

WDI Adds Leading Thinkers to BoP Research Initiative

Some of the leading thinkers on the Base of the Pyramid (BoP) movement have joined WDI, boosting the Institute's knowledge in this innovative approach to business and helping it to become a center of expertise on the topic.



Photo courtesy of World Resources Institute

An African shepherd uses a portable wireless computer to determine the best place to run his herd.

Ted London, well known for his academic research, curriculum development and executive education programs on BoP issues, was recently appointed as director of BoP Initiatives at the William Davidson Institute (see article, Page 11).

Also, C.K. Prahalad and Stu Hart, who wrote the groundbreaking 2002 Harvard Business Review article, "The Fortune at the Bottom of the Pyramid," have joined the Institute as Research Fellows. Their article provided the first articulation of how business could profitably serve the needs of the four billion poor in the developing world.

The BoP phenomenon is being heralded as one of the biggest potential business opportunities of the 21st century. It champions a new way of thinking about, and doing business in, the world's poor markets. It's meant to be 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 those four billion who currently remain outside the global market system collectively possess immense 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 tap into new sources of growth and accelerate innovation. These base of the pyramid markets are hotbeds of commercial and technological innovation and challenge companies to change the way they do business.

An increasing number of non-profit organizations are also exploring a BoP approach as a potentially important component in a holistic poverty alleviation strategy. By combining market-based development initiatives with existing grant-funded programs, non-profits are generating new strategies to solving some of the world's most intractable problems. (See article on CARE, page 16)



Welcome to the fourth issue of the Davidson Review. This semiannual newsletter is designed to keep you apprised of activities and plans at the William Davidson Institute (WDI), and to encourage you to become involved in these activities.

I became executive director of the Institute just over a year ago. It has been a busy and productive period. My letter in the last issue discussed how we have reorganized the Institute, the new research strategy — focusing on three core research topics — and the new technology platform we developed. I now want to talk about the progress we've made on our core research initiatives during the past six months.

The Social Enterprise (SE) research initiative explores how socially-oriented organizations (e.g. non-profits, corporations, government organizations, etc.) have increasingly adopted business tools to increase effectiveness and decrease grant dependence. WDI has hosted two conferences on the topic. One, held in Bratislava, Slovakia, in March 2005, brought more than 30 practitioners together to share their experience on earned income strategies and public-private partnerships. The conference led to more than 20 policy briefs (available on our Web site) and supported the creation of WDI's NGO Alliance — a coalition of 37 public interest groups based in 16 Central European, Eastern European and Eurasian countries. WDI also hosted an SE-focused academic workshop in Ann Arbor in May 2005 to discuss current research findings and to help frame an SE research agenda for the Institute.

In the coming year, the Institute will host another conference in Central Europe and continue to work with academics in the SE field. We are also working to develop an NGO Alliance in Latin America and the Caribbean. Finally, based on a high level of interest in SE issues among University of Michigan students and faculty at the Ross School of Business, Ford School of Public Policy, School of Social Work, and School of Public Health, WDI is launching a Social Enterprise Speaker Series this fall.

The Globalization of Services (GoS) research initiative examines business and policy issues that arise from the global reorganization of work in services, particularly in the service sector. WDI co-hosted a practitioner conference on GoS issues in June 2005. The event was attended by more than 50 practitioners from leading offshoring firms, including GM, American Express, Janeeva, and Tata Consultancy Services. The Institute has launched a group web log (blog) on its Web site, where leading thinkers — both academics and practitioners — can discuss current trends and issues in offshoring. The Institute will be hosting a GoS academic workshop on September 15-16, and will be launching a weekly news summary on offshoring topics. We invite you to participate in the blog and subscribe to the news summary when it becomes available.

The Base of the Pyramid (BoP) research initiative made some exciting additions. Ted London, a leading researcher and educator on BoP topics, was appointed director of BoP initiatives at WDI. The Institute also appointed C.K. Prahalad as Distinguished Fellow, and Stu Hart (formerly at U-M, now at Cornell) as Research Fellow. Prahalad and Hart were the first to articulate how business could profitably serve the needs of the poor. Each has written widely-praised books (see our Web site for details). Plans are underway for WDI to organize and host a large practitioner conference on BoP topics in Ann Arbor in spring 2006. It will be organized in conjunction with Cornell University and the World Resources Institute.

Each of the research initiatives has assembled extensive resource pages on the WDI Web site. The pages list hundreds of academic papers, books, reports, news articles, and teaching cases on each focus area. WDI's aim is to become a center of expertise and a "one-stop shop" where people can come for the latest information on our initiatives. We hope that you will explore the resource pages, sign up for e-notifications of new resources, and join one or more of our "communities of interest" around these topics.

I also would like to mention Executive Education and Technical Assistance. Both initiatives had strong years. Executive Education saw revenue growth of more than 40%, delivering 14 programs to more than 750 managers from countries such as Morocco, Slovakia, Czech Republic, Croatia, Argentina, Chile, Mexico and Guatemala. We completely reorganized the Technical Assistance area, bringing on a new director and strengthening program management. Technical Assistance delivered programs in Ukraine, Uzbekistan, Russia, Morocco and Kazakhstan and saw revenues grow by 150%. I am also happy to report that the areas have started working together, as witnessed by our programs in Morocco (see story, Page 8).

As you can see, a lot has been accomplished and we look forward to building on our successes. One of our goals is to continue constructing communities of interest in our selected focus areas. We are engaging leading thinkers around the world and invite you to join us.

I look forward to working with you as we create a new WDI. Please contact me if you have any comments, questions, or suggestions about programs at the Institute.

Sincerely,

A handwritten signature in black ink that reads "Robert E. Kennedy". The signature is written in a cursive, flowing style.

