



UNIVERSITY OF MINNESOTA
business news
SCHOOL OF BUSINESS ADMINISTRATION

Number 33

University of Minnesota, Minneapolis, Minnesota 55455

January 1970

16TH ANNUAL ALUMNI INSTITUTE FEATURES 50TH ANNIVERSARY OF SCHOOL AND LOOKS AHEAD AT THE ECONOMY AND AT VEHICLE POWERPLANTS

The School of Business Administration Annual Alumni Institute on November 6 featured the 50th anniversary of the School, welcomed back retired deans and professors, met old friends among alumni, and heard about business and the economy in the decade ahead.

Dr. Arthur Uppgren, a professor of economics at the School for many years, opened the celebration with the keynote address, "The Economy in the Seventies."

In emphasizing the importance and role liquidity plays, he said, "The people of the United States in their long history have never solved the problem of making continuously an adequate money supply to lubricate the growing commerce and production of which they are competent." He didn't express any confidence that they had learned yet.



William Lear

Following the keynote address, the Institute broke up into five panel sessions discussing trends and developments in business expected in the decade ahead. A final session of the afternoon concerned itself with what's ahead for business education in the seventies.

During the dinner session, former faculty members, who were at the School when it began in 1919 or who came in its early years, were introduced. Among them were two former deans, Russell A. Stevenson and Richard L. Kozelka, and retired professors Ernestine Donaldson, Reuel Lund, Bruce Mudgett, Naomi Peterson, Jack Stehman, and Roland Vail.

Stanley Wenberg, Vice President of the University, presented an outstanding achievement award on behalf of the University to an alumnus of the School, Myron M. Christy, President of Western Pacific Railroad. Christy, in accepting, stated his view that skill in managing "human knowledge and human energy in order to bring forth the inherent abilities, and to honor the dignities of individuals" was most important, and was the "essence of management."

The evening speaker was William P. Lear, President of Lear Motors, and designer and builder of the Lear Jet Executive Aircraft. Mr. Lear described his present involvement in the development of vehicle powerplants to cut down air pollution. He stressed the time and high costs attendant upon such developmental efforts but emphasized the urgency of such work in view of the projected increase of vehicles in the next few years, "or you are all going to die at the bottom of the sea of gas."

Copies of the two main addresses will be available free upon request in the annual Institute publication from the Graduate School of Business Administration Research Division.

Committee Begins Search For SBA Dean

A committee appointed by President Malcolm Moos has begun its search for a dean to replace resigning Dean Paul V. Grambsch.

The committee, headed by Bryce Crawford, dean of the Graduate School, includes John Turnbull, associate dean of the College of Liberal Arts, Vernon Ruttan, head of the Department of Agricultural Economics, six professors and two students from the School of Business Administration.

(cont'd on page 2)

Walter Hoadley Gives Ruvelson Lecture on Business-Government Relations

Walter E. Hoadley, nationally prominent economist, delivered the fifth Ruvelson Lecture on the Relationships of Business and Government on January 22 at the University.



Walter E. Hoadley

Hoadley spoke on "Needed: A New Strategy in Business-Government Relations" at 7:30 p.m. in the Junior Ballroom of Coffman Memorial Union.

Head of the economics department of the world's largest bank, Bank of America, Hoadley is an executive vice president in the bank's San Francisco head office where he joined the bank in early 1966.

Previously, he was chairman of the Federal Reserve Bank of Philadelphia and was a director, vice president and treasurer of the Armstrong Cork Company.

Hoadley attended the University of California at Berkeley, where he was a Phi Beta Kappa and valedictorian of the class of 1938. He also holds a masters degree and a doctorate in economics from that school. Currently he is president of the American Finance Association.

The lecture, which was open to the public, will be published as part of the Ruvelson Lecture series and will be available upon request to the Research Division of the Graduate School of Business Administration.

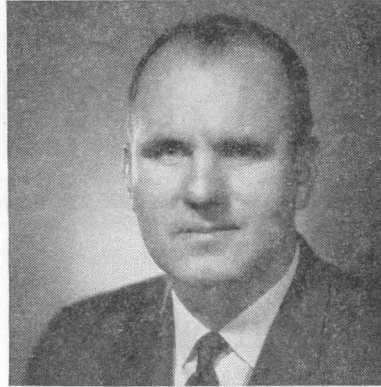
Myron M. Christy Receives "U" Achievement Award

Myron M. Christy, president of the Western Pacific Railroad, received an Outstanding Achievement Award as a "leader in expanding the railroad's activities and services" from the University of Minnesota at the School of Business Administration's 16th annual institute on November 6.

Christy received a bachelor of business administration degree with high distinction from the University in 1948 and graduated from Harvard Business School in 1955.

In 1949 he joined Western Pacific Railroad Company as a traveling accountant and in 1965 was named president. He is a director of the Bank of California, California Liquid Gas Corporation, Fruit Growers Express Company, and a trustee of Golden Gate College in San Francisco.

Christy was the speaker at the "B" Day banquet in April, an annual affair sponsored by the business student organization.



Myron M. Christy

Search Committee

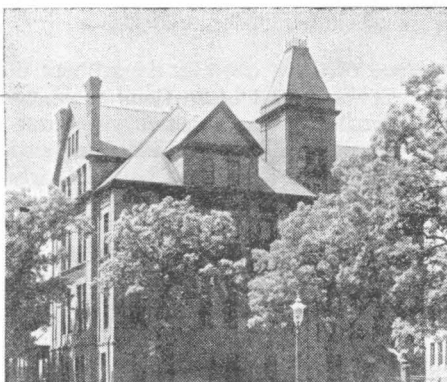
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Grambsch, dean since 1960, the fourth dean in the School's fifty years, has resigned effective at the conclusion of the academic year. He was preceded by George W. Dowrie (1919-26), Russell A. Stevenson (1926-44), Richard L. Kozelka (1944-60).

The committee expects to complete its sifting of names of possible candidates for the position by the end of January and to narrow the field down to six to be invited to visit sometime in February. Dean Turnbull in discussing the matter with the School of Business Administration Consultative Council in December indicated that the committee's job is made more difficult by the fact that some forty business schools are seeking deans at this time.

THE FIRST FIFTY YEARS

— and the next fifty —

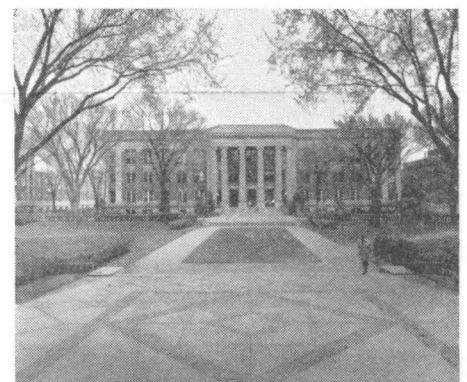


Eddy Hall — 1st SBA Building

"The Minnesota tradition of critical self-examination, noted by President Morrill when he took office in 1945, is regularly at work in the School of Business Administration. Alumni surveys, long range planning committees, review committees stung by the criticisms in the Ford and Carnegie studies of collegiate education for business, have striven to shake up faculty complacency periodically.

The present faculty is comparatively young (the old man is speaking) and restless. Nothing is sacred (except the core group). The dynamic world of business management will be met by a dynamic educational program which seeks to prepare the business leadership for the next 50 years."

