is becoming increasingly involved with regulatory agencies, with research, with marketing to special groups, and with social consciousness. It was to further develop expertise and awareness of the latest thinking in business, government and academic circles that the School of Business Administration initiated the Dialogues.

In addition to Mr. Loevinger, formerly Commissioner of the Federal Communi-

cations Commission and Asst. Atty. Gen. in charge of the Anti-Trust Division, U.S. Dept. of Justice, who discussed the social and economic impact of government regulation on November 20, the speakers are **Frederic Welsh**, Eastman Kodak Company, December 4, on the management of marketing within an environment encompassing demands of diverse groups;

Reavis Cox, University of Pennsylvania, January 8, on social concerns and the Businessman — what is the "proper" balance of profit motive and social concern;

Marcus Alexis, University of Rochester, February 10, on marketing to low income groups, and the consumption patterns of non-white consumers;

E. T. Grether, University of California, April 30, economic analysis in antitrust enforcement, a look at some recent cases;

T. J. Kreps, Stanford University, May 14, absence of benefits to some of those who are involved in business transactions may lead to criticism: inefficiency and leg-

islation, a discussion of borderline situations.

Dates and topics of two additional speakers who will deal with marketing management will be announced later.

Prospects for World Trade in '69

The Honorable Thomas C. Curtis, U.S. Representative, Missouri, will be the principal speaker at an all day trade conference at the Holiday Inn Central on January 14, sponsored jointly by the League of Women Voters of Minnesota, the Minnesota World Trade Assn., and the Upper Midwest Regional Export Expansion Committee. Reservations should be sent to the League of Women Voters, 555 Wabasha St., St. Paul, Minn. 55101 by Jan. 10. Cost for the entire day including luncheon is \$4.75.

Registration begins at 9:30 a.m. The conference is scheduled for 10:00 a.m.

BUSINESS ALUMNI INSTITUTE DISCUSSES URBAN PROBLEMS

The School of Business Administration Alumni Association 15th Annual Institute on November 7 heard in detail about the problems of the cities and the response of both business and education to them.

The afternoon keynoters, Lloyd Leider, Executive Vice President of the First National Bank of St. Paul, and Dean McNeal, Group Vice President of the Pillsbury Company, discussed business response from the standpoint of physical development and planning as well as from human resource development.

Leider, in emphasizing the nature of the problems, population explosion and increasing urbanization, said, "— it took 300 years to produce America as we know it today. It is estimated that in the next forty years we must double that production. In other words, our task is to build a second America in the next forty years. A Thermo-Fax copy of the first America will not do. What is necessary is the achievement of a totally new urban environment." In making clear just how strong business commitment is, he said, "The urban problem of planning and development is to solve the urban ills of pollution, congestion, ugliness, poor housing, lack of recreation and open space and rapid transit in scale with the future demand. It does not seem to me that this problem asks a business response. As a member of the business community I say — *this is our business.*"

Mr. McNeal used his company's Policy on Race and Poverty to emphasize business' pledge and "compelling obligation to assist in eliminating the serious problems of race and poverty which blight the present and future of this democratic society," stressing that the continued well-being of business is contingent and dependent upon "the existence of a healthy society and an economic system which benefits all its citizens." Most businesses accept the fact and the responsibility that business "must take new and bold actions in providing solutions to the basic problems that can undermine such a society and system."

Panel discussions on specific current problems of urban life chaired by School of Business Administration professors followed the afternoon keynote addresses.

The intended speaker at the evening banquet session was to be Howard Johnson, President of Massachusetts Institute of Technology, who because of student disturbances on campus was unable to come to Minnesota. John Wynn, Vice President of Organization Systems at M.I.T., substituted for Mr. Johnson, and read his prepared address, "Education and Urban Problems."

In the area of university education, Johnson stated "we need the innovations

that will bring educational opportunity closer to all those who deserve it — for progress in our society cannot be achieved if we leave large numbers of talented people behind."

"The scale of effort needed to effect a radical change in our urban condition is far from being met — perhaps far from even being imagined at this time! And so we must work together to achieve both the idea and the reality of cities to match our vision."

In taking serious issue with Jacques Barzun's criticism of the "activist" University, Johnson stressed that Barzun overlooks the greatest function of the university — "It is the preparation of men who will deal with the world, who can lead it, who can understand its problems, who can take their places as constructive and responsible citizens. And no unworldly incubator will do that." He went on to say "a university can be a place of learning where fear has no place, where intimidation is not lurking in the wings, where rationality and reason, disagreement and the free market of ideas flourishes. . . . where vital and productive services can be catalyzed, . . . where a man's spirit is free to learn, free to understand and free to grow."

Johnson enumerated four basic criteria which he believes should guide universities in setting priorities for response to urban problems and for active involvement in the urban field. They are (1) projects should have an *educative value*, "the optimum application of the university's resources, the learning resources of the human talent and the intellectual capital and the innovative spirit of its faculty and students"; (2) *concreteness*, "the student of urban affairs must 'make the wards' of the city much like the physician has practiced in the clinical wards"; (3) *the systems approach*, "a coordinated solution that would account for interdependence of the various parts, as well as

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Paul V. Grambsch, Dean
Mary Louise Hill, Editor

ANNUAL REPORT OF PLACEMENT ACTIVITIES

During the year 1967-68, over 275 different companies arranged for 512 interview schedules. Students signed up for 4,253 individual interviews — an increase of 27% over the previous year.