Robert E. Kennedy
Executive Director

The Institute has made great strides since launching the Globalization of Services (GoS) research initiative in 2004. The initiative explores the accelerating global trade in services and examines business and public policy issues in emerging and developed economies. WDI has hosted two conferences on the topic — one on Capitol Hill in April 2004 and another in Ann Arbor in June 2005.

The aim of the GoS resource pages on WDI's Web site is to become a "one-stop shop" for information on GoS. It features more than 300 resources, including business and policy briefs on GoS, academic papers, reports from multilateral organizations and industry consulting firms, and scores of the latest articles from various media outlets.

WDI Launches Group Blog on GoS

WDI has launched a group Web log — or blog — that discusses Globalization of Services issues.

On the blog a team of leading thinkers will share their perspectives on this phenomenon, commonly referred to as offshoring, and also comment on current news and trends in this field.

Broader WDI community members are then able to post their responses and discuss the issues further. Blog participants are also provided with access to important resources on the topic, such as working papers, news articles and policy and business briefs.

Those who have agreed to lead discussions on the blog — called team members — include Rashmi Banga of the Indian Council of Research in International Economic Relations (ICRIER), John Sviokla of DiamondCluster, Alok Aggarwal of Evalueserve, Stan Lepeak of EquaTerra and Anurag Jain of Perot Systems.

WDI Executive Director Robert Kennedy also will lead discussions. Kennedy has worked on GoS issues since 2000 when he engaged with Tata Consultancy Services on a series of teaching case studies.

The desire to host blogs was one of the reasons WDI launched a new technology platform earlier this year.

"The group blog provides a place for leading thinkers on globalization of services to interact with each other and to initiate discussions for a global audience," Kennedy said.

The blog enables stronger and richer interaction between the community and thought leaders, and will hopefully lead to new ideas. In the future, WDI will explore ways to extract insights and wisdom from this community knowledge and exchange.

Go to www.wdi.umich.edu for more information on the blog and how to sign up to participate.

Workshop Will Help Frame GoS Research Initiative

WDI will host a one-day launch workshop on Globalization of Services on September 16 at the University of Michigan in Ann Arbor.

The workshop, "Globalization of Services: Framing the Issues," will focus on policy and business implications of increasing global trade in services. A select group of academics and practitioners from around the world will attend the workshop to share their research and experiences and to identify key questions and challenges that remain unanswered.

Academics from leading institutions such as the University of Michigan, University of Illinois, the University of Massachusetts, the Indian Institute of Management and Jawaharlal Nehru University will discuss their research and present important issues in this field that need to be studied further.

Executives from companies such as IBM, EquaTerra, Infosys and Perot Systems will describe operational and strategic challenges faced by the industry and highlight areas in which they need academic research. It is hoped that this dialogue between academia and industry will help better define research issues to be addressed by WDI's community of interest in the future.

The workshop will be organized into three sessions: challenges and best practices on the supply side (vendors and captives in emerging economies providing services from offshore); challenges and best practices on the demand side (corporations in developed economies leveraging offshore services); and policy issues that arise as offshoring proceeds.

This core group of academics and practitioners will provide inputs for furthering WDI's initiative in this area and help frame the Institute's research agenda on this topic. Additional conferences will be organized in the future to follow up on this launch conference.

Executives listen, learn at Outsourcing Assurance Forum

More than 50 business executives learned the latest about offshoring, shared ideas and networked at a one-day Outsourcing Assurance Forum June 28 hosted by Ann Arbor-based Janeeva and the William Davidson Institute.

The attendees, who included offshoring users, experts and suppliers as well as those interested in learning more about the topic, heard from experts about winning solutions and strategies.

WDI Executive Director Robert Kennedy opened the forum by providing a look at the phenomenon and describing how globalization has expanded beyond the manufacturing and resources sectors into the larger, faster growing, and higher value-added service sector.

Dan Mahlebashian of GM's Contract Management Strategic Planning discussed the automaker's experience in managing vendors through contract negotiation. Vikram Nangia, a vice president at American Express, spoke about how AmEx has established links with offshore suppliers along with proprietary servicing centers worldwide.

The forum ended with a panel discussion during which audience members shared some of the hard issues they have faced with outsourcing.



Vik Nangia, VP of Global Operations Finance at American Express, looks over his notes before speaking at the Outsourcing Assurance Forum co-hosted by WDI and Janeeva.

Since its inception last year, the Social Enterprise (SE) research initiative—established to explore the changing and expanding role of NGOs, corporations and governments in achieving social impact—has engaged some of the leading thinkers in the field. WDI hosted an international conference in Bratislava, Slovakia, in March 2005 and a workshop to frame the SE research agenda in Ann Arbor, Michigan, in May 2005.

WDI also published more than 30 policy briefs, including policy brief series on Slovakia and Vietnam. Common topics include: financial sector reform, privatization, small and medium-size enterprise development, and trade. WDI has launched the NGO Alliance, a coalition of public interest groups based in Central Europe, Eastern Europe and Eurasia. The Alliance currently has 37 members from 16 countries in the region. Because of this success, WDI is now expanding the Alliance into Latin America and the Caribbean.

The SE resource pages on the WDI Web site feature recent books published on the topic, the latest news articles, cases and educational material, and academic and practitioner research. In September 2005, WDI will launch a Social Enterprise Speaker Series. The series will host SE thought leaders and will allow them to interact with the growing number of University of Michigan students who are interested in this field.

Academics and Nonprofit Leaders Discuss WDI Social Enterprise Framework

About a dozen academics and leaders of nonprofits gathered at WDI on May 20 to share their research and experiences, and to help frame a research agenda for exploring social enterprise in emerging markets.