Richard L. Kozelka



Vincent Hall — 2nd SBA Building

The quote from former Dean Richard Kozelka concludes his account of the School of Business Administration fifty year history in an article titled "The First Fifty Years Are the Hardest." It will be printed in the 16th Annual Alumni Institute proceedings featuring the 50th anniversary, available upon request to the Research Division of the Graduate School of Business Administration.

From the Faculty Pen

Additions to Reprint Series

"Unfair Rate Discrimination in Property and Liability Insurance" by C. Arthur Williams, Jr., reprinted from *Insurance, Government, and Social Policy, Studies in Insurance Regulation*, Spencer, L. Kimball and Herbert S. Denenberg, Editors, Homewood, Illinois: Richard D. Irwin, Inc., 1969. (No charge)

This chapter examines the concept of price discrimination, its economic and ethical basis, and its regulatory and legal status. It defines unfair rate discrimination in insurance and describes the three forms it may take, it presents the economic and ethical arguments supporting and opposing the prohibition of unfair discrimination and, it explains and evaluates current regulation and proposals for change.

Although the prevailing view in insurance literature and among insurance personnel and state regulators is that property and liability insurance rates should be not unfairly discriminatory, it is not obvious that these rates should be required to satisfy this standard.

The article concludes that "the current regulation of unfair discrimination in insurance rates is supported by certain rebuttable presumptions with respect to both the objectives and the means of such regulation. More research and objective discussion are needed with respect to both the presumptions and the rebuttals."

"Insurance Rate Regulation — A New Era?" by C. Arthur Williams, Jr., reprinted from *The Society of Chartered Property and Casualty Underwriters*, Sept. 1969. (No charge)

In 1914 the U.S. Supreme Court, in upholding the validity of the first state rate regulatory law, declared that insurance was a "business affected with a public interest." Although many states enacted rating laws in succeeding years, in the early forties only workmen's compensation rates were effectively regulated in more than half the states.

In 1944, the Supreme Court held for the first time that (1) insurance was commerce and (2) to the extent that an insurer conducted activities across state lines, it was engaged in interstate commerce and subject to federal regulation. Because Congress believed at the time that continued regulation by the several states was in the public interest, in early 1945 it enacted Public Law 15 which declared, among other things, that no Congressional act was to be construed to supersede or otherwise affect any state

insurance law unless the Congressional act specifically applied to insurance. However, after July 1, 1948, The Sherman Act, the Clayton Act, and the Federal Trade Commission Act were to apply to insurance to the extent that such business is not regulated by state law.

Because at that time many insurers had agreed to adhere to the rates developed by rating bureaus using pooled experience, the proviso in Public Law 15 concerning the Sherman Act and related legislation, which prohibit restraint of trade, commanded immediate attention. In 1946, the National Association of Insurance Commissioners (N.A.I.C.) adopted two model rate regulatory laws developed by an All-Industry Committee, but many independent insurers, who set their own prices, were dissatisfied. They preferred greater reliance upon competition and less direct rate regulation than that provided by the model laws. Subsequently, most state legislatures enacted either the model laws, or laws closely related to them. A few states favored less restrictive regulation; others preferred more restrictive regulation.

This paper summarizes (1) the major approaches to regulation and the alleged advantages and disadvantages of each approach, (2) the changing attitude of the N.A.I.C., (3) recent trends in state legislation.

"An Investigation of the Effect of Differing Accounting Frameworks on the Prediction of Net Income" by John K. Simmons and Jack Gray, reprinted from *The Accounting Review*, Oct. 1969. (No charge)

The literature of accounting and finance suggests that an important application of accounting statements of income is in the prediction of future income. Recent contributions to the literature of accounting have suggested that the use of current values would enhance

Dean Grambsch Appointed To Tax Study Committee

Paul V. Grambsch, Dean of the School of Business Administration, was appointed last month by Governor Harold LeVander to a committee that will study the Minnesota state property tax system.

The study will be made on all aspects of the property tax, including problems of administration. Areas included are the classification system and assessment practices.

The committee will also study in depth the problems of properties exempt from paying state taxes and the uniform assessment of properties.

the predictive usefulness of accounting determinations of net income. This suggested the desirability of testing the hypothesis that the prediction of future net income from a straight-line extrapolation of prior years net income would most closely approximate actual (simulated) net income computed under the general price-level adjusted cost framework than net income computed and extrapolated under either the replacement cost framework or the conventional cost framework.

The authors would not claim that the evidence presented suggests that one definition of income is superior to other definitions of income. But, to the extent that predictive ability is a significant element of accounting income and to the extent that practicing financial analysts rely on straight-line extrapolation as a prediction technique, the results of studies such as this provide additional insight on the resolution of issues of changing definitions of accounting net income.

"The Effect of Effort and Expectation on Perceptual Contrast and Dissonance Reduction" by Richard Cardozo and Dana Bramel, reprinted from *The Journal of Social Psychology*, 1969, 79. (No charge)

This article reports on the performance of subjects in a simulated shopping task in a 2×2 design under conditions of low or high effort and low or high expectation concerning the value of a gift to be received at the end of the session. All Ss evaluated both their gift and the pleasantness of the task immediately after receiving a low-value ballpoint pen. High expectation Ss rated the pen less desirable than did low expectation Ss, especially when effort apparently reduced their dissonance primarily by revising their expectations and by claiming that the task had not been effortful. The results indicate that dissonance is not

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Paul V. Grambsch, Dean
Mary Louise Hill, Editor

FACULTY REPRINTS

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always reduced by distorting the information which disconfirms an expectation.

"Economics of Price Fixing" by W. Bruce Erickson, reprinted from *Antitrust Law and Economics Review*, Spring 1969. (No charge)

This article is adapted from Dr. Erickson's doctoral dissertation, *Price Fixing Under the Sherman Act: Case Studies in Conspiracy* (Michigan State University, 1965). It involves an intensive study of price fixing in a single industry — the folding seat or "bleacher" industry — and a comparison of the evidence developed there with what has been discovered in previous studies of the price fixing phenomenon.

The three areas of principal concern in the study are: (1) the causes and origins of conspiracy; (2) the behavior patterns characteristic of it; and (3) its economic consequences. The conclusion is that "price fixing remains a very profitable enterprise. The chances of being caught are certainly not overwhelming; the probabilities of being vigorously prosecuted are fairly slight; and the penalties, even if caught and vigorously prosecuted, are mild. All of this means, of course, that *the profits are far greater than the penalties.*"

The need is then to "make the penalties for price fixing *at least equal to the profits derived from it.* Even more importantly, however, it means that we must take the necessary steps to eliminate or modify the market structures that give rise to price fixing in the first place. Effective competition can be assured, so far as we know, in no other way."

"Costs and Conspiracy: The Uses of Cost Data in Private Antitrust Litigation" by W. Bruce Erickson, reprinted from *The Antitrust Bulletin*, Summer 1969. (No charge)

This paper is primarily concerned with the segment of private-damage litigation in which the greatest increase has taken place, treble-damage claims based on the alleged or actual operations of collusive price-fixing arrangements, which currently represent around 60% of antitrust cases. Specifically it examines the role of cost data in private litigation.

