

The William Davidson Institute has launched a new technology platform designed to better disseminate information and intellectual capital from the Institute's affiliates and to facilitate online collaboration.



New IT Platform to make WDI a gathering point

www.wdi.umich.edu

A redesigned Web site with resource pages that highlight leading-edge thinking on each of the Institute's research initiatives, as well as an e-notification system, discussion forums and Web logs—or blogs—will make WDI a gathering point and center of expertise. The technology platform is a move toward virtual and ongoing collaboration. WDI will continue to host conferences but this will no longer be the main method of interaction.

"There are people all over the world who have an interest in the work WDI does on business and policy issues in emerging markets," Institute Executive Director Robert Kennedy said. "In the past, our major forums were conferences, which are relatively inefficient in terms of travel and cost. Given today's possibilities, in many cases it is much more efficient and effective to collaborate virtually."

The technical platform consists of three elements.

First, the new Web site is organized around the Institute's three research initiatives—globalization of services, social enterprise, and base of the pyramid. The resource pages will aggregate and disseminate leading-edge intellectual capital on these topics, summarizing the best thinking currently available, the latest academic work, business briefs, policy papers, news stories and speeches.

The new site utilizes tools to ensure consistency and a uniform user experience throughout the Web site. The site provides intuitive navigation which allows users to browse and search research and resources more effectively. A calendar of upcoming events will keep users informed about activities at WDI.

Letter from the Executive Director

Welcome to the third issue of the Davidson Review. It's been a busy and productive six months since our last issue in Summer 2004. I would like to highlight four important changes at the Institute. These are: how the Institute is organized; new research initiatives; a new technology platform; and how we support international activities at the University of Michigan. Each topic is covered in more depth in this issue.

First, the Institute has undertaken a significant reorganization. We are now organized around four related efforts—research, executive education, technical assistance, and support for international activities at the University—and have seen significant progress in each. We have reorganized the research area to focus our efforts on three core initiatives which are discussed below.

Aaron Bornstein joined the Institute in November 2004 as Director of Technical Assistance and has made great progress in just a few months. The Institute has recently won five significant contracts. Much of this funding is directed at capacity building, but portions are available to fund research activities by WDI affiliates. Executive Education is also growing quickly, adding geographies and focusing on a set of core programs. Recently, Executive Education and Technical Assistance joined forces to put together a plan to provide training and consulting services to entrepreneurs in Morocco. The program has been funded by the U.S. Department of State.

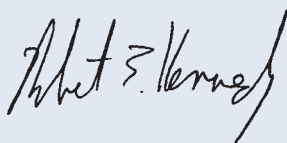
Second, the research area has launched three new initiatives, each headed by a new manager. Ajay Sharma (Globalization of Services), Kelly Janiga (Social Enterprise) and Nancy Weatherford (Base of the Pyramid, as well as Corporate Outreach) have all taken on new responsibilities and injected new energy into our research efforts. Each initiative has put together extensive resource pages (now available on our Web site) and started to reach out to leading academics and practitioners in each field. We will be having launch conferences for each initiative over the next few months.

A third effort has been the development of an innovative technology platform. The platform consists of a new, more robust Web site and an e-notification system. Coming soon to the site will be a set of community-building tools such as group blogs and discussion forums. We believe the platform will help us become known as a center of excellence and help create communities of interest in our selected focus areas.

Finally, the Institute has reorganized its support for international activities at U of M. We now do less direct administration, but provide more funding and sponsorship of other efforts. These include a corporate speaker series, monthly wine and cheese events, funding for international multidisciplinary action projects (IMAP), funding for summer internships, hosting visiting academics, and funding international research and course design by WDI affiliates.

This is just a taste of recent activities at WDI. This is an exciting time for the Institute. I appreciate the support and encouragement you have provided as we put the new strategy in place and look forward to working with you in this new era for WDI. Please contact me if you have any comments, questions, or suggestions about programs at the Institute.

Sincerely,



Robert Kennedy
Executive Director

WDI starts new research initiatives

The Davidson Institute has launched three research initiatives—Globalization of Service Activities, Social Enterprise in Emerging Markets and doing business at the Base of the Pyramid.

The new initiatives are part of the Institute's decision to narrow the range of research topics it funds directly while significantly increasing the funds committed to each initiative.

"Each initiative will focus on a policy or business development that is important, not well understood, and of a scale that WDI's resources can make a difference in our understanding of the phenomenon," said WDI Executive Director Robert Kennedy. "The initiatives will tackle their topics from multiple angles—economic, policy, business, for instance—in order to develop new core knowledge."

For each initiative, a leading thinker in the field will work with WDI to assemble a core team of academics and practitioners. Each team will design a research agenda, hold conferences, and produce new intellectual capital. WDI will provide funding, logistical support, an IT platform to facilitate interaction and discussion, and assistance with disseminating the work to both academic and non-academic audiences.

Research findings will be disseminated through WDI's Working Paper Series, practitioner-oriented policy and business briefs, case studies and other outlets such as conference proceedings and special issues of leading journals.

WDI aims to be a "one-stop shop" for information on these research topics. Therefore, in addition

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to creating intellectual capital, the Institute will create and maintain resource pages which organize the wealth of existing information on these topics on our Web site.

The **Globalization of Services** initiative takes a holistic and objective look at accelerating global trade in services, and examines the related corporate and public policy issues in emerging and developed economies. It brings together influential leaders from business, public policy and academia to create and aggregate intellectual capital, and to identify best practices in this area.

The hope is that this initiative will identify and examine: unasked but critical business and policy questions; new challenges and opportunities; and future possibilities brought about by the increasing globalization of service activities.

Conferences and seminars will be organized to bring together key people from business, academia and policy fields to discuss emerging trends, innovative ideas and best practices. The first conference will occur in Summer 2005.

The **Social Enterprise in Emerging Markets** initiative will explore the changing and expanding role of non-governmental organizations (NGO), corporations and governments in achieving social impact. The traditional roles of these three sectors are becoming blurred and they should no longer be viewed as competing forces or as operating independently. Models and examples of innovative social enterprise strategies are widespread in developed

countries but less so in emerging and transition market economies.

This initiative will bring together a diverse group of experts from academia, NGO practitioners and the private sector to conduct research, hold conferences and produce new intellectual capital. The initiative will focus on the following key areas:

- Application of business tools to better address social issues
- Implementation of strategies by NGOs to reduce grant dependence and provide more sustainable services to their constituents
- Growth of Corporate-NGO partnerships and strategies for the successful creation and implementation of these partnerships
- Development of the third sector through government policies

The initiative also will explore examples of best practices in microfinance, housing, infrastructure provision, education, human rights and democracy building.