Of 415 BSB graduates, 187 accepted jobs through on-campus interviews or through placement office contact or referral, 58 went on to Graduate School, 108 into military service, 36 secured jobs on their own; 72% of the BS graduates found employment in the state and 47% of the MS graduates did.

The Bachelor of Science in Business is the culmination of a two-year program at the junior and senior levels. Within this degree program a BSB Regular or a BSB Accounting is available. The majority of undergraduates receive the BSB Regular. The accounting class generally averages about 70-90 graduates per year.

Salaries for the BSB-Accounting graduates range from \$600 to 750, and for the BSB-Regular from \$571 to 775. The mean salary of \$693 for Accounting grads is up \$78 or 12.6% over the 1967 salary mean of \$615. The mean BSB-Regular salary in 1967 was \$613 in contrast to this year's \$650, an increase of 5.9%.

Almost 100% of the employers listed openings for accountants, making this the area of most common demand. However, total job requests in other areas far outnumbered those in the accounting field. Electronic data processing systems, general sales, and financial management training programs were the leaders in this category which also included production, transportation, brand management, marketing research and industrial relations.

As might be expected, the demand for experienced personnel has increased. To meet this demand a new format for jobs listed through Alumni Placement Service was made available to registrants. Also, rather than simply having alumni job seekers listed in the placement office, current, regular lists of those available were circulated to firms interested in experienced personnel.

A stepped-up placement operation began in July 1967 with a revamping of policies and new personnel. Charles H. Mannel, Sr., was appointed Director of Placement and Alumni Relations. Mr. Mannel came to the School of Business Administration after five years in student personnel work as Assistant to the Registrar, Admissions Officer and Placement Director at the University of Minnesota, Duluth.

A report of the year's operation, issued in September, is available by request to the Placement Office, School of Business Administration, University of Minnesota, Minneapolis, Minnesota 55455.

Faculty News

AWARDS

Dean Paul V. Grambsch of the School of Business Administration was this year's recipient of the North Central College Outstanding Alumnus Award for Service to Profession and Society. The Dean was cited for his "long and distinguished career as an educator and governmental consultant in the area of business and economic development."

The award was made on November 8 at an Alumni Association dinner which honored Dean Grambsch, a 1941 graduate of North Central College, Naperville, Illinois.

APPOINTMENTS

Accounting

K. F. Skousen, assistant professor, from University of Illinois

Industrial Relations

Thomas J. Atchison, visiting associate professor, from San Diego State College

Marketing

Richard F. Sauter, instructor, from Michigan State University

Quantitative Analysis

Dilip K. Guha, visiting assistant professor, Case Institute graduate, from the Research and Development Office of the Port of New York Authority

PROMOTIONS

Gary M. Andrew, to associate professor of quantitative analysis; Richard N. Cardozo, to associate professor, with tenure, of marketing; John C. Gray, to full professor of accounting; John J. Mauriel, Jr., to associate professor of management, production and transportation; Mahmood A. Zaidi, to associate professor of industrial relations.

NEW DEPARTMENT HEAD

Professor Robert J. Holloway, chairman of the department of marketing and business law, in absence of Professor Edwin H. Lewis, on leave at University of Lancaster, England.

SBA Sponsors Lecture on The Exceptional Executive

The Graduate School of Business Administration sponsored a talk by Dr. Harry Levinson, an expert on industrial mental health, on November 26.

Formerly director of the division of industrial mental health for the Menninger Foundation, Levinson is now Thomas Henry Carroll Ford Foundation Distinguished Visiting Professor of Business Administration at Harvard University Graduate School of Business Administration.

Levinson's topic for the lecture was "The Exceptional Executive: Some Thoughts on the Direction of American Business and Its Leadership; the Involvement Role of Business and Its Leaders."

"The Exceptional Executive," published this year by Harvard Press, is Levinson's most recent book. He is also the author of "Men, Management and Mental Health."

ALUMNI INSTITUTE

(continued from page 3)

for in-depth analysis of their strengths and weaknesses"; (4) *people exchange*, "the traditional gap between town and gown can be bridged, but it must be bridged by people, university people working in the cities, and experienced city people joining the staffs of universities."

Additional features of the evening program were a talk by Dean Paul V. Grambsch on "Planning for the Next 50 Years," and the presentation of an award to Richard B. Weigel, President of the Business Alumni Association, in recognition of distinguished service and outstanding contribution to the University, by Kenneth C. Glaser, President of the Minnesota Alumni Association, on behalf of the Association.

The keynote addresses will be published, and copies will be available free of charge upon request to the Research Division of the Graduate School of Business Administration.

NOTES OF INTEREST

Marketing Dialogues

Two new speakers added to series (see page 2). *Philip Kotler*, Northwestern University, January 24, some of the quantitative approaches to marketing decision making; *David Hardin*, Market Facts, Incorporated, February 26, how are marketing research and marketing information needs changing?

Consultative Council

The Consultative Council of the School of Business Administration met at the School on November 15 for its second meeting. Its agenda included a report on new developments in the School, a report on the placement activities and policies, and a discussion on continuing management education.

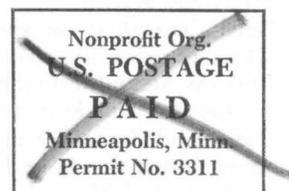
The Council was established last spring as an advisory body to the School and as a means of communication with the business community. Hugh Galusha, President of the Federal Reserve Bank of Minneapolis, is chairman.

Business Reference Room

With the completion of the University's new Wilson Library on the West Bank, the Business Reference Service, formerly called the Carver Reference Collection, and housed in the School of Business Administration, has moved to the sub-basement of the new library, which is adjacent to the School.

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