The evidence suggests that courts should make cost data available to all litigants on an equal basis. It indicates that adequate damage estimates are unlikely to emerge in most cases unless various types of cost data can be introduced at trial. And it also suggests that equitable damage settlements in private suits require the application of more economic reasoning than has been present up to now.

These reprints may be obtained from the Division of Research, School of Business Administration, University of Minnesota, Minneapolis, Minnesota 55455.

Copies are still available of three reports analyzing retailing, wholesaling, and selected services in Minnesota based on the 1963 Census of Business. They may be obtained free of charge by writing the Bureau of Business and Economic Research, School of Business Administration.

Continuing Business Education

CALENDAR of PROGRAMS

1969-1970

January 21-22 — Methods Improvement Seminar

February 2-3 — Seminar in Communication and Persuasion for Sales Managers

March 5-6 — Basic Seminar in Communication and Persuasion (Duluth)

March 13 — Insight '70

March 19-20 — Workshop in Employment Interviewing

April 16-17 — Basic Seminar in Communication and Persuasion (Rochester)

May 18-19 — Management By Objectives

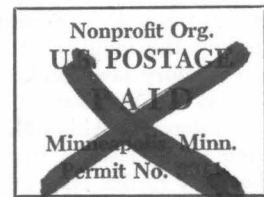
May 20 — Seminar in Elements of Human Behavior for Executive Secretaries

For further information write or call

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business news

SCHOOL OF BUSINESS ADMINISTRATION

Number 4

University of Minnesota, Minneapolis, Minnesota 55455

June 1970

Wheelock Whitney Addresses Annual Business School Student Banquet

The ninth Annual Business Week sponsored by the student organization of the School of Business Administration concluded with the annual "B" Day Banquet Thursday, April 9.

Wheelock Whitney, Chief Executive Officer of Dain, Kalman and Quail was the speaker at the banquet which culminated the day-long Business Day activities to which area businesses were invited. "Does Business Give A Damn" was the subject of Whitney's address.

Yes, very definitely, business does give a damn, Mr. Whitney said. He said it not only in response to his own question, but in many other ways in his discussion of the social issues and in his own attitude. Business does care, he stressed, about the grave problems of our society, about business' responsibility and role in solutions, and about how young people feel about business and about society and its problems.

Further, he expressed his belief that business does want to change and is prepared to go through the agonies of change. He emphasized business' need for young minds, ideas, and vitality to perceive what is required and to assist in the process of change. He said youth has a special contribution to make to the long range planning process because of its ability to look beyond the uncertainties of today.

Mr. Whitney concluded by telling the business students that they could find satisfaction in business and that their contributions were most important and urgently needed. Business needs "the long range perspective of youth, its flexibility, enthusiasm, and its idealism."

Mr. Whitney has been chief executive officer of Dain, Kalman and Quail since 1963 and is an active worker in the securities industry, presently serving as First Vice President of the Investment Bankers Association of America (IBA). He is also a Governor of the Association



Wheelock Whitney

of Stock Exchange Firms (ASWE). He serves on the board of directors of a number of leading Upper Midwest companies including Buckbee-Mears Company, H. B. Fuller Company and Werner Continental, Inc.

Deeply involved in community action, he is particularly interested in human equality and youth work. He is on the Board of Directors of the Minneapolis YMCA, Minneapolis Junior Achievement, and the Urban Coalition of Minneapolis, where he serves as Chairman of the Coalition Police-Community Relations Task Force.

A coffee hour and roundtable discussion between students and business representatives on business education and the demands of the business world in the decade ahead initiated the day's program.

A new feature of this year's "B" Week activities was an invitational Management Game with the SBA students competing against teams from several Minnesota colleges. The colleges participating were Mankato State College, Augsburg, Hamline and St. Olaf, and the University of Minnesota-Duluth. The game started at ten in the morning with five or six students to a school team and concluded

Whitney

(continued on page 2)

Dean Grambsch Opens Business College Meet

Paul V. Grambsch, dean of the School of Business Administration at the University of Minnesota, welcomed members of the American Association of Collegiate Schools of Business to the AACSB annual meeting the first week in May as its president. The week-long meeting was held in San Francisco. Panels and activities centered on the theme, "The Business Schools in the 70's—Preparing the Leaders of the 80's and 90's."

Dean Grambsch in his capacity as president of the American Association of Collegiate Schools of Business (AACSB) has made eighteen out of town trips, logged some 30,000 miles, made seven addresses at meetings, and participated in innumerable panel discussions. His term as president expired in May.

The purpose of the Association is the promotion and improvement of collegiate education for business. Membership is composed of institutions offering approved programs of instruction in business subjects. At the present time there are 139 members including two Canadian universities and one from Hawaii. The School of Business of the University of Minnesota has been a member since 1920.

The establishing of standards for accreditation, the continuation of accreditation, and the accrediting of applicant schools is the main effort of the organization in promoting its purpose. There are 128 schools with accredited undergraduate programs, 82 with accredited masters programs.

The objective of accreditation is to encourage and maintain a favorable educational environment. While certain individual standards for accreditation involve quantitative measures, the primary concern is with the achievement of high quality. Accreditation involves more than perfunctory conformity with the quantitative aspects of each of the individual standards.

In addition to setting standards, determining compliance and accrediting

AACSB • • • •

(continued on page 6)

Faculty Award

Gary Andrew, associate professor of Quantitative Analysis and Management Information Systems, has been awarded the Nicolas Andry Award for 1970 by the Association of Bone and Joint Surgeons for a paper entitled "A Decision Theoretic Approach to Orthopedic Treatment Selection," co-authored with Dr. Wilton Bunch of the University of Virginia.

The Nicolas Andry Awards were established to encourage development of ideas related to orthopedic medicine and surgery by the Association of Bone and Joint Surgeons which believes that original and stimulating ideas merit special recognition. It carries a \$500 cash award.

The purpose of Andrew's paper was to formalize a system of making decisions for prescribing treatment when faced with uncertainty as to possible outcomes. This approach has proven beneficial in teaching residents and students. As a method of handling data and permitting complex analysis by computer, it may assist the physician in arriving at the optimal treatment for his patient.

Social Concerns Course

WHAT DO THEY CARE?

A School of Business Administration seminar on social concerns, whose guest lecturers ranged from the vice president of the Bank of America to a representative of striking grape pickers, was taught winter quarter and televised by KTCA-TV for the Channel 2 Monday evening Spring series, "What Do They Care?"

The course, Social Responsibility of the Business Community, attended by senior honors students in the School of Business Administration, was taught by Professor Robert Holloway of the Marketing Department. It covered areas in which the business community has social responsibilities from consumer affairs to pollution control, from ghetto marketing to the prevention of discrimination in employment.

Some of the topics covered and guest speakers were Minority Employment with Robert Fjerstad, personnel manager of Northern States Power, and Gleason Glover, executive director of the Minneapolis Urban League; Business and Government with Mayor Thomas Byrne of St. Paul; Business and The Urban Crisis with Evan Stark, former head of the East Side Citizens Community Center in Minneapolis; the Profit System with economics professor Arthur Upgren and Mulford Q. Sibley, professor of political science; and Government Role in Consumerism with Attorney General Douglas Head.