A launch conference for the social enterprise initiative will be held in the spring.

The **Base of the Pyramid (BOP)** is being heralded as the biggest potential opportunity in the history of commerce. It champions a new way of thinking about and doing business in the world’s poor markets, an inclusive form of capitalism that marries private investment with local entrepreneurial aspirations to grow local economies in a sustainable manner.

Initial research has indicated that the four billion people who currently remain outside the global

market system collectively possess large buying power and desire world-class products and services, yet they are highly underserved and forced to live in a “high cost” economy.

By serving the poor, companies can not only grow their revenues, but also invent new possibilities. These markets are hotbeds of commercial and technological innovation and they challenge firms to transform the way in which they do business.

This will require big changes in the attitudes and practices of firms. They will need to cultivate new relationships, develop new products and services and implement new business models. They will have to learn new ways to manage infrastructural limitations, carry out operations and measure results.

WDI has partnered with the World Resources Institute and the Center for Sustainable Development at Cornell’s Johnson School of Management to sponsor research conferences, fund student teams and promote leading-edge research. The Institute plans on a launch conference for Fall 2005.

The NGO Alliance

As part of its social enterprise initiative, WDI launched the NGO Alliance, a coalition of public interest groups based in Central Europe, Eastern Europe and Eurasia. Alliance members are innovative non-government organizations (NGO) interested in commercial approaches through which their organizations can become more sustainable and less dependent on donors.

Through WDI-sponsored conferences, seminars, workshops, publications, and technical assistance projects, Alliance members tackle issues vital for a successful transition to a market-based economy. There is no fee for membership. The Alliance currently has 30 members from 13 countries in the region.

More information regarding the Alliance is available at:
<http://www.wdi.umich.edu/research/ngo/>

NGO Conference

WDI, together with the Pontis Foundation, a Slovak NGO, hosted the conference, "Rethinking the Way in Which NGOs Do Business," in Bratislava, Slovakia, March 3-5. The conference featured more than 20 NGO leaders from the region discussing the creation of NGO-private sector and NGO-government partnerships, strategies for launching mission-related businesses, various commercial methods for generating funds and policy issues affecting the development of social enterprises. Fifteen policy briefs have been published from the conference. Some papers include: *NGO Survival Strategies in Central Asia*; *Strategic Partnerships Between NGOs and SMEs: The Serbian Case Study*; *Challenges of Finding Funding at Home: The Story of Belarussia*; and *Sustainability in Crisis Situations*. More information on the conference is available at:

<http://www.wdi.umich.edu/events/NGO%202005/NGO%20Conference.htm>

NGO Spotlight

The Pontis Foundation, one of the first NGO Alliance members, is collaborating with WDI on a variety of activities including the NGO conference in March in Bratislava. Pontis is an independent, nonprofit organization operating both in Slovakia and abroad. It focuses on strengthening NGOs in Slovakia, promoting corporate philanthropy and corporate social responsibility, and assisting in democracy building projects abroad.



Pontis is the only organization in Slovakia that provides NGOs both loans and grants together with technical assistance. It is a leading organization in the development of corporate philanthropy in Slovakia and each year awards the renowned corporate citizenship Via Bona Prize.

In 2004, Pontis established the Business Leaders Forum, a network of Slovak companies committed to promoting positive social change. The Pontis Institute of Public Diplomacy trains leaders in Serbia, Belarus, Cuba and Iraq.

New additions to WDI Policy Briefs

The WDI Policy Brief series seeks to communicate research results, document best practices, and share opinions from business leaders and policymakers on topics central to emerging markets, with a practitioner audience. The series has 18 new papers including 14 new papers on Social Enterprise. Some new additions to the series include:

Small- and Medium-Size Enterprise Development in Slovakia

Policy Brief No. 28, February 2005
 By: Jan Oravec

Corruption in Serbia: Causes and Remedies

Policy Brief No. 27, February 2005
 By: Boris Begovic

Tax Reform in Slovakia

Policy Brief No. 26, February 2005
 By: Brano Durajka

Vietnam: Financial Sector Reform

Policy Brief No. 25, January 2005
 By: Nick J. Freeman

Health Care Reform in Slovak Republic

Policy Brief No. 9, January 2005
 By: Peter Pazitny, Rudolf Zajac, Pazitny is Advisor to the Minister of Health, Co-author of the *Health Reform*, Zajac is Minister of Health, Co-author of the *Health Reform*

The Development of Corporate Law in Emerging Markets

Policy Brief No. 8, January 2005
 By: Vladimir Atanasov, Conrad S. Ciccotello, Stanley B. Gyoshev

Globalization of Service Activities:

The View from India

Policy Brief No. 7, January 2005
 By: Dr. S. Narayan, Chief Economic Advisor to Indian Prime Minister Atal Bihari Vajpayee 2003-2004

More information on the policy briefs is available at: http://www.wdi.umich.edu/publications/policy_papers_briefs.htm

Working Papers

The Davidson Institute Working Paper series now includes over 740 academic papers. The series is consistently ranked in the top 10 among providers of working papers and journals in Research Papers in Economics (REPEC). Most WDI working papers go on to be published in top academic, business and policy journals.

Kennedy said he would like the Web site to be the primary way the Institute interacts and communicates with the emerging market community.

The second element is an e-notification service that will keep users informed of WDI's wide variety of academic and practitioner-oriented publications as well as formal and informal events in their areas of interest. Users will be able to sign up for this service and create notification rules that tell us about their interests. Notification rules can be created by specifying any combination of the following elements:

Publications (for example, Academic Working Papers, Business Briefs, Policy Briefs, research newsletter, news summaries or news resources).

WDI events (such as Conferences, Seminars, Call for Papers).

Geographic Regions (such as East Asia and the Pacific, Europe and Central Asia).