The workshop, “Social Enterprise and Entrepreneurs in Emerging Markets: Framing the Issues,” focused on ways in which socially-oriented organizations are adopting commercial strategies to increase effectiveness and decrease grant dependence.

Participants presented research or experiences during one of three short sessions.

After a brief overview of WDI’s research initiatives from Executive Director Robert Kennedy, Kelly Janiga, Manager of Research Programs, explained the Institute’s Social Enterprise initiative and the rationale for the workshop.

“We want to get feedback on how we’ve begun to frame this issue,” Janiga said. “One of our goals is to see if we’re really filling a niche rather than duplicating efforts already out there.”

Lee Davis of NESsT moderated the first discussion of the day on cross-sector partnerships. Roberto Gutierrez of Universidad de los Andes in Colombia talked about the Social Enterprise Knowledge Network, a consortium of 11 schools in 11 countries sharing research.

“How do partnerships start? How do they grow and maintain? These two questions gave us a lot of fuel,” Gutierrez said.

Later in the day, Diane Vinokur of the University of Michigan moderated a panel discussion on Social Enterprise with Davis, Katherine Schad and Gail Carter of Counterpart International, and Kim Alter of Virtue Ventures.

The final panel, moderated by Kennedy, dealt with non-profit strategies to obtain commercial sustainability and policies which affect development of the third sector.

The workshop ended with Kennedy thanking the group for their involvement and asking that they stay involved with WDI and the rest of the participants.

There are plans to hold several conferences for both practitioners and academics on the subject in the next couple of years.

WDI to Partner with NESsT for Social Enterprise Conference in Santiago

WDI, together with the Nonprofit Enterprise and Self-sustainability Team (NESsT), will host an introductory conference on social enterprise for nonprofit leaders in Latin America and the Caribbean.

The conference, to be held in May in Santiago, Chile, will discuss the legal, social and practical issues facing nonprofits seeking to adopt a commercial approach for their organization to become more sustainable and less dependent on donors. Participants will have access to helpful resources including self-diagnostic tools and lessons for applying business tools in a nonprofit environment.

The conference will help WDI introduce, and eventually expand, its NGO Alliance into Latin America and the Caribbean.

WDI’s partner in the conference, NESsT, is an innovative non-governmental organization with operations throughout Central and Eastern Europe and Latin America. NESsT shares WDI’s dedication to helping civil society organizations further their social impact and financial sustainability through the development of mission-driven social enterprises.

Kelly Janiga, Manager of WDI’s Social Enterprise Research Initiative, said the Institute is “very happy to be partnering with such a prestigious and established organization as we expand the NGO Alliance into Latin America and the Caribbean.”

NESsT co-founder and CEO Lee Davis said NESsT is delighted to work with WDI on the conference.

“By partnering with one of the leading emerging markets research institutions, we see a unique opportunity to bring the practical learning and thinking of the social enterprise field to a broader global audience,” he said.

For more information on the NGO Alliance in Latin America and the Caribbean, contact Porter McConnell, WDI research associate, at pmcconne@bus.umich.edu.



Lee Davis (right) listens as Jesse Moore makes a point at the WDI Social Enterprise workshop.

WDI's Technical Assistance program made strong progress this past year as revenues grew to record levels. Four projects were completed with highly positive evaluations and the Institute was awarded three new contracts.

Three projects continue, including the Middle East Partnership Initiative (MEPI), which allowed the Technical Assistance initiative to work in coordination with WDI's Executive Education program and its student projects. WDI received positive feedback and has been encouraged by the U.S. State Department to request an extension and enlargement of the project (see article, Page 8).

WDI has several proposals outstanding, including being a subcontractor to IBM Consulting on USAID's \$7 billion HIV/AIDS Supply Chain Project. During the past year, WDI's Technical Assistance program has added a new director, Aaron Bornstein, and a new program manager, Angela Egeland.

Building Business Education in Central Asia

WDI has been strengthening Uzbekistan's only private business school, the Kelajak Ilmi International Business School (IBS) in Tashkent. For the past three years, WDI has developed curriculum, trained faculty and administrators, recommended key changes to the organizational structure, created student services (admissions, development, career planning and placement),

designed an effective marketing campaign, and developed a strategy for financial sustainability. Most recently, a highly respected local and international board of directors for IBS was established, which will assist with the school's governance and sustainability.

This past spring, Dr. Gerlinda Melchiori traveled to Central Asia to lead workshops in fundraising, alumni relations and career planning at IBS and another WDI project, the USAID-funded Business and Economics Education project. A former Director of Development at the University of Michigan, and former Assistant Dean at the College of Literature, Science and the Arts, Melchiori put on well-received workshops for university administrators, management staff and students.

In the Ukraine, the Institute recently concluded its project to build business education throughout the region. Since 2002, WDI helped develop an MBA curriculum at several institutions. WDI played a primary role in faculty development through its participation in the summer faculty training institutes and delivery of several weekend workshops per year. This past year, WDI was involved in administrative development and helped strengthen the school's relationship with local industry.

Indefinite Quantity Contracts

Three of WDI's recent contracts are Indefinite Quantity Contracts — or IQCs — an exciting and promising development. 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 perform work in macroeconomic development and financial services. Two of the IQC contracts will develop financial services globally. The other will design and implement macroeconomic development projects in

emerging markets worldwide. The competition to win IQC projects — which USAID is using more often to award contracts — will be limited to a small number of IQC holders. This will greatly increase the opportunities for WDI to become involved in other projects.

WDI to Run Program in Cyprus

WDI was named a subcontractor to Bearing Point on the recently-awarded Cyprus Partnership Program (CyPEG).