Rather than a formal classroom lec-

University Equal Opportunity Policy

The University's Equal Employment Opportunity Task Force has adopted a policy statement as a part of the affirmative action program on human rights and requested that it be given prominent place in various University publications to reflect the University's commitment to equal opportunity.

The general statement says, "The University of Minnesota adheres to the principle that all persons shall have equal opportunity and access to facilities in any phase of University activity without regard to race, creed, color, sex or national origin. Under this principle, educational, cultural, social, housing, extra curricular, and employment opportunities are available to all on an equal basis."

Whitney

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with a banquet in the evening for the participants.

The purpose of the management game is to give participants experience in making decisions similar to those made by executives in top management positions. The decisions involve the allocation of funds within a company as well as the strategy involving competitive companies. The executive decisions which must be made refer to general business procedure rather than technical knowledge of producing and selling a particular item.

Assistant Professor K. Fred Skousen of the Accounting Department, who is concluding his second year of teaching in the School of Business, was the recipient of the Distinguished Faculty Award, co-sponsored by the Business Alumni Association and the business students.

This is the second year the award has been made. J. Russell Nelson, professor of Finance and Insurance, was the recipient of the award last year.

Another award, made at this year's "B" Day banquet for the first time, was given to Jim Hazel of the Dow Chemical Company of Midland, Michigan, who was recognized as "Recruiter of the Year." The "runners-up" were:

Mr. Dick Croy, Manager, Manpower Planning, Armour, Chicago.

Mr. Ted Tucker, Staff Representative, Recruiting, Coca-Cola, Atlanta.

Mr. George Schweitzer, Division Sales Manager, Union Carbide, Chicago.

Mr. George Palmer, Coordinator, College Relations, Pittsburgh Plate Glass Industries, Pittsburgh.

Mr. Barry Patron, Manager, Corporation Personnel, R. R. Donnelley, Chicago.

Mr. Ken Rudnick, 2nd Vice President, Continental Bank, Chicago.

Mr. Henry Brown, Manager, Recruiting and Placement, Pillsbury, Minneapolis.

Last summer the Placement Office decided it would give the students a chance to evaluate the over-500 employment interviewers who visit the School of Business each year. At each interview the student was given a form on which to rate the interviewer and to make additional comments.

The text of Mr. Whitney's address will be printed by the Research Division of the School of Business Administration as is the custom for B-Day addresses and will be available upon request at no charge.

International Association Business and Economic Students Hold Regional Meeting and Make Award to Dean

Jim Hopp, president of AIESEC (International Association of Students in Economics and Business) for the past year, presented the first AIESEC-Friends award to Dean Paul V. Grambsch of the Business School for his substantial contribution to the AIESEC program and the U of M chapter during the past five years.

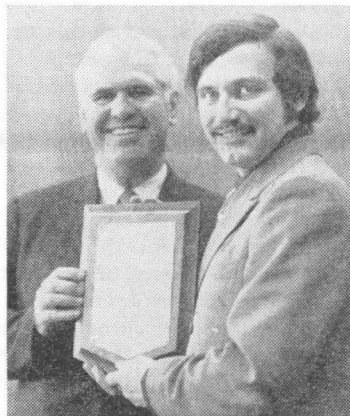
The occasion of the presentation was the regional meeting of AIESEC chapters of area colleges held on April 18 in Minneapolis. Hopp is a junior in Economics and has a minor in Business.

AIESEC, pronounced eye-sec, (Association Internationale des Etudiants en Sciences Economiques et Commerciales) is a French acronym for the International Association of Students in Economics and Business. AIESEC is designed to meet a particular need of the business community on a world scale—the organized exchange of skills, knowledge and techniques between members of the international business community.

In 1948, students representing 7 European countries met to discuss and administer to this need. The result was the establishment of AIESEC. In 1956, students in the United States added their support to what is now an organization embracing 49 nations around the world. Since that time, AIESEC-US has become the largest organization of its kind in the United States with local committees in over 80 American colleges and universities, and more than 2,000 American companies listed as participants.

AIESEC is independent, student-run, non-political, and non-profit. It administers a reciprocal exchange program enabling carefully selected business and economics students to train abroad with companies of member nations. This work-training experience acquired by the students is referred to as a "traineeship." Since 1948, the 49 participating countries in AIESEC have exchanged over 45,000 traineeships.

In addition to the traineeship program, AIESEC has broadened its activities to include the organization of (1) study tours, (2) educational seminars, (3) major international business conferences, and (4) Summer School Traineeship Programs (SSTP). The SSTP through a coordinated program of lectures and on-the-job training with several companies in a related industry enables participants to study a particular industry and/or management function, meeting weekly to discuss various findings.



Grambsch and Hopp

The basic objectives of AIESEC are: (1) To Complement Business School Education: AIESEC offers its students the opportunity to put their classroom theory to the practical test—not only through participation in the traineeship exchange program but also through organization and management of AIESEC activities at home. (2) To Promote International Goodwill: Through the annual exchange of 5,000 students among its 49 countries, AIESEC transcends national borders to build friendship and goodwill on the local scene as well as nationally. (3) To Provide Tomorrow's Business with High Quality Manpower: AIESEC, through its activities, is developing future managers with practical domestic and international business experience. The participating companies play a key role in such manpower developments.

At the International Congress of AIESEC held in Tokyo, Japan in March, 1970 these goals were broadened even further to include all students interested in management experience on an international level. This new directional movement is aimed at the student in sociology, psychology, social sciences and technology who plays an important role in business management but was previously excluded because of AIESEC's limited goals.

Brad Peterson, an Economics major with a minor in Business, is the newly elected president of the University chapter which is composed of about twenty-five active members, the majority of whom are Economics majors. The remainder are students in Business Administration, Sociology and Psychology.

Nine members, participating in the traineeship program this year, will be going to Japan, Chile, Singapore and Europe. A new project of the University chapter is a student charter flight to Europe at the end of Spring Quarter.

"Is AIESEC your bag?" asks Brad Peterson. "Whether you are a businessman in the community or a struggling student, contact AIESEC-Minnesota at the University of Minnesota and see how you can fit into AIESEC."

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School of Business Administration Plans Progress

ADVANCED MANAGEMENT CENTER

An advanced Management Center is being planned by the School of Business Administration, the primary purpose of which would be to help Minnesota companies, especially growing medium-sized firms, roughly in the \$30-\$300 million sales range, to offer a well-rounded educational program for their top management teams. Local companies, through their chief executive officers, have been invited to join in the program and to assist in formulating some of the policies that will govern its conduct.

The plan is to develop a practical, intensive, and comprehensive program while at the same time maintaining high intellectual standards using the best faculty available in each subject area. The School of Business Administration wishes to establish a program of advanced management training and development which they believe will be of significant use in developing the kinds of general managers needed to guide Minnesota companies in the 1970's and 1980's.

Many of the largest companies are able and do provide extensive upper management training opportunities either internally or externally. It is the aim of the program under consideration to bring to the medium-sized firm some of the same opportunity for exposure to new management techniques and for skill development exercises designed to improve decision-making abilities with a view toward achieving greater corporate effectiveness.

While potential for skill development and attitude change do exist in seminars and in short conferences, intensive training over long periods of time can provide opportunities for lasting change and produce profitable impact. This is the hope of the new program.