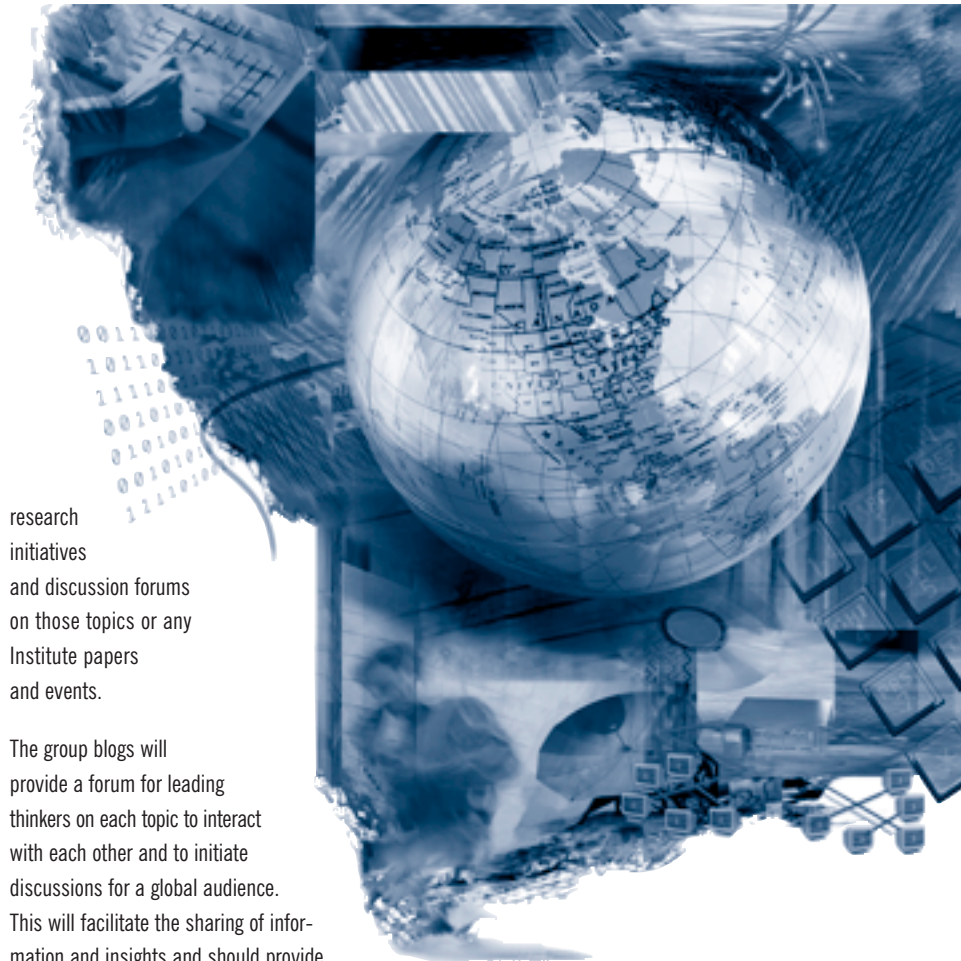
Topics (for example, Globalization of Services, Social Enterprise, Industrial Organization, BOP Labor Market studies, or Privatization).

As content is created and events are scheduled, WDI will add this information into the system capturing additional attributes such as region and topic. A "matching engine" will then identify items that match each user's interests and send an email with a summary description and a link to the publication or event announcement. Users can also choose how often (daily, weekly or monthly) they would like to be notified about publications and events in their area of interest. This will allow users to tailor their interactions with WDI.

"I believe that better targeting our communications with people will facilitate the creation of communities of interest around emerging market topics," Kennedy said.

Finally, the technology platform will support several community-building initiatives.

It will host group blogs on each of the Institute's



research initiatives and discussion forums on those topics or any Institute papers and events.

The group blogs will provide a forum for leading thinkers on each topic to interact with each other and to initiate discussions for a global audience. This will facilitate the sharing of information and insights and should provide a community building focus. The thought leaders will prompt discussions and users will be provided access to related resources, including working papers, business and policy briefs, conferences, news stories, and other Web sites.

The technical platform is designed to be flexible so that it can be easily extended to include additional WDI research activities. It can also be made available to WDI partners. It should help grow the WDI community because it will keep users abreast of activities in their areas while providing thought leaders who publish briefs a targeted way to reach people with an interest in their area of expertise.

With a stronger, more robust technology infrastructure in place, it will be much easier to add new services to the Web site in the future. For example, once WDI grows and

engages our community in informed discussions along our research initiatives, we can explore ways to capture the collective wisdom of our community and derive insights from it.

The new technology will help WDI succeed in its goal to create, aggregate and disseminate intellectual capital on emerging markets.

"We hope WDI will become a gathering place to document and discuss these topics," Kennedy said. "I see the technical platform as a big step forward. I look forward to working with the greater WDI community to make this a success."

WDI awarded 5 new contracts

WDI is in the midst of its most productive period with five recently-awarded, U.S. government contracts.

Three of the contracts are Indefinite Quantity Contracts or IQCs, an exciting and promising development for WDI for several reasons.



Macedonians learn about shareholder awareness at GM's World Headquarters

These IQC awards mean that the Institute and our IQC consortia partners are pre-qualified as technically competent by the US Agency for International Development (USAID) to carry out work in macroeconomic development and financial services.

The competition to win new projects issued through the IQCs — which USAID is using more often to contract out its projects around the world — will be limited to a small number of IQC holders and this will greatly increase the opportunities for WDI to become involved.

Being part of the IQC also means that there will be opportunities to propose projects to USAID. WDI will be working with our research affiliates to identify potential funding opportunities that align with their research interests.

Also, other development organizations may approach WDI to partner on new project bids because of the higher profile that comes with being involved as an implementer in Indefinite Quantity Contracts.

The Institute was part of an IBM-led team that was awarded a USAID IQC contract late last year to design and implement macroeconomic development projects throughout the emerging markets world. WDI's role in this five-year, \$2.4 billion project will be to address tax policy, trade and investment policies, and more general macroeconomics and gender-related issues.

WDI is a member of two separate consortia led by IBM and Bankworld, respectively, that were recently awarded IQCs to develop financial services globally. The IQC covers traditional financial sector reform and development, capital markets development, pension reform and pension fund development, insurance product and service development, commodity markets development and sovereign debt management.

WDI is a subcontractor on Phase II of the "Central Asian Republics Business and Economics Education Project." This 20-month project will develop stronger links among businesses and universities in the Central

Asian Republics. WDI will be responsible for curriculum and faculty development, and also is likely to play a strong role in research support and in training, in addition to project development and consulting.

The Institute was also awarded funding from the Middle East Partnership Initiative (MEPI) to develop a project in Morocco. WDI will assist members of Morocco's private sector to substantially gain from the recently concluded Free Trade Agreement between the Governments of Morocco and the U.S. by deploying a series of MBA teams in targeted consulting activities, and by offering intensive short-term courses on entrepreneurship.

Aaron Bornstein, WDI's Director of Technical Assistance, said he will continue to build on the recent success by pursuing contracts that will allow the Institute to utilize University of Michigan faculty, MBA student teams, WDI research fellows and Executive Education programs.