WDI will provide short-term technical assistance for the "Business of Education" activities of a larger \$10 million CyPEG project, which is designed to improve private sector growth in the Turkish portion of Cyprus. The project will strengthen linkages to the Greek Cypriot economy and improve performance of SMEs and key institutions, such as banks, that are essential to economic growth.

WDI also will assist in strategy development, capacity building, association strengthening, and market assessments on a short-term basis.

WDI Sponsors October WTO Conference

WDI is a sponsor of a University of Michigan conference on issues to be addressed during the December Ministerial Meeting of the World Trade Organization in Hong Kong.

Barbara Peitsch, Director of Business Development for WDI's Technical Assistance initiative, is working with Robert M. Stern, Professor of Economics and Public Policy at UM, on arrangements for the October 21 conference. It is being hosted by the International Policy Center of the School of Public Policy, the Department of Economics and the Law School.

Expected to attend include U.S. Trade Representative (USTR) Ambassador Robert Portman, current and former Assistant USTRs, WTO Ambassadors, Representatives from China and Sub-Saharan Africa, and trade officials from around the world.

The conference program is posted on the WDI Web site.



Gerlinda Melchiori

It was a strong year for WDI's Executive Education program, which provides high-quality executive education to managers in the emerging and transition markets. Revenues grew by 46 percent as Executive Education delivered 14 programs on topics such as leadership, marketing, entrepreneurship, and general management skills. More than 750 managers from countries such as Morocco, Slovakia, Czech Republic, Croatia, Argentina, Chile, Mexico and Guatemala took part in WDI Executive Education programs.



Izak Duenyas

WDI to Deliver Two Programs in Chile

WDI's Executive Education will collaborate with Chile-based Seminarium for two programs in Latin America this fall.

On October 17-19, WDI and Seminarium will team up for the Strategic HR Executive Program in Santiago, Chile. It has been developed for HR vice presidents, directors and managers from Latin America. The HR program includes sessions by professors Robert Pasick, Ralph Christensen and Kathleen Sutcliffe.

On November 21-22, the partners will host participants to the Supply Chain Management Program, also in Santiago.

The supply chain program will be led by Izak Duenyas, an Associate Dean for Faculty Development and Research at Michigan's Ross School of Business and an expert in supply chain management and coordination.

The program is designed to introduce managers to cutting-edge models and practical tools for effective supply chain design and management. Participants will learn how to design and implement effective supply chain practices.

WDI and Seminarium delivered their first joint program in 2003. Founded in 1984, Seminarium is a market leader in Latin America on executive education programs for the development of managerial competencies, with experience of the trends shaping modern business and strategy.

During the past five years Seminarium has conducted more than 300 programs with a total of more than 50,000 executives.

In addition to WDI and the University of Michigan, Seminarium also has partnerships with other leading academic institutions including: Haas School of Business; University of California at Berkeley; Kellogg School of Management; Yale School of Management; and University of Chicago Graduate School of Business.

"We are always searching for strategic alliances with the most prestigious universities worldwide which present the latest trends in modern management," said Carola Dañoibeitia B., product manager at Seminarium. "WDI's programs are led by faculty from Ross School of Business at the University of Michigan which is considered to be the number one business school in human resources and leadership."

Amy Gillett, director of executive education at WDI, said the partnership with Seminarium has allowed the Institute to tap into the region.

"We are consistently impressed by their ability to attract a high-quality audience to the programs," Gillett said. "They reach out to both the leading local firms throughout Latin America and the major multinationals."

Dañoibeitia said all of Seminarium's programs are developed according to the market tendencies and the strategic needs of the companies. Seminarium's alliance with WDI and others helps them draw "top executives from major Latin American countries."

"The topics covered and the cutting-edge approaches to them allow participants to update their knowledge on the most relevant issues facing all the areas of their organization," she said.

WDI Seminars in Morocco Assist Entrepreneurs

This past spring, WDI successfully completed two five-day seminars in Morocco to improve business skills of entrepreneurs in that country as part of the Institute's involvement with the U.S. Department of State's Middle East Partnership Initiative (MEPI).

For more on the Morocco programs, see article on Page 8.

WDI hosts General Management Program in Zagreb

In May, WDI's Executive Education conducted its 6th annual General Management Program (GMP) in Zagreb, Croatia.

WDI partnered with the Zagreb School of Economics and Management (ZSEM) for the GMP, an intensive 10-day "mini-MBA" program. It was held May 16-26 and was attended by 25 participants from throughout Croatia.



Photo by Andrew Sacks
Bob Quinn

The topics included: Organizational Management; Management and Financial Accounting; Finance; Marketing; and Strategy.

Program faculty included professors from the University of Michigan's Ross School of Business, George Washington University's School of Business and Wake Forest University Graduate School of Management.

The courses combine both theory and practice. The General Management Program enables participants to acquire a broad, cross-functional approach to general management. Participants leave the program with an improved skill set and fresh ideas on how to approach critical business issues.

WDI's Human Resource Network convenes in Vienna

Human Resource Network members gathered in Vienna, Austria, on May 19-20 for a seminar led by Professor Robert E. Quinn of Michigan's Ross School of Business Human Resource Network Workshop.

The workshop, titled "The Personal Core of Value Creation: Tools for Improving Your Organization and Your Life," was highly interactive. The participants, 20 current active members of the HRN and their invited guests, developed insights for leading the process of deep change in organizations.

Participants were exposed to ideas from the new field of Positive Organizational Scholarship, named one of the top breakthroughs of 2005 by the *Harvard Business Review*. Participants learned specific methods of leading the change process in their organizations and in their own lives.