Professor John J. Mauriel, Associate Professor of Business Policy, is the organizer of the program. He has studied forty programs offered by various universities and reactions to these programs as part of the research he did assisting K. R. Andrews for his book, *The Effectiveness of University Management Development Programs*. He has also studied in-company programs and their impact on participants, and has done research on use of management training programs by Minnesota firms. He is faculty director of the School of Business Administration (SBA) annual Management Development Seminar on Interpersonal Relations and Organizational Behavior.

In the initial meetings at which some forty executives participated, a proposed offering of a management course, The Minnesota Executive Program, was discussed as a possible first step to be taken by SBA prior to the establishment of a full-fledged center. Most of the executives appeared to agree on a program with the following characteristics:

1. *It should contain 36-50 class days with not more than two consecutive weeks at one time.*
2. *There should be emphasis on improving the participants' attitudes and skills, especially in interpersonal relations and planning for a changing business environment.*
3. *Each participating firm should send its chief operating executive through at least an abbreviated version of the program and then commit a minimum of five of its top managers for subsequent sessions of the course.*
4. *Overall policies should be approved by a joint business-faculty advisory board chaired by a program director from the Graduate School of Business Administration.*

Many executives present at the discussions encouraged the School to go beyond the concept of a formal education program to the establishment of an Advanced Management Center which could engage in activities such as:

- performing organizational development studies.
- providing a forum for dialogue and exchange between business executives, college students, and leaders from other walks of life.
- providing contract research into problems of selection and development of managers.
- performing post-course follow-up studies.
- encouraging the development of effective leaders for Minnesota firms.

It has been decided to pursue the development of a center with a broad mission only after plans and arrangements are completed for the first session of the Minnesota Executive Program. Contacts are now being made and interest in the proposed program explored in large companies with divisions in Minnesota in the size range of \$30-\$300 million sales.

KAPPEL CHAIR REPORT

Dr. Irwin Friend, the first incumbent of the Kappel Chair of Business-Government Relations, is functioning on a comprehensive basis as he fulfills the multifaceted role the chair was created to play in examining objectively the interactive relationships between business and government and providing an important avenue of interchange between the academic and business communities.

Thus far, Dr. Friend has conducted three faculty seminars; made a series of appearances before groups of Twin City businessmen; is teaching a graduate and an undergraduate course during Spring quarter; and will teach two graduate courses during Summer session.

Friend was named to the Chair last year when it was endowed under the auspices of the Minnesota Foundation honoring Frederick R. Kappel, a 1924 graduate of the University and former president and chairman of the board of American Telephone and Telegraph Company. He is on leave from the Wharton School of Finance and Commerce of the University of Pennsylvania where he is Richard K. Mellon professor of finance and director of the Securities Research Unit and the Consumer Expenditures Unit at the Wharton School.

Treasury Secretary Discusses Public Policy Alternatives

Murray Weidenbaum, presently Assistant Secretary for Economic Policy (U. S. Treasury Department), paid a two-day visit to the campus April 23 and 24.

Dr. Weidenbaum presented a student-faculty seminar, "Public Policy Alternatives to Galbraith and Drucker," met with various University officials and faculty groups and with community business executives.

Weidenbaum, Assistant Secretary since June 1969, has responsibility for economic and financial analysis in the areas affecting Treasury Department activities and policies. He is a former professor and chairman of the Department of Economics at Washington University, St. Louis, Missouri. He has been a member of the Washington University faculty since 1964.

From The Faculty Pen

Additions to Reprints Series

"Standards for Reporting by Lines of Business" by K. Fred Skousen, reprinted from *The Journal of Accountancy*, February 1970. (No charge)

The purpose of this article is to summarize briefly the content and effect of the amendments S-1, S-7 and 10 of the Securities and Exchange Act of 1933 and 1934 adopted in 1969 concerning disclosure requirements for companies filing registration statements with the SEC, and to trace the evolutionary process which led to their adoption.

These amendments require companies engaged in more than one line of business to disclose results of operations, both a contribution to sales and to income, for each material line of business. Companies not engaged in more than one line of business are required to disclose sales of major products or services or groups of related products or services.

Though at this point, the amendments are applicable only to companies filing the above registration statements with the SEC; (they are not binding as reporting standards for annual reports to shareholders) as a practical matter, however, for those companies filing Forms S-1, S-7 and 10 with the SEC, the amendments may be viewed as applying to annual reports to shareholders.

The author concludes that regardless of one's viewpoint as to the merit of the final requirements, one cannot honestly discard these standards as being hastily conceived or derived by a regulatory body insensitive to the viewpoints of the parties at interest. The reporting standards are a result of over three years of extensive research, an effort characterized by a heartening degree of participation and cooperation among diverse groups within the financial community notwithstanding important self-interests.

"Handling the Neutral Vote in Product Testing" by Ivan Ross, reprinted from the *Journal of Marketing Research*, Vol. VI, May 1969. (No charge)

This study reports an empirical test to determine which of two methods for allocating neutral responses (e.g., "no preference" or "no difference" for paired-comparison testing, or "just right" for a product attribute evaluation in a monadic test) better approximates the preference distribution that would have been obtained had respondents been forced to make a preference choice.

The two methods compared are those apparently most often used for allocating

neutral responses into preference responses: (a) equally divide the neutral responses and (b) divide the neutral responses into the preference categories in proportion to the obtained ratio of preferences.

The results of the study indicate that neither of the two allocation methods better approximated the distribution obtained in the forced preference format for either housewives or children. The differences between the two methods on both of the criteria are obviously well within chance expectations. Apparently it makes no empirical difference which of these two methods is used for allocating neutral responses.

"A Model for Cash Flow Analysis" by Norman L. Chervany, reprinted from *The Proceedings of the Indiana Academy of the Social Sciences*, Indiana Academy of the Social Sciences, Purdue University, Lafayette, Indiana, October 1967. (No charge)

In many top management decision-problems, the ability to understand and predict the cash flow patterns that the organization will experience is of paramount importance.

This article has several purposes. First, the existing attempts at modeling the cash flow phenomenon will be briefly summarized and evaluated. Secondly, a general three-sector cash flow model will be presented. Finally, the value of this general model will be discussed.

In light of the importance of cash flow knowledge to business decision-making, it would seem reasonable to assume that detailed models of the cash flow process would exist. This, unfortunately, is not true. Some work has been done, but the development and use of a "general" cash flow model is not a reality.

It is the author's contention that the model presented in this paper will give some needed guidelines to the modeling of organizational cash flows. In a very general sense, a set of potential ingredients has been presented. How these ingredients will be used is (and should be) a function of the analyst's imagination and the problem being studied. The presentation of this model should emphasize the potential for mathematical model building in this area, and secondly, it may generate some discussion concerning the cash flow process generally and cash flow models specifically. Discussions concerning extensions and modifications of this model could lead to a viable description of the cash flow phenomenon.

Sources on Business Topics

"Employment of the Handicapped: Economic Aspects" by Linda Krefling and C. Arthur Williams, Jr., *Sources on Business Topics*, No. 4, January 1970, published by the Graduate School of Business Administration, University of Minnesota. (No charge)

Is hiring the handicapped good business? The supporting evidence on both sides of the question is fragmentary and has not been analyzed in an economic framework. This publication is an annotated bibliography of publications in the Sixties developed as the first stage of a research project currently being conducted at the Graduate School of Business Administration to determine whether benefit-cost analysis might be applied to this basic question.