The Institute continues its project to build business education throughout Ukraine, helping to develop an MBA curriculum at several institutions. This year, WDI plans to provide a series of short-term general management courses to the faculty who will eventually teach in MBA programs.

Another continuing project is WDI's partnership with the International Business School in Tashkent, Uzbekistan. The goal of the project is to support U.S.-style business education in central Asia.

WDI completed a technical assistance project on developing shareholder awareness with a group from Macedonia (see page 11) as well as a U.S. Department of State project to create a Center for Applied Studies in Economics and develop the first accredited graduate program in Applied Economics within Ural State University in Russia.

New Technical Assistance Director

Aaron Bornstein has joined the William Davidson Institute as the new Director of Technical Assistance and Consulting Services.

Bornstein comes to WDI with more than 20 years of experience conceiving, developing and managing development projects from both the United States and in-country overseas. Before joining WDI, Bornstein directed a \$42 million grants and technical assistance contract funded by USAID/South Africa.

Prior postings have taken Bornstein and his family to Azerbaijan, Bulgaria, Ethiopia, Zimbabwe, and Washington, D.C.

His first major task at the Institute is to develop a strategy that clearly articulates a vision for more effectively using WDI-associated resources and applying them in a variety of settings. He sees great potential for expanding WDI's technical assistance portfolio both geographically and thematically.

Bornstein also would like to build upon his years of experience working in Africa to get WDI re-engaged on that continent, which has the highest share of the world's poorest people.

"WDI has tremendous resources and the potential for cross-fertilization of those resources is great," Bornstein said. "What I'd like very much to do is to develop a strategy that brings in WDI research, executive education, student projects, corporate relations, and social enterprise as integrated features of our grant applications for technical assistance projects when appropriate."

Bornstein also sees potential for capitalizing on the expertise of WDI's research fellows into overseas projects.

Bornstein received his bachelor's degree in political science and philosophy from Clark University in Worcester, Massachusetts, and his master's degree in international development and international economics from Johns Hopkins University's School of Advanced International Studies in Washington.

“ SINCE MANY OF OUR FELLOWS LIVE OR HAVE WORKED ABROAD, AND MANY HAVE BEEN INVOLVED IN CONSULTING PROJECTS THAT COMPLEMENT THEIR RESEARCH INTERESTS, THEY PRESENT AN EXCELLENT RESOURCE FOR SHORT AND LONGER TERM CONSULTING ASSIGNMENTS. ”

Aaron Bornstein



Aaron Bornstein

A DISCUSSION WITH

Marie Pribova

Professor of Marketing | CMC Graduate School of Business

Why should companies be concerned about building their “brand”?

Companies are aware that brands create capital. This type of capital belongs to intangibles and it is well known that building intangibles requires more time, more skills, and more knowledge. The development of companies is associated with building intangibles nowadays. Many products in today’s marketplace have become commodities — such as many types of computers, microprocessors, household cleaners — so it’s really the brand that becomes the primary differentiator and the brand that can determine consumer choice.

How do Czech companies perceive the importance of building a brand?

Some Czech companies have learned that brands that have value and a good reputation are the most decisive growth engines of the company’s development. They’ve learned that trust and good name go hand-in-hand and that companies missing this capital cannot reach long-term competitive advantage and sustainable success.

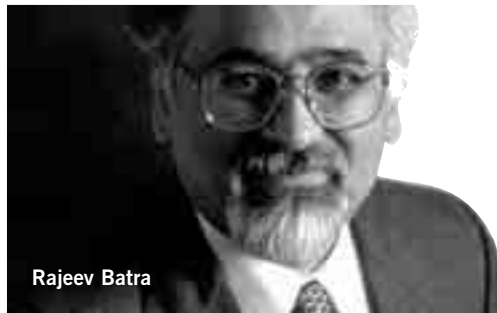
In your experience, do managers from the Czech Republic think about “brands” differently than managers in the United States? Does the Communist past play any role in coloring perception?

The Communist past destroyed the natural attitude toward brands on both sides. Producers did not learn the art of building brands and consumers did not learn that brands have value. However, 15 years after the political and social change much is different. Marketers have made progress on this path and have caught up with Western managers and their ability to leverage brands for marketplace advantage. Consumers in the Czech Republic have caught up to Western consumers in their quest for quality and their appreciation of strong brands.

Do Czechs favor brands they perceive as authentic Czech brands or do they tend to prefer foreign brands?

Czechs have realized that national pride (in a positive way) is also important for their lives. Czechs are really proud of some Czech brands, especially brands in the food industry — Pilsner Urquell, Kofola (non-alcoholic beverages), etc. One of the reasons may be that Czech brands meet their expectations regarding taste. It is well known that taste patterns are fully developed by the age of 10, and it is difficult to change them after that.

When it comes to durables, foreign brands are preferred over Czech brands. Such foreign brands would include: Volvo, Mercedes, BMW, Ford, Sony, and Hewlett-Packard.



Rajeev Batra

You will be offering a seminar in April in Prague along with Professor Rajeev Batra from the University of Michigan on Brand Equity and Marketing Communications. What are the goals of this seminar?

The first goal is to develop the professionalism of Czech and other Central European brand managers without requiring them to travel far. The second goal is to bring up-to-date approaches to brand management and share new methods in this field. Last but not least is creating a platform for meeting top brand and marketing managers in the country and providing a forum where they can exchange ideas.

WDI to offer Marketing Seminar in Prague

WDI will offer the Brand Building & Marketing Communications seminar in Prague from April 4-5. The seminar will be led by Rajeev Batra, Marketing Professor at Michigan’s Ross School of Business and recognized expert in the area of global brand building. Marie Pribova, Professor of Marketing at CMC Graduate School of Business and the Czech Republic’s leading specialist on brand management, will also teach in the program.

During the seminar participants will: learn what it takes to build powerful brands that are strategically on target; explore how to set goals and objectives for marketing programs and ways to measure their success; and discuss how to create integrated marketing communications.

The goal of the program is to give participants not only some new theories on managing the brand, but also some practical tools

they can take back to their offices and implement in the short-term. Appropriate participants include those in the marketing, advertising, and PR departments, as well as general managers seeking to understand the critical role a strong brand can play in their organization.

This will be the third year in a row the program will be offered in Prague. The program has proven to be one of WDI’s most popular Executive Education offerings. “The combination of Professor Batra offering first-hand knowledge of global best practices plus Professor Pribova with her deep grasp of the Central European reality offers participants real breakthroughs in how to conduct their marketing efforts and manage their brands,” said Amy Gillett, Director of Executive Education. For more information, please visit the WDI Web site or write to wdi_ee@umich.edu.