Quinn, the Margaret Elliot Tracey Collegiate Professorship at the Ross School, serves on its Organizational Behavior faculty. He is one of the co-founders of the Center for Positive Organizational Scholarship.

The HRN, made up of HR executives from Central and Eastern Europe, enables members to make a greater strategic impact on their organizations. Members convene two or three

times a year in European cities for workshops led by top professors in the field of HR and for best practices sharing workshops. WDI draws on professors from the Ross School's Executive Education program, which is ranked No. 1 worldwide in the area of human resources.

Current HRN member companies include: Ahold, Coca Cola HBC, CSOB, Czech Telecom, Dow, Eli Lilly, Egon Zehnder, Guardian, Holcim, IBM, INBEV, K & H Bank, Lafarge, Motorola, Nokia, Oracle, PMI, Procter & Gamble, Nestle, Zentiva.

The next HRN workshop, *New Growth Strategies*, will be held in Berlin on November 17 and 18, 2005. To request more information on the HRN, send an inquiry to wdi_ee@umich.edu.

UPCOMING PROGRAMS

Sales & Marketing Congress *taught by John Monoky*

September 8-9, 2005 | Quito, Ecuador.

HR Network

Vevey Roundtable, "EU Enlargement and its Implications for People and HR,"
September 9, 2005 | Vevey, Switzerland.

HR Management Symposium *taught by Robert Pasick, Ralph Christensen & Kathleen Sutcliffe*

October 17-19, 2005 | Santiago, Chile.

Leadership and New Growth in Europe: Implications for Central and Eastern Europe and the Larger European Neighborhood *taught by Derek F. Abell*

November 17-18, 2005 | Berlin, Germany.

Supply Chain Management Program *taught by Izak Duenyas*

November 21-22, 2005 | Santiago, Chile.

Brand Equity Program *taught by Rajeev Batra*

March 9-10, 2006 | Zagreb, Croatia.

The HR Value Proposition *taught by Wayne Brockbank*

June 20-21, 2006 | Budapest, Hungary.

General Management Program (10 day mini MBA)

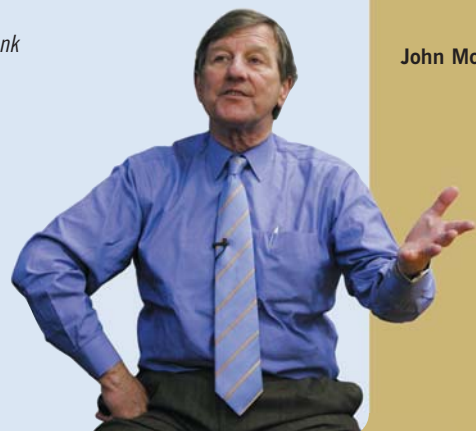
Spring 2006 (exact date TBD) | Santiago, Chile.

Training Program for Moroccan Entrepreneurs

Spring 2006 (exact date TBD) | Morocco.

General Management Program (10 day mini MBA)

Spring 2006 (exact date TBD) | Croatia.



John Monoky

Photo by Andrew Sacks

Team Effort

8

One element of WDI's strategy is to deliver programs and projects that draw on its broad range of competencies.

The Institute's recent contract with the U.S. Department of State's Middle East Partnership Initiative (MEPI) allowed WDI's Technical Assistance, Executive Education and Student Projects to work together. The goal of MEPI is

to create jobs in Morocco and help business people there benefit from the recently-signed Free Trade Agreement with the U.S.

The contract with the State Department consisted of three elements: International Multidisciplinary Action Projects (IMAP) student

teams in spring; job opportunities for MBA students in summer; and training.

IMAP

Two student teams embarked on seven-week consulting trips in March 2005. One team worked with a village of 114 artisan (handicrafts) businesses just outside the city of Marrakech. A second team, based in Casablanca, assisted a group of women's cooperatives that manufacture argan oil products (agribusiness) in Southwest Morocco.

The teams worked with the groups to implement better marketing strategies, improve business and production operations, and help them overcome obstacles to growth. Their final reports were presented to the U.S. Ambassador to Morocco Thomas Riley and the economic council staff at the U.S. Embassy in Rabat.

Manuel Micaller, economic counselor of the U.S. Embassy in Rabat, had high praise for both teams. In an email to the handicrafts team, he told them they did a "fantastic job" on the presentation.

"The Ambassador really liked your focus on the Complex des Potiers and the actionable recommendations you made," Micaller wrote. "Over the last two years, I've made trips to the cities and villages outside of Marrakech to explain and promote the FTA. I was always peppered with difficult questions about 'what was the United States Government doing to assist artisans with the FTA?'"

"I'm happy that I can now cite your efforts."

He also commended the SME team in Casablanca.

"The Ambassador and I were very impressed with your presentation and we appreciate how you clearly implemented his recommendations in your project," he wrote. "I counted over ten specific, concrete deliverables you gave Targanine."

"Over two years ago I started asking about the possibility of bringing teams of MBA students to Morocco. Glad we could make this happen through WDI."

Training

Executive Education partnered with Al Akhawayn University in Ifrane to strengthen skills among entrepreneurs and business people working for small and medium-sized enterprises (SMEs) in Morocco.

The first five-day session was held April 25-29, 2005 in Ifrane. From May 2-6, the seminar was repeated in Casablanca. Thirty entrepreneurs attended each seminar, which were designed to offer practical information that participants could apply immediately to their companies.

The program participants came from all over Morocco and from varied business sectors. Participants found the sessions on exporting to the U.S. and on marketing to be particularly valuable. On the last day of each seminar, representatives from the American Chamber of Commerce of Morocco conducted a session on exporting to the U.S.