A search of the literature reveals hundreds of books, reports, and articles on the handicapped, most of which deal with medical, social, and psychological issues. Although all of this literature is related directly or indirectly to the employment of the handicapped, this bibliography is limited to selected recent publications that are most relevant to an economic benefit-cost analysis of the hiring process. Apparently no benefit-cost study of the sort contemplated in the Minnesota project has ever been conducted.

The books, reports, and articles included in this bibliography have been grouped into four classes:

- I Surveys on the number of handicapped persons and their characteristics;
- II Employer attitudes toward hiring the handicapped;
- III Comparative performance of the handicapped;
 - A. General surveys.
 - B. Follow-up studies of former clients of vocational rehabilitation programs.
 - C. Case studies of specific firms.
- IV Benefit-cost analyses

Copies of the 16th Annual Alumni Institute addresses by William Lear and Arthur Upgren, the fifth Ruvelson Lecture on the Relationships of Business and Government by Walter Hoadley, in addition to the above reviewed faculty publications, are available upon request at no charge from the Research Division, Graduate School of Business Administration, University of Minnesota, Minneapolis, Minnesota 55455.

IRC CELEBRATES 25th ANNIVERSARY

The Industrial Relations Center at the University celebrated its 25th anniversary with an industry-wide conference May 12 and 13 in the Leamington Hotel, Minneapolis. Norbert Berg, Control Data Vice President, was chairman of the Conference. Principal speaker for the conference was Undersecretary of Labor James D. Hodgson. The meeting was arranged so that it would precede the National Society for Advancement of Management annual meeting in Minneapolis May 14-15.

The two-day anniversary conference hosted leaders in industry, government and education who discussed the past, present and future of industrial relations. Topics included in the comprehensive review were Electronic Data Processing and Industrial Relations, Labor-Management Relations—What's It All About Now? and Industrial Relations Systems and Management Planning. Other major subjects covered included in-depth looks at social and behavioral sciences and current problems including utilization of minorities and females in industry and labor.

The Industrial Relations Center, established in 1945, was one of the first of its type in the United States. Presently, it has the largest enrollment of graduate students in the country. The Center provides training, research and service to industry and labor in the field of industrial relations and allows faculty members from several university departments to combine their resources in the industrial relations area.

Herbert H. Heneman, Jr., chairman of the Department of Industrial Relations of the School of Business Administration, has been Director of the Industrial Relations Center since 1958. From its beginning until 1958 Dale Yoder was its director.

AACSB • • • •

(continued from page 1)

school programs, the Association also conducts a periodic reevaluation of accredited programs. Official designation as the accreditation agency was received in 1949 from the National Commission on Accrediting.

As part of the reevaluation procedure, a three-member team composed of two deans from member schools and a businessman representative has just concluded a reevaluation visit to the School of Business Administration. In addition to a detailed review of programs, faculty and facilities, the AACSB team met with faculty, students, and Central Administration, Graduate School and Extension administrators.

Within the past year the AACSB has adopted a new set of standards for accreditation. The essence of the new standards is the change in the philosophy of accreditation. The new standards are meant to serve as guidelines for improvement and for excellence. The aim has been to permit a degree of flexibility so that innovation and experimentation can be encouraged. If a dean or department head hears of a good idea and would like to see it implemented in his program, he should be encouraged to do so.

Accreditation isn't the only function of AACSB. A very important function in carrying out the mission of promoting and encouraging education for business is the communication function. The organization is tied together on a continuous basis in a systematic way through regional associations which serve as communication links and as a source of ideas and projects for the future. A further important means of communication is the bulletin of the AACSB, now emerging as a full-fledged journal, whose purpose is to disseminate information on teaching and research, on administration of member schools and, on the Association itself.

A recently initiated project is the Statistical Service. An effort which is expected to be beneficial to the association and its member schools, as well as to the world of business and government and to educational planning generally. The ab-

sence of adequate, current and reliable statistics has been a marked deficiency in educational circles and it is hoped that the Statistical Service will provide the essential, relevant data that the business schools require in projecting and planning for enrollment, curriculum, etc.

Another function of AACSB, and hopefully an increasingly important one in Dean Grambsch's view, is public relations. A positive program to improve understanding and awareness of the assets and interests of the business schools would be most useful in improving the image of business schools generally. Suggestions and mechanisms for carrying out such a program are being considered presently in addition to the on-going efforts of the officials and members of the AACSB in calling attention to the function, interests and assets of the business school.

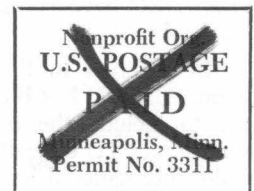
A rather recent development in AACSB is the educational program in the area of academic administration, the New Deans' Seminar. Two such week-long meetings have been held in the past three years in an effort to make new deans aware of some of the problems of the office and to contribute to their ability to cope with them and to function in the office.

An adjunct of the organization is the AACSB Assembly, an attempt to develop and maintain closer connections and relationships with the organizations and institutions which are representative of the "practitioners" of business education. Membership in the Assembly is offered to business and governmental organizations for the purpose of fostering such contacts and relationships and to involve them more directly in the educational scheme and in the planning process. While the precise role the Assembly can and should play has not been defined, the potential mutual benefits of cooperation and understanding are clear and definite.

The Central Office of the Association is at 101 North Skinker Boulevard, St. Louis, Missouri. A branch office has been opened at 1 Dupont Circle, Washington, D.C. during the past year.

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October 1970

SBA Administrative Changes

WILLIAMS NAMED ACTING DEAN

C. Arthur Williams, Jr., professor of economics and insurance in the School of Business Administration, was named acting dean of the School by the University Board of Regents effective September 16. Williams will replace Paul V. Grambsch who asked, last fall, to be relieved of his duties as dean after holding the position for 10 years.

Professor Williams holds Bachelor's, Master's and Doctor of Philosophy degrees from Columbia University. He has authored and contributed to many publications, and served on University, governmental and professional association committees and boards since coming to the University in 1952. He co-chaired Governor Orville Freeman's advisory committee to study workmen's compensation costs and benefits, and in 1962, served as chairman of a six-member advisory committee to the Industrial Commission under Governor Elmer L. Andersen. In 1965 he served as president of the American Risk and Insurance Association and is currently a member of the American Academy of Actuaries.

When a University Search Committee was unable to find a new dean for the School for the 1970-71 year, President Moos asked Dean Grambsch to continue during the summer until an acting dean could be found. The Committee is continuing its search for a permanent head for the School.

Dean Grambsch will become Professor Grambsch again in the Department of Management upon his retirement as dean. He will be on leave during the next year to do further research on academic administration with Professor Edward Gross of the University of Washington, a project they have been involved in together since 1966, and which resulted in a book published by the American Council on Education, *University Goals and Academic Power*. Currently, he is chairman of a Tax Study Committee appointed by Governor LeVander.



C. A. Williams, Jr.

George Seltzer, associate dean for academic affairs and professor of political economy and industrial relations, has been invited to become a Visiting Scholar during the next year at the Center for the Study of the Behavioral Sciences at Palo Alto, California. He has resigned from the position of associate dean effective September 15, which he has held since March 1966.