Marie Pribova

Vinacoal and WDI Team Up Again

Fifteen senior managers from Vinacoal, the Vietnam national coal company, completed a five-week, custom designed WDI Executive Education program late last summer, gaining valuable new insights about how to improve their business operations and be more effective leaders.

The program, which ran from Aug. 2-Sept. 2, consisted of intensive training in business English as well as seven management topics: strategy; marketing; finance; management accounting; IT management; leadership; and sales management. Instruction was provided by faculty from the Stephen M. Ross School of Business at the University of Michigan.

Since the participants came from different units within Vinacoal, they were able to compare notes on each of the topics. Break-out sessions were always lively as participants exchanged viewpoints and suggestions.

In classrooms in Vietnam, it is common to sit quietly and listen to lectures. In this program, which involved learning by the case study method, students were engaged in discussions immediately.

"It's a good program for us to find new ways, new approaches to actual problems," said Dinh Quang Trung, 31, a senior manager at Vinacoal. "After returning to our country we can apply it to our work."

The five-week program was not the first collaboration between Vinacoal and the Institute. The company participated in WDI Partnership programs in 1996 and 1997. Vinacoal also has hosted teams of Institute internship fellows.

The goal of the program, which was organized by Amy Gillett and Keven Burchfield of the Davidson Institute, was to provide Vinacoal executives with up-to-date knowledge on corporate management and equip them to take their company to the next stage of global competitiveness.

WDI Heads to Greece

The William Davidson Institute has partnered with the Institute of Management Leadership (IML) to provide executive education programs to the business community in Greece.

The newly-formed organization was created by Dr. John Psarouthakis. He had led a team of academics from American colleges to northern Greece for executive education-style programs in the past and wondered if there was a need for a more constant presence of such programs.

He interviewed more than 200 people, including small business owners, CEOs, academics and Greek government officials, and was told how Greek firms are not competitive enough in the global economy.

Psarouthakis talked to WDI Executive Director Robert Kennedy and the two decided that a partnership between IML and WDI would make sense.

WDI, which has trained more than 1,500 managers from over 200 companies in emerging and transition markets, will work with IML to deliver two programs in Greece during the first half of 2005. The executive education programs are designed for mid- to senior-level managers from local and multinational companies operating in the region. All programs will be taught in English.

"This is an excellent opportunity to spread our best practices and proven training methodologies to a new market where demand is clearly very strong," said Amy Gillett, Director of Executive Education.

The programs offered include Finance for Non-Financial Managers and WDI's flagship General Management Program (GMP).

Psarouthakis said he will concentrate on building up support for the seminars and workshops but eventually wants to work with WDI to expand the course selections and offer executive MBA classes.

"As Greece strives to be a more central player in the global economy, Greek firms will be looking increasingly to upgrading their managers' skills," Gillett said. "Working in partnership, IML and WDI are well-positioned to meet this need. We hope in future years that WDI/IML joint programs will attract managers not only from Greece, but also from other countries in the region such as Romania, Bulgaria and Turkey."



FOR A CALENDAR OF UPCOMING EXECUTIVE EDUCATION PROGRAMS, GO TO:

www.wdi.umich.edu

In other Executive Education news

Latin America continues to be a hot region for WDI Executive Education activities. In partnership with Chilean-based training firm Seminario International, WDI has developed several programs for the Latin American market. In October 2004, WDI Executive Director Robert Kennedy delivered a talk in Santiago entitled "Innovative Business Models and Globalization of Services Activities" as part of an international business forum for top executives from throughout Chile. In the spring of 2005, WDI will deliver courses in leadership in Mexico, Chile, and Guatemala and a sales management course in Chile.

In November 2004, Professor Henry Mintzberg led a seminar in Prague on "Managerial Style and Third-Generation Executive Development" for members of the WDI Human Resource Network for Central & Eastern Europe (HRN). The next Human Resource Network seminar will take place in May 2005 in Vienna. Ross School Professor Robert Quinn will discuss "Leading Change." WDI is pleased to welcome its two newest members to the network: Nokia and Zentiva. Membership is at 18 companies, including many of the most influential players in the Central and Eastern European marketplace.

Two New Members Join WDI's Board of Directors

Former Michigan Governor John Engler and Izak Duenyas, Associate Dean for Faculty Development and Research at the Stephen M. Ross School of Business at the University of Michigan, accepted appointments to the board this fall.



Former Michigan Governor John Engler

Izak Duenyas

John Engler replaces the late Robert Teeter and Izak Duenyas replaces B. Joseph White, who left the university to become president of the University of Illinois.

Engler is president of the National Association of Manufacturers (NAM), the largest industry trade group in America, representing small and large manufacturers in every industrial sector and in all 50 states. Engler became president of NAM on October 1, 2004.

Elected Michigan's 46th governor in 1991, Engler served three terms. Before becoming governor, he served for 20 years in the State legislature, including seven years as State Senate Majority Leader. He was the youngest person ever elected to the Michigan State House of Representatives.

Duenyas, the John Psarouthakis Professor of Manufacturing Management and a Professor of Operations and Management Science, is an expert in supply chain management and coordination, evaluation of investment decisions in flexible capacity, and in modeling and control of production systems. He has served as an area editor for *Institute of Industrial Engineers IIE Transactions* and currently serves as an associate editor for *Operations Research, Management Science, and Naval Research Logistics*.

Duenyas also is president of the Manufacturing and Services Operations Management Society.

WDI & WRI Team Up

WDI was a sponsoring partner for the World Resources Institute's conference "Eradicating Poverty through Profit — Making Business Work for the Poor."

The conference was held December 12-14 in San Francisco and brought together more than 1,000 business leaders, entrepreneurs and senior policymakers to share hands-on experience of proven, profitable, and innovative approaches for a more active and beneficial presence at the base of the pyramid.

WDI funds research on the base of the pyramid as one of its core initiatives.

The conference's goal was to discuss the importance of engaging the poor — the world's largest untapped market for business innovation, partnership, and profits — and how this engagement would change how companies do business worldwide.

New Robert M. Teeter Scholarship



Robert M. Teeter, a longtime pollster and strategist for Republican presidents and a member of the William Davidson

Institute's Board of Directors since 1999, died June 13 after a long illness. He was 65.

Mr. Teeter was president of Coldwater Corp., a business consulting and research firm in Ann Arbor that counted Ford Motor Co., Guardian Industries, Verizon Communications and Paine Webber as clients. He also did national polling for NBC News and *The Wall Street Journal*.