"The training was very worthwhile and all of the sessions contained useful information that will help us in our roles as entrepreneurs,"

said Bouklata Fikri of Ste. Bill Gate s.a.r.l., a Moroccan information technology firm.

The majority of participants were in their mid- to late-30's and had college degrees, but most did not have formal business training. The size of their firms ranged from 2-34 employees and represented a mix of industries.

Nabil Ouchagour, a 2001 graduate of Akhawayn University, started Global Alliance to find trade partners in different countries.

"The seminar helped me to refresh accounting, marketing and financial principles," he said. "In addition, each of these courses had special sections about international business, mainly between Morocco and the United States."

Summer job opportunities

In summer 2005, two more student teams headed to Morocco — this time for three months.

One team went to Marrakech to assist SMEs in the region. They met with local Chambers of Commerce and those working in the tourism industry. The team worked on marketing and promotional strategies to increase travel to that region.

The other student team went to Casablanca to assist six businesses in developing promotional strategies and finding ways into the U.S. marketplace.

They presented their final reports to the U.S. Ambassador and the economic council staff at the U.S. Embassy in Rabat in late August.

The student teams were coordinated by WDI Program Manager Angela Egeland, who played a big part in the success of the projects.

Based on the success of this project, the U.S. Department of State has invited WDI to submit a proposal to extend the project on a larger scale through 2006.

"This is the type of work we hope to do more often," said WDI Executive Director Robert Kennedy. "The MEPI contract draws on WDI's various strengths — policy advice, executive education and student-led teams — to deliver a set of programs with high impact on the ground."



Jeff Martin, second from left, and Laura Green, second from right, stand with workers in a shop in southwest Morocco that sells argan oil products. The two were part of an IMAP student team that assisted SMEs in Morocco.



ROBERT M. TEETER

(1939-2004)

WDI Board Increases Amount of Teeter Scholarships

At its spring meeting, WDI's Board of Directors voted to increase funding for the Institute's Robert M. Teeter Scholarships. The scholarships were established in 2004 to honor Teeter, a longtime pollster and strategist for Republican presidents and a member of the William Davidson Institute's Board of Directors. He died June 13, 2004 after a long illness.

In 2004-05, WDI awarded \$50,000 in scholarships to 22 recipients who attended programs in Bratislava, Slovakia, and Prague, Czech Republic. The recipients came from Slovakia, the Ukraine, the Czech Republic, Bulgaria, Macedonia, Romania and Uzbekistan. They represented some of the most prominent NGOs and SMEs in their respective countries.

For 2005-06, WDI's board increased funding to \$100,000. The board's decision means even more managers from a range of emerging market countries who work at non-governmental organizations (NGOs) and small and medium-sized enterprises (SMEs) will be able to learn the latest management techniques at one of the Institute's Executive Education programs.

"The board was pleased with the impact of the first round of Teeter Scholarships and we voted to increase funding. This will give even more people with limited resources the chance to attend one of WDI's programs," said WDI board member Ralph Gerson. "Bob Teeter believed in a market-based economy and he felt that all people, if given the chance and proper tools, could succeed. These scholarships are a living memorial to Bob and his ideals."

The first group of scholarship winners were from Central and Eastern Europe and completed the 10-day "mini MBA" certificate program organized by WDI and The Pontis Foundation in Bratislava in March.

"From our experience working with the first class of scholarship recipients this past year, these managers are very eager to learn new management techniques and are eager to put

them into practice," said WDI Executive Education Director Amy Gillett. "WDI is pleased to be able to contribute to the improvement of their organizations and, by extension, to the economic development of their countries."

Anna Misinova, managing director of A&D Global Business Relations in Slovakia, said she would not have been able to attend the program without the scholarship.

"I was very excited and thankful" for it, she said. "For me, it meant a huge opportunity to learn from professionals, to exchange experience with other business people and to improve my skills."

Aleksandar Janakievski, administrative director at AKTIVA in Macedonia, also received a Teeter scholarship. He said he was "pleased and stimulated for having the opportunity to hear and learn cutting-edge experiences and practices — and to meet experienced colleagues from around the world."

He said without the scholarship he never would have had the chance, because "my country's standard of life combined with the monthly payment does not allow much savings."



Janakievski said he liked all the training. "I was particularly interested in the Leading Change as well the Strategy module simply because my organization is passing through these critical stages of development," he said.

Misinova said the Leading Change module also benefited her.

"Eastern Slovakia, where our company operates, is undergoing a rapid development," she said.

"Our clients are changing their company culture, leadership styles, and external as well as internal communication. Currently I am utilizing my gained knowledge from the program in several projects."

Misinova also said she liked the discussions on visions for a company.

"Our company is operating in an undeveloped business environment and we have many market opportunities for growth," she said.

"The program helped me to think about a vision for our company."

Participants in the 10-day SMP in Slovakia.



TEETER SCHOLARSHIP RECIPIENTS

- Miroslav Kana** | UNICEF Slovakia, Slovakia
- Adriana Krnacova** | Transparency International, Czech Republic
- Oleksandr Sydorenko** | Consortium for Enhancement of Ukrainian Management Education, Ukraine
- Oleg Davydenko** | Bukovian Independent Alliance, Ukraine
- Daniela Olejarova** | Integra Foundation, Slovakia
- Tania Kapoor** | Counterpart International Bulgaria, Bulgaria
- Aleksandr Janakievski** | AKTIVA, Macedonia
- Cornelia Perdoui** | Princess Margarita of Romania Foundation, Romania
- Natalia Bussard** | Advanced Learning Center, Slovakia
- Anna Misinova** | A&D Global Business Relations, Slovakia
- Alan Sitar** | Capital Partners Group, Slovakia
- Eva Chvalkovska** | American Chamber of Commerce, Czech Republic
- Lubomir Hlavacka** | Nehemia Endowment Fund, Czech Republic
- Katerina Niklova** | Community Foundation of Euroregion Labe, Czech Republic
- Zuzana Baudysova** | Our Child Foundation, Czech Republic
- Tana Hlavata** | VIA Foundation, Czech Republic
- Zina Plchova** | Reach Out Association, Czech Republic
- Sarka Nekudova** | Environmental Law Service, Czech Republic
- Daniel Skokan** | Feed the Hungry, Czech Republic
- Pavlina Sommerova** | Tereza Maxova Foundation, Czech Republic
- Sarah Brock** | U.S. Embassy, Czech Republic