Additional administrative changes for the 1970-71 year are:

R. Glenn Berryman, chairman of the Department of Accounting, to replace Jay Smith, who asked to be relieved of administrative duties.

J. Russell Nelson, chairman of the Department of Finance and Insurance, to replace Professor Williams.

Albert K. Wickesberg, chairman of the Department of Management and Transportation, to replace Professor Donald Harper. Harper will replace Nicholas Glaskowsky as director of graduate studies, who asked to be relieved of that post.

John J. Mauriel, Jr., director of management development sciences, to replace Peter Rosko, who will return to the Department of Finance teaching staff, concentrating on the real estate area.

Mrs. Janet Hoffmeyer, director of placement, to replace Mrs. Elaine Menter.

Alumni Institute November 12

Morton C. Mosiman, vice president of Deferred Compensation Administration, Inc., and president of the SBA Alumni Association, announced that the annual event will be held this year at the St. Paul Hilton on November 12.

He named Thomas Brady, president of Fabri-Tek, Inc., who is vice president of the Business Alumni Association, general chairman; and Dick Schneider, assistant vice president of Northwestern National Bank of Minneapolis, and Alumni board member, as program chairman.

Speakers and the program, which begins with a luncheon meeting and extends through afternoon workshops, the evening banquet, and main address, will be announced later.

Accounting Tops Again Annual Placement Report

Salaries offered to Regular Business graduates went up 4% over 1968-69; Salary offers to Accounting Majors increased 7%, according to the Annual Report of the School of Business Administration Placement Office issued in August. Women with Regular Business degrees increased their salaries over 1968-69 by 9%.

The salary offers to Business graduates range from \$515-910, while the Accounting Majors' offers range from \$700-950. Master's degrees in Business salary offers range from \$850-1200; Master's degrees in Industrial Relations salary offers range from \$918-1025. The Regular Business Master's salary average reflects a 6% gain over 1968-69, while the Industrial Relations Master's were up 5%.

Accounting again topped the list as the area of greatest demand in this year's recruiting activity, while requests for people in various types of sales lead the field of non-accounting manpower needs.

Copies of the Annual Placement Office Report are available upon request to the Placement Office at no charge.

Faculty News 1970-71

APPOINTMENTS LEAVES

Carl Adams, Associate Professor of Quantitative Analysis and Management Information Systems, who received his Ph.D. in 1966 from Purdue University, and who has served in systems analysis in the Office of the Assistant Secretary of Defense, since 1968, and assistant director of the Land Forces Programs at the Pentagon.

Mario F. Bognanno, Assistant Professor of Industrial Relations, who received his Ph.D. in 1969 from the University of Iowa. He has been Assistant Professor and Associate Project Director, Medical Economics Research Project in the Department of Economics at the University of Iowa.

Peter C. Knobloch, Instructor in Management Information Systems, who is a candidate for the Ph.D. at Case Western Reserve University. He is a native of Germany who received his undergraduate degree in Engineering in Germany.

Patrick Pinto, Assistant Professor of Industrial Relations, who received his Ph.D. in August from the University of Georgia.

Orville C. Walker, Assistant Professor in Marketing, who received his Ph.D. at the Graduate School of Business, University of Wisconsin.

Bruce Wonder, Instructor in Management, who is a candidate for the Ph.D. from the University of Washington.

Visiting Instructors

The Department of Accounting will have four visitors during the 1970-71 year. **J. Morgan White** from Brigham Young University, who has been Visiting Assistant Professor during the 1969-70 year; **Carl Allen**, Instructor from Ohio State University; **Donald A. Egginton**, Lecturer from the University of Bristol, England; **Alan F. Smith**, Assistant Professor from Indiana University.

Weidenbaum Suggests Public Policy Alternatives

Murray Weidenbaum, Assistant Secretary for Economic Policy, U.S. Treasury, thinks a form of market competition in the public sector would be desirable. He suggested a greater variety of mechanisms, utilizing the strengths of private enterprise and government working together, or in competition, to accomplish a social goal in his presentation to the student-faculty seminar sponsored by the Graduate School of Business in April.

Weidenbaum, in discussing government contracting to the defense industry,

John C. Gray, professor of accounting, will spend the 1970-71 academic year on sabbatical furlough at the Institute Superious Des Affairs in France where he will serve as an adviser in the development of the second year curriculum. The Institute is the first graduate school of business administration in France. He expects to be involved in developing advanced courses in management control systems at the Institute and in doing research into management control systems as employed by European businesses.

Robert K. Zimmer, associate professor of accounting, will participate in the Agency for International Development (AID) program in Tunisia during the academic year 1970-71. His responsibilities will involve setting up graduate courses in management accounting, teaching and executive development at the Graduate School of Business, the University of Tunisia, Tunis, Tunisia.

Delbert C. Hastings, professor of quantitative analysis, will finish his assignment at the conclusion of Fall Quarter as an adviser to the Central Department of Statistics of the government of Saudi Arabia under the sponsorship of the Ford Foundation. He will return to the University Winter Quarter.

RETURNING FROM LEAVE

Charles R. Purdy, associate professor of accounting, who has been on leave during the past year for the purpose of studying, doing research and writing in the field of current accounting problems, will return to the School to teach.

R. Glenn Berryman, professor of accounting, will return after a year of work with the national public accounting firm, Touche, Ross, Bailey and Smart, to update his direct, active involvement in the practice of accounting and to undertake research into improved audit programming methodologies.

recommends reducing the tremendous amount of regulation, and "hence making the military market more attractive to a lot of civilian enterprises that do not currently compete for military business." That would, he suggests, reduce the dependence of the Pentagon on a small group of defense suppliers, and in turn, reduce the dependence of those suppliers on the Pentagon. Though that would not eliminate the military-industrial complex it would dilute it substantially, he feels.

PROMOTIONS

W. Bruce Erickson, Department of Management and Transportation, from Assistant Professor to Associate Professor.

Ivan Ross, Department of Marketing, from Assistant Professor to Associate Professor.

Roger B. Upson, Department of Finance and Insurance, from Associate Professor without tenure to Associate Professor with tenure.

AWARDS

Professor Jack Gray and Associate Professor John K. Simmons of the Accounting faculty of the School of Business Administration have had an article which appeared in *The Accounting Review* selected as one of the notable contributions to accounting literature during the 1969 calendar year.

A committee of twenty-two American Accounting Association members screen all of the accounting literature published in English and make recommendations to a five-man selection committee. The award to Professors Gray and Simmons is one of two being made this year.

The title of the article is "An Investigation of the Effects of Differing Accounting Frameworks on the Prediction of Net Income." It was reviewed in the January 1970 issue of *Minnesota Business News* and is available from the Research Division as part of the Reprint Series.

SPEECH OF THE YEAR

Gabriel Hauge's address, "Economic Man: Is He Changing?" one of two lectures inaugurating the Kappel Professorship on the Relationship of Business and Government presented under the sponsorship of the School of Business Administration in April, 1969, gets 'Speech of the Year' designation from *The American Banker*. It was reprinted in full in the September 29, 1969 issue.

Copies of the two lectures are still available at no charge upon request to the Research Division, School of Business Administration.