“ HE REALLY BELIEVED IN THE IMPORTANCE OF THE INSTITUTE'S MISSION AND ACTIVITIES. I KNOW HE WILL BE SORELY MISSED BY ALL THOSE HE TOUCHED AT THE INSTITUTE. ” Ralph Gerson

"Bob had a tremendous appreciation for the University of Michigan and the depth and quality of its resources," said Ralph Gerson, president and CEO of Guardian International and a member of the Institute's board. "As a board member, he made a significant contribution to the goals and strategy of the William Davidson Institute. He really believed in the importance of the Institute's mission and activities. I know he will be sorely missed by all those he touched at the Institute."

To honor Teeter, WDI has created a scholarship fund in his name. The first 10 scholarships were awarded to managers of non-governmental organizations and small, regional firms in emerging markets who attended a Strategic Management Executive Education Program in March in Bratislava free of charge.

Five Questions with Paul Laudicina



Paul Laudicina

In October, WDI asked Paul Laudicina, managing director of A.T. Kearney's Global Business Policy Council, to speak to University of Michigan students about globalization, its effect on the world and its future. Laudicina is author of the newly-released book *World out of Balance*. WDI spoke to him about globalization and his book.

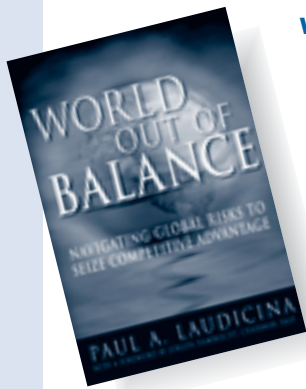
Macedonians visit WDI

Seminars on corporate and securities law, meetings with newspaper reporters, visits to Detroit-area companies — even a Detroit Tigers baseball game — filled the schedule of 11 Macedonians who visited the William Davidson Institute for a week-long training session last summer.

The group, which included lawyers, judges, professors, public relations officials and businesspeople, was at the Institute to learn more about developing shareholder awareness, protection and democracy in their homeland. The training program is part of the Institute's Technical Assistance and Consulting Services initiative.

Macedonia, in southeastern Europe, lacks public debate and awareness of laws and regulations affecting shareholders. One of the goals of the program, in partnership with U.S. Agency for International Development (USAID) via World Learning, was to improve the legislative process by encouraging greater communication with Macedonian citizens and engaging relevant stakeholder groups.

The group spent a week in Ann Arbor and another week in New York City and Washington, D.C.



WDI: What prompted you to write this book, *World Out of Balance*?

PL: There was a sense that business leaders needed help in identifying global opportunities and denominating risks associated with a global footprint to be better able to manage them.

WDI: In the book you outline five drivers shaping the global business environment: globalization; demographics; the “new” consumer; natural resources and the environment; and regulation and activism. Of these, which is the most critical driver for today's companies to recognize and successfully plan for (and navigate), and why?

PL: Technology impacts all five in very significant ways — compounding both the extent and speed of global change. Of the five drivers I discuss in the book, certain drivers impact a given sector more than another. For example, a consumer goods company might be more focused on shifting consumer preferences, while a utilities company might be more directly impacted by changing natural resource dynamics.

WDI: How can companies balance the need to serve high-growth, developing markets with the need to minimize the risks of global uncertainty?

PL: The key to business success will continue to be how companies can grow the top line while dealing with the interdependent risks of a globalized world. As we know from developments of recent years, in this connected world no one is immune to risk — developed or developing country alike. The key is not to look for risk-free environments, but to be smart enough to understand the risks so they can be managed.

WDI: Are there companies that you believe are well poised to compete effectively in the global marketplace, and, if so, what have they done differently than their competitors?

PL: Those companies that have instituted a rigorous and dynamic planning process, involving all spectrums of the organization, are more likely to discern important opportunities and risks. Traditionally, extractive and other highly-regulated industry companies have expended the most effort on strategic planning and risk management. But this was after a “top-down” planning process. Today's environment demands that all levels of the company be sensitized to, and follow the drivers to, be most alert to shifting customer/business environment dynamics.

WDI: What are some policies you believe the U.S. should create/employ to mitigate the effects of U.S. jobs lost to offshoring?

PL: If the U.S. is going to continue to be at its competitive peak, it needs to continue to attract, train and retain the best and brightest from all over the world. Current immigration policy is, I am afraid, dissuading many science and engineering-capable people we need from studying or working in the U.S. We need to ensure that our legitimate physical security concerns do not overtake focus on our economic security needs. The U.S. needs to continue to enhance the conditions for improved educational attainment writ large if we will continue to be competitive in increasingly higher value chain endeavors. Rather than try and prevent the inexorable loss of lower value added work, we should do everything we can to enhance our ability to compete for those “creative class” jobs that are more consistent with the needs of a post-industrial society.

corporate
Speaker Series

at the
Business School

WDI kicked off a new Corporate Speaker Series in Fall 2004 that features corporate leaders who work in emerging markets.

Most speakers talked for about 30 minutes and then took questions from the audience. Students were able to get real-world perspective from the speakers on issues they've discussed in class as well as practical career advice.

Paul Laudicina

Paul Laudicina, managing director of A.T. Kearney's Global Business Policy Council, was the series' first speaker on October 27. He talked about globalization, its effect on the world and its future.

Laudicina, author of the book "World out of Balance," said that many embrace globalization and all that it offers. But some have become wary of the interdependent risks of globalization, such as terrorist attacks, disease, and interruption of electronic commerce.

"Are we going to continue to globalize and integrate, or are we going to turn the clock back and protect ourselves from each other and the promise that I think we have realized in this whole period of enhanced globalization in the '80s and '90s?" Laudicina asked the audience gathered in Phelps Lounge.

He said all of our problems are transnational — including terrorism, commerce, drug trafficking and the environment. To be successful as a business leader, you have to reach out beyond our borders, he said.

A.T. Kearney's Global Business Policy Council, which Laudicina directs, is a strategic service helping chief executives and government leaders monitor and capitalize on macro economic, geopolitical, socio-demographic and technological change worldwide.

According to Laudicina, there are five different drivers shaping future global conditions:

Globalization — Will it continue? What does it take to continue?

Demographics — Growing labor shortages in the

The series seeks to engage members of the corporate community in the larger discussion around globalization. Business leaders are invited to share their first-hand experience dealing with the challenges and opportunities operating in emerging markets.

The talks are geared toward MBA students at the Stephen M. Ross School of Business at the University of Michigan who are about to enter the job market, although BBA students as well as faculty and others from around the university are invited to attend. The series is a way for the Davidson Institute to be involved with students at the business school.



John Sviokla

industrialized world and labor surpluses in the developing world make it imperative that demographics are studied to make wise policy.

Environment and natural resources— More demand by consumers will create greater stress on the environment and cause concern about the adequate supply of natural resources.

Consumer behavior— Burgeoning new consumer power in the developing world will necessitate a shift from one size fits all marketing and product development.

Activism and regulation— Globalization makes us more dependent on one another and more vulnerable. Consequently, people are looking to government more to protect them by creating new policies. These policies will both help and hinder the growth of the global marketplace.

The world is out of balance, he said, and it's going to continue to be.

"The genie is out of the bottle," he said. "We're going to continue to change rapidly."

John Sviokla

In December, John Sviokla, vice chairman of DiamondCluster International, talked to students about the growing global market for consulting services.

He said those interested in a career in the consulting field should be willing to move around. Sviokla, who helps executives and managers create value by using the power of technology, told the assembled students and professors that North America is still the biggest market for consulting services with India, China and Russia being the fastest-growing countries. He said consulting services accounts for about one-quarter percent of GDP in most countries.

"When the economy is down, the hiring of consultants declines," Sviokla said. "When the economy is good, consultant hiring increases. The only time demand for consultants shrank in the past 30 years was 2002."

He said the growth in consulting work will be in the emerging markets. Most major consulting firms have a presence in every emerging market country.

"A deep expertise is needed to get done what needs to get done," he said. "HR demand in Chinese manufacturing industry is very high. In the small markets we're seeing big growth."

Sviokla said that the types of consulting services needed vary from country to country but about half is technology related. Operations, strategy and HR make up the other services that are in demand. About 80 percent of IT consulting is for application and development work.

Clients are demanding higher skilled teams and therefore consulting firms are looking for future employees with the tools to fill those needs, he said.

"Employers want to know, what technical skills do you have that we don't have?" Sviokla said.

Tom Barry

In January, Tom Barry, founder of Zephyr Management, an investment management company in New York City, talked to students about investing in emerging markets.

Barry, who managed the Rockefeller family fortune before starting Zephyr, listed the pros and cons of investing in developing countries. He talked about Zephyr's successes as well as failures in countries such as Korea, Nigeria and Mexico.

He said a big problem when working in a country that is not as sophisticated as the United States is that investors expect returns of 18-20 percent. That is unrealistic in most developing countries. Other concerns in these markets include poor liquidity, government regulation and lack of financial controls. Regardless, he said emerging markets are attractive because of the slow growth outlook for the U.S. and Western Europe, the limited



Tom Barry

Barry's firm provides financial counseling and sponsors specialized investment funds with more than \$800 million in committed capital. Its private equity funds invest in distressed municipal bond projects, private equity in Mexico, Africa and Korea, and Internet service providers.

amount of competition from other investors, and the favorable risk premium. But, Barry cautioned, "you've got to do your homework."

He said it is very important to have an exit strategy before investing.

"You can't invest unless you know how to get out," Barry said.

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informal

Speaker Series

The Institute hosts a monthly Wine and Cheese reception which features a diverse mix of speakers talking on issues of importance in the field of international development. Recent speakers included: Robert Dolan, Dean of the Ross School of Business; John Keenan head of public affairs for Pfizer's Michigan Laboratories; Jim Levinsohn, Associate Dean of the Ford School of Public Policy; John Hieftje, Mayor of Ann Arbor, and David Bornstein, social enterprise journalist.

Pfizer's Global Health Partnerships and Initiatives and the Importance of Intellectual Property Protection

In his December talk at WDI, John Keenan, head of public affairs for Pfizer's Michigan Laboratories, discussed Pfizer's global health initiatives and the importance of intellectual property protection.

Keenan highlighted Pfizer's successful partnership with the Edna McConnell Clark Foundation and their joint efforts to eliminate trachoma around the world. He explained that through this initiative, Pfizer has provided the drug Zithromax free of charge to programs in Morocco, Tanzania, Egypt, Sudan, Vietnam, Mali, Ghana, Nepal and Niger. He also heralded Pfizer's Global Health Fellows Program, a project through which Pfizer allows top employees to serve up to six months with organizations addressing health needs in Africa, Asia, Eastern Europe and Latin America.

Keenan also explained that Pfizer partners with numerous governments and NGOs to address the HIV/AIDS crisis. These programs have a proven track record in

preventing the spread of the disease and easing the burdens of those already infected. Pfizer's comprehensive approach combines the distribution of treatment with training, education and mentoring, he said.

Finally, Keenan defended intellectual property right protection, explaining that drug companies must protect their successful drugs and make profits in order to fund research. According to Keenan, the odds of finding a new prescription drug and getting it to the market are one in 5,000—and even that rare breakthrough is not guaranteed to be a successful business venture. Further, he declared that the protection of intellectual property can be beneficial for both economic development and public health. It is the only way to ensure discovery of new, effective cures for disease.

Social Entrepreneurs are the Agents of Change in Developing Countries

In January, David Bornstein, a renowned journalist in the field of social enterprise and entrepreneurship, explained that investing in social entrepreneurs is often a more effective strategy than investing in specific development programs. Unlike programs which can fail in the face of unanticipated hurdles, social entrepreneurs will not allow their visions to fail, he said. They will adjust to changing conditions and unanticipated obstacles and alter their strategies accordingly, never losing sight of their goal. According to Bornstein, social enterprise is catching on and is thriving in some countries, such as India. A third generation of social entrepreneurs in India "are able to build on so many organizations that already exist," Bornstein said. Conversely, former Communist-bloc countries have not yet experienced significant growth in social enterprise, Bornstein said.

Bornstein discussed many of the case studies highlighted in his new book, *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, which was described by *The New York Times* as "must reading" for "anyone who cares about building a more equitable and stable world." The book chronicles the work of people and organizations tackling social problems in Brazil, India, South Africa, Hungary, Poland and the United States. It looks closely at Ashoka, a non-profit organization which invests in people to develop the profession of social entrepreneurship.

Bornstein's first book, "The Price of a Dream: The Story of the Grameen Bank" traces the history of the Grameen Bank and the global emergence of the anti-poverty strategy called "micro-credit."



David Bornstein

WDI continues to support international activities at the University of Michigan by funding student projects and internships, organizing seminars, hosting guest speakers, and funding international research.

Student Projects

In Winter 2005, WDI is funding four international multidisciplinary action projects — or IMAPs — around the world. The four projects are:

Acumen Fund — a global nonprofit venture fund. Students will analyze the methodology Acumen Fund uses to review its investments and work with the portfolio companies in East Africa and South Asia on pressing business plan questions.

Aravind Health Care System — a conglomerate of five hospitals in India specializing in eye care. Students will document the new community health center business model and create a detailed business and growth plan.

Country of Morocco (*two IMAPs*) — The country signed a Free Trade Agreement with the U.S. and WDI has received a grant to strengthen skills among entrepreneurs. Part of the grant involves a student team in the cities of Rabat and Casablanca to assess the state of entrepreneurship in Morocco, develop a framework for growth and support, and design a system for promoting and supporting development of small and medium-sized enterprises. Another student team will study the handicrafts industry in and around the cities of Fez and Marrakesh and develop business plans for local entrepreneurs.

Speaker Series

The Institute also sponsored a number of speakers who came to the university, including the Corporate Speaker Series (see page 12).

WDI was a sponsor of the Corporate Strategy & International Business Seminar Series at the Ross School, which provides a forum for

academics to present their research and receive feedback on problems and issues. Speakers included Xavier Martin of Tilburg University in the Netherlands, Jerker Denrell of Stanford University, Witold Henisz of the Wharton School of the University of Pennsylvania, Ben Esty of Harvard University, and Ronald Burt of the University of Chicago.

The Institute continued hosting its monthly informal Wine and Cheese gatherings. Speakers

this past fall included Ross Business School Dean Robert Dolan talking about the future of the school, Ann Arbor Mayor John Hieftje discussing the challenge of running an international city, and John Keenan, head of public affairs for the Michigan Laboratories of Pfizer Global R&D, addressing the health crises in developing countries.

And last fall WDI launched a new Research Luncheon seminar series for PhD students. The series invited students to present, and get feedback on, their current research in an informal gathering of fellow students and interested faculty.

WDI will fund student summer internships

The Davidson Institute recently launched a new challenge-grant summer internship program under which it will fund up to 10 student internships per summer. Students were asked to identify internships with organizations doing interesting, innovative work in international development and then submit proposals to the Institute for funding consideration. Proposals were received from master's degree students across several university disciplines.

SUMMER 2005 INTERNSHIP AWARD RECIPIENTS INCLUDE:

Edward Chao (MBA/MS '06) and **Adarsh Das** (MBA, '06) | Ed and Adarsh will work on a project analyzing potential modes of entry into the carbon-credits market related to a rice-husk based power plant in Bali, Indonesia.

Vijay Dakshinamoorthy (MS, '06) | Vijay is conducting a research project on the impact of Information and Communication Technologies (ICT), including telecenters and information kiosk initiatives, in India.

Mayuri Guntapalli (MBA/MPP, '07) | Mayuri will work on a two-part project for the U.S. Department of State's International Fund for Agriculture Development (IFAD), evaluating the effectiveness of IFAD's NGO partnerships and reviewing its agricultural trade policies.

Kevin Lee (MBA, '06) | Kevin will provide business strategy development assistance for LKAN Trading Company, a recycled plastics manufacturing facility in Rajin, North Korea.

Bill McElnea (MPP, '06) | Bill is working on several business and policy projects with the Cross Border Institute for Regional Development (CBIRD), a bi-national collaborative initiative between the U.S. and Mexico, dedicated to supporting economic development in the U.S.-Mexico border region.

Josh Rosenfeld (MPP/MPH, '07) | Josh will work with the UN-World Food Programme's Cambodia office to evaluate recent food-for-work projects and assist with building NGO partnerships to enhance program sustainability.

Ana Karina Rozas (MPP, '06) | Ana will work with the Santa Fe de Bogata Foundation, a private, nonprofit health delivery system in Colombia, conducting project valuations on a number of new medical technologies and service initiatives.

Summer ⁱⁿ Sarajevo

Rob Schneider, an MBA student at the Ross School of Business, spent last July in Sarajevo as a WDI summer fellow looking into ways local businesses can collaborate to utilize a month-long cultural festival to enhance economic impact. Schneider said the critical issue was getting all the interested parties together. "Improving communication and coordination between the agencies in the community was the biggest thing we did," Schneider said. Here is Schneider's brief firsthand account of his impressions of Sarajevo and its people.

The Bascarsijske Noci (Nights of the Old Turkish Quarter) Festival was originally conceived as a way to celebrate the unique culture that is Sarajevo. The city is known as the Jerusalem of Europe, with Muslim mosques, Catholic and Eastern Orthodox churches, and Jewish synagogues all located within a mile radius. But if the world thinks of it at all, it is because of its three-year war with neighboring Croatia and Serbia that physically destroyed its infrastructure and emotionally scarred its people.

Although some continue to perceive Sarajevo as inextricably linked to religious and ethnic violence, a traveler wandering from café to café in search of a relaxing cup of Bosnian coffee would be hard-pressed to see evidence of the war. Downtown Sarajevo seems as secularized as any other capital in Eastern and Central Europe, with families, teenagers,



Rob Schneider

and young adults wandering up and down the pedestrian thoroughfare eating, drinking, shopping, or just people watching.

However, walk a little further from the busy parts of town and you will start to see signs of the country's tumultuous past. Some buildings are scarred with bullet holes, while others are merely shells, left to crumble after direct hits during the war.

The people seem to go about their busy lives in a manner that would suggest they have put the conflict behind them. But once you get to know them better, you begin to hear stories about how things were during the war. You hear about mistrust and suspicion, carry-overs from the war.

I heard a story from a college student who described the night she fled from her home at age 12. Her neighbor, the father of her best friend, held a gun to her head and weighed the options in his mind of shooting her and her family. In the end he decided against it, telling the family they were lucky that he was such a "nice guy."

As part of the Dayton Peace Accords that ended the fighting in 1995, Bosnia was divided roughly into half geographically, with the Bosnian Serbs controlling of 49% of the country (Republika Srpska), and the Bosniaks (Bosnian Muslims) 51%.

So Bosnia is really two halves. And the halves, while no longer in armed conflict, are not exactly the picture of domestic harmony either. Many things on the surface appear functional but underneath resentment remains.

It will take decades for wounds to heal completely, and it will also take understanding from the Western powers — their patience, effort and money — in order to get these halves to work together towards the country's overall success.

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THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN

The William Davidson Institute is a non-profit, independent, research and educational institute dedicated to creating, aggregating, and disseminating intellectual capital on business and policy issues in emerging markets. Integrating research, executive education, and practical project-based assistance, the Institute generates knowledge and offers unique educational opportunities to individuals as well as indigenous and multinational companies operating in transitional economies.

It provides a forum for business leaders and public policy makers to discuss issues affecting the environment in which these companies operate.