> CONTINUED FROM COVER

Entering BoP markets will require, however, big adjustments in the attitudes and practices of both firms and non-profit organizations. They will need to cultivate new relationships, create new products and services and implement new business and service models. They will have to learn new ways to manage infrastructural limitations, carry out operations and measure results.

That is why WDI Executive Director Robert Kennedy asked some of the top thinkers in the BoP field to create a research initiative at the Institute.

Prahalad, who also has written the best-selling book *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, has been appointed a WDI Distinguished Fellow.

Kennedy called Prahalad, a professor at the University of Michigan's Ross School of Business, "one of the leading management thinkers in the world."

"His work on core competence, accessing Bottom of the Pyramid markets, and co-creating value with customers has changed the way managers think about strategy and markets," Kennedy said.

Prahalad was recently named a Distinguished University Professor of Corporate Strategy, one of the most coveted honors conferred upon a faculty member by the university. He also recently received three honorary degrees: a Doctor of Engineering from Stevens Institute of Technology in Hoboken, NJ; a Doctor of Science (Economics) from the University of London; and a Doctor of Business Administration from the University of Abertay Dundee in Scotland.

He has been in the Top 10 of management thinkers in every major survey for more than 10 years. *Business Week* said Prahalad "may well be the most influential thinker on business strategy today." He has won three McKinsey Prizes for the year's best article in the *Harvard Business Review*, and also has won the best paper awards from *Sloan Management Review*, *Strategic Management Journal*, and *Research and Technology Management*.

Hart, who recently authored the well-received *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*, has been named a WDI Research Fellow. (For more on Hart and his book, see Page 13).

Hart is the S.C. Johnson Chair of Sustainable Global Enterprise and Professor of Management at Cornell University's Johnson School of Management where the Base of the Pyramid Protocol Project, of which WDI is a partner, is being managed.

WDI also is an active participant in Cornell's Base of the Pyramid Learning Laboratory.

"I'm very happy to have Stu affiliated with us," Kennedy said. "He's been a leader in thinking about both sustainable enterprise and how firms can access Base of the Pyramid markets. His recent book, *Capitalism at the Crossroads*, does a great job bringing these two big, important trends together and we look forward to working with him and his Center for Sustainable Enterprise at Cornell."

Mike Gordon, a professor of business administration and business information technology and former associate dean at the Ross School of Business, also has joined WDI as a research associate.

Kennedy called Gordon a "first-class educator, technologist, and management thinker."

"He has made important contributions in two of WDI's focus areas — accessing base of the pyramid markets and social enterprise. Mike has that rare gift for taking leading-edge academic research and making it accessible to students and managers."

The Institute also has appointed Marcos Athias Neto and Anuj Jain as WDI Policy Fellows. Neto is deputy director of Latin America for CARE USA and Jain was, until recently, technical advisor for microfinance and enterprise development at CARE USA. He has now accepted a new position for CARE in Bangkok. Prahalad, Hart, Gordon, Neto, and Jain are part of a growing network of WDI Fellows with a special interest in BoP research.

Farmers in India gather around a community computer to track global price trends for their crops.

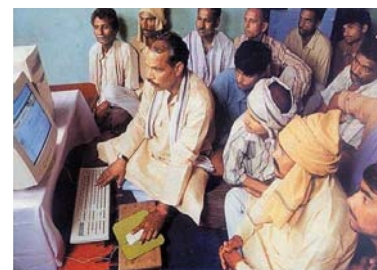


Photo courtesy of World Resources Institute

In addition to creating a community of leading thinkers, WDI's Web site hosts extensive resource pages that pull together the latest thinking on BoP issues. The pages include the latest news articles on Base of the Pyramid, business and policy briefs, recent academic research and cases, new books on the topic and conference reports.

One of the latest papers is by Hart and London, "Developing native capability: what multinational corporations can learn from the base of the pyramid," which was published in the *Stanford Social Innovation Review's* summer 2005 issue.

The paper discusses the potential for companies operating in saturated markets to achieve high growth by redirecting their marketing to the four billion people in low income markets at the base of the pyramid. London and Hart argue that, in order for MNCs to tap these markets, they must change the way they operate to "become truly embedded — part of the local landscape — rather than an alien force that imposes its will from the outside."

The authors caution that it takes time to build the necessary human and social capital as well as a willingness on the part of MNCs to unlearn past tendencies, and to view the firm's knowledge base as coming from the community rather than being internal and proprietary.

As part of its efforts to generate and share knowledge on cutting-edge BoP issues, WDI — along with Cornell University and the World Resources Institute — also will host an international Base of the Pyramid conference in spring 2006.

The conference, "Business to Four Billion: Creating Mutual Value at the Base of the

Photo courtesy of World Resources Institute



In India, a "smart card" inserted into a PDA keeps track of micro-loans and banking transactions of a group of local women.

Pyramid,” will bring together business managers, policy makers, social entrepreneurs, academics, and NGO leaders to explore market-based strategies for achieving growth and sustainable development among the four billion poor at the base of the economic pyramid.

Plenary sessions and panels will focus on understanding the landscape of the base of the pyramid, the actions organizations can undertake to develop BoP-oriented ventures, and the wider implications of market-based approaches to poverty alleviation. The conference, to be held in Ann Arbor, Michigan, will include many of the field’s leading thinkers and is designed to provide insight on the most recent developments in serving BoP markets.

Confirmed plenary speakers include Prahalad and Hart. Further details will be posted on WDI’s Web site:

<http://www.wdi.umich.edu/ResearchInitiatives/BottomPyramid/Events/> and in the Winter 2006 edition of the Davidson Review.

“The Base of the Pyramid research initiative at WDI has tremendous early momentum, and I look forward to working with some of the leading thinkers on BoP issues,” London said. “Because of the involvement of Stu, CK, Mike and others, academic researchers and organizational leaders will look to WDI as a source for the latest BoP thinking. Our upcoming BoP conference is one example of this, as well as a great opportunity for interested managers and academics to become connected to our growing network of BoP colleagues.

“Michigan, Cornell, and the World Resources Institute are three of the leading institutions exploring BoP issues and we are putting together a very compelling program of plenary speakers and breakout sessions. The conference design is coming together nicely and we anticipate a diverse and international group of presenters and attendees. This conference should also provide a great platform to further develop our community of leading thinkers and continue to help make WDI a center of expertise on the topic.”

Ted London Joins WDI as Director of BoP Initiative



One of the leading thinkers in the growing Base of the Pyramid (BoP) movement has joined WDI.

Ted London is the director of the Institute’s new BoP Research Initiative. He will work closely with experts in the field to study the opportunities and challenges encountered in BoP markets.

Key members among this emerging “community of practice” will be WDI Distinguished Fellow C.K. Prahalad and WDI Research Fellow Stu Hart, who together are credited with starting the BoP movement with their 2002 Harvard Business Review article, “The Fortune at the Bottom of the Pyramid.”

WDI Executive Director Robert Kennedy said research around BoP markets is one of the most exciting areas of international business today — one of the reasons WDI launched a major initiative in this area.

“We’re extremely happy to welcome one of the leading young thinkers in the world,” Kennedy said. “Ted brings expertise as well as a vast network of leading-edge thinkers to WDI. He really accelerates our efforts here and I’m excited about having him on board.”

London is a well-known scholar and teacher on BoP issues. He recently received his PhD in strategic management from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He was an adjunct assistant professor of entrepreneurship, teaching strategic and international management and sustainable enterprise at UNC.

He also was the director of the BoP Learning Laboratory at UNC, a consortium of companies, nonprofit organizations, multilateral institutions and academics that explores the opportunities and challenges associated with entering Base of the Pyramid markets.

He has received awards and recognition for his research, case writing and teaching. London’s research focuses on strategic change and growth. In particular, he is interested in how companies build capabilities to implement new strategies, including entry into base of the pyramid markets.

His work has been published in a number of academic and practitioner journals and he has also written several book chapters. He has consulted for a variety of companies, non-profit organizations and multilateral institutions. This has involved exploring corporate entry into base of the pyramid markets and examining cross-sector alliances between companies and non-profit organizations.

London’s work background is as varied and interesting as his academic work.

He was a design engineer for General Motors after graduating from Lehigh University in 1985 with a BS in Mechanical Engineering. A few years later he received his MBA from the Peter Drucker Graduate Management Center at Claremont Graduate University and went to work for Deloitte, Haskins & Sells as a senior consultant.

In 1989 he joined the Peace Corps in Africa and co-managed a regional business development program in Malawi. Three years later, he was in Asia serving as general manager for an Indonesian joint venture operated by McCormick Spices.

In 1993, he served as a director of a multi-country initiative in the Asia/Pacific Region that linked income generation and environmental protection for Conservation International.

Three years later, he became executive director of a non-profit providing business development assistance to companies in northern Virginia before pursuing his PhD at UNC.

London’s primary appointment will be with WDI but he also will serve as an adjunct professor of business administration at Michigan’s Ross School of Business. He will teach an elective MBA course in the fall called “Business Strategies for the Base of the Pyramid.”



Larry DeWitt makes a point during his speech in March in Phelps Lounge.

Dennis Marvin and Larry DeWitt

Dennis Marvin, Regional Economic Development Director of CMS Energy Company and Larry DeWitt, Plant General Manager, Jorf Lasfar Energy Company — a CMS joint venture in Morocco — drew a diverse crowd of interested University of Michigan business, engineering, public policy and school of natural resources students to their March speech in Phelps Lounge.

In 1997, CMS established the Jorf Lasfar Energy Company (JLEC), the largest single U.S. foreign direct investment in Morocco. The 1,356-megawatt facility provides much-needed electricity to the Moroccan government as well as regional manufacturing enterprises.

Marvin and DeWitt spoke of the importance of CMS' public/private partnerships in the region and other key factors for successful international expansion including extensive due diligence, innovative financing, a strong commitment to both safety and the environment and hands-on community and economic development efforts.

Chicago Alums Hear Kennedy Talk About Offshoring

WDI Executive Director Robert Kennedy addressed the University of Michigan Ross School of Business Alumni Club of Chicago on June 2.

Kennedy spoke to the club as part of its spring business conference in downtown Chicago. The title of his talk was, "Offshoring and Globalization of Service Activities: Business and Policy Issues."

After his talk, Kennedy was joined by Stephen Pratt, CEO of Infosys Consulting, Inc., and Michael Mensik, partner and global coordinator of information technology/e-commerce law at Baker & McKenzie LLP, to discuss the implications of the globalization trend in the service industry.

Globalization Topic of Discussion at Forum

WDI and Michigan