From the Faculty Pen

Additions to Reprint Series

"Risk-Return Relationships in Regional Securities Markets" by Roger B. Upson and Paul F. Jessup, reprinted from *Journal of Financial and Quantitative Analysis*, Jan. 1970. (No charge)

This paper analyzes risk-return relationships in regional and national securities markets. Specifically, it presents methods and results of an investigation of simulated portfolios of common stocks traded on the Minnesota over-the-counter (OTC) market and the New York Stock Exchange (NYSE).

Examination of various regionally registered exchanges and OTC markets requires development of new data files. By presenting their basic method, the authors hope to provide a point of reference and a stimulus for other research.

A major conclusion of this paper is that the regional market analyzed in detail has attributes of segmentation from the NYSE. The principal qualification is that the mean-variance analysis, showing significantly different local returns together with equal variance, is based on one-year holding periods.

An important paradox is suggested by this study. Yearly returns in the regional market were normally distributed, implying that the local market is "efficient" concerning random-walk. Yet, the apparent segmentation implies that the regional market is not "Markowitz-efficient" relative to the national market.

"Optimality of Independent Decision-Making for Two Independent Risk Situations" by J. Neter, C. A. Williams, Jr., and G. A. Whitmore, reprinted from *Decision Sciences*, Vol. I, 1970. (No charge)

This paper investigates the optimality of making two insurance decisions independently in the expected utility framework, when the two risks under consideration are independent.

It is shown that when the disutility function embodies constant risk aversion, independent decision-making is identical to optimal joint decision-making. When the disutility function has strictly decreasing risk aversion, joint decision-making is always not less conservative than independent decision-making, and the opposite holds when the disutility function has strictly increasing risk aversion. Stronger results are obtained for some particular disutility functions. Finally, some implications of these results for empirical research in utility and decision theory are considered.

"Measurement Errors in Reports of Consumer Expenditures" by John Neter, reprinted from *Journal of Marketing Research*, February 1970. (No charge)

Efficient survey design requires knowledge of non-sampling errors and methods of controlling them as well as of sampling errors and their control. Empirical information on nonsampling errors has been growing rapidly in the last two decades. This paper will review the empirical information that has been obtained about measurement errors (one type of non-sampling error) in reports by consumers of past expenditures. The implications of the empirical findings for survey design are considered, and the needs for future research are discussed.

This survey of research on measurement errors in expenditures data unfortunately indicates that we have as yet very little definitive knowledge about measurement errors in this area — their causes and methods of control, the author states.

"An Experimental Comparison Between Fixed Weight and Linear Programming Food Price Indexes" by Joseph L. Balintfy, John Neter, and William Wasserman, reprinted from *Journal of the American Statistical Association*, March 1970. (No charge)

A linear programming food price index permits the possibility of routine substitutions in response to price changes, while a fixed weight index does not. This paper cites a variety of evidence indicating that consumers do trade off among foods in response to both long-term and seasonal price changes. Implications of this for food price indexes are discussed.

A linear programming food price index is then developed, based on an empirical menu-planning model, and compared with corresponding fixed weight price indexes over a nine-month period. The linear programming index shows a significantly smaller increase in food prices over the nine-month period than the fixed weight index with initial period weights.

(cont'd on page 4)

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Paul V. Grambsch, Dean
Mary Louise Hill, Editor

CORPORATE FELLOWS NAMED

Nine new and eight renewal Corporate Fellowship awards for graduate study have been announced for the 1970-71 academic year. The awards range from \$1,000-3,000 in the second year of the program sponsored by the University of Minnesota Foundation on behalf of the School of Business Administration and the Institute of Technology.

The New SBA Corporate Fellows, the university from which they are coming and their area of study are:

- Robert H. Ashton** from Middle Tennessee State University — Accounting;
- Reginald A. Patterson** from the University of Manitoba — Industrial Relations;
- Bayard E. Wynne** from Carnegie-Mellon University — Management Information Systems;
- Loren A. Nicholari** from St. Cloud State College — Accounting;
- Cary R. Byres** from the University of Idaho — Quantitative Analysis;
- Bruce E. Duckworth** from Colorado State University — Accounting;
- Karl C. Kaukis** from Gustavus Adolphus College — Marketing;
- Jeffrey A. Lasky** from City College of New York — Management Information Systems;
- Robert J. Tonolli** from St. Olaf College — Accounting.

The eight renewal awards, their college, and the area of their graduate study are:

- George C. Baxter** from University of Saskatchewan and University of California — Accounting;
- Robert R. Campbell** from Wisconsin State University — Business Administration;
- David W. Harvey** from University of Wisconsin — Accounting;
- Krishna Mantripragada** from Andhra University and Stanford University — Finance;
- Charles J. Rogers** from University of Wisconsin and University of Santa Clara — Management Information Systems;
- John A. Schmid, III** from St. Mary's College — Management Information Systems;
- Alan Stenger** from University of Michigan — Transportation;
- Marc Wallace** from Cornell University — Industrial Relations.

The purpose of the Corporate Fellowship Program is to attract outstanding graduate school candidates from throughout the country in the belief that a major factor in the excellence of any institution of higher education is the caliber of its students.

FACULTY REPRINTS

(cont'd from page 3)

"Life Insurance Product Innovations" by William Rudelius and Glenn L. Wood, reprinted from *The Journal of Risk and Insurance*, June, 1970. (No charge)

Innovation is an important way to stimulate the growth of a firm or industry, even when, as in the life insurance industry, the innovations cannot be patented or copyrighted. The study analyzes six important life insurance innovations that have received widespread acceptance throughout the industry and concludes that larger firms have a greater tendency to adopt them than do smaller firms. Although some firms use committees to stimulate new policy innovations, about half use no formal methods. Life insurance innovations are adopted at a much faster rate than they were forty years ago; thus, a monopoly on a sound, new policy or rider today disappears quickly.

In analyzing three of the recent innovations, the authors found that mutual firms tend to adopt them more quickly than stock firms, and larger firms more quickly than small ones. A firm that is an early adopter of one innovation tends to be an early adopter of another.

"Opportunities in Regional Markets" by Paul F. Jessup and Roger B. Upson, reprinted from *Financial Analysts Journal*, March-April 1970. (No charge)

Recent financial research has focused on shares traded on the New York Stock Exchange (NYSE) or the widely-held stocks in such data files as the Compustat tapes. However, the many other securities markets in the United States have

not been as extensively analyzed. Such markets include the nine registered regional exchanges and the extensive over-the-counter market.

The dual purpose of this paper is (1) to state why regional OTC markets merit the sustained interest of national analysts and portfolio managers, and (2) to delineate portfolio opportunities and limitations in a regional OTC market.

Until other regional markets are investigated, it cannot be known whether the market investigated in this paper is fully representative of such markets. Since this study represents the first comprehensive empirical analysis of a regional market, its results should provide insights for investors and stimulate awareness of and interest in other regional markets.

These reprints, as well as copies of the address by Murray Weidenbaum reported on page 2, may be obtained from the Division of Research, School of Business Administration, University of Minnesota, Minneapolis, Minnesota 55455, free of charge.

Mergers in Minnesota, a working paper, by Robert Holloway, professor of Marketing and James Haefner, graduate student in the School of Business, the result of a study supported by the Center for Experimental Studies in Business, is available for \$1.00.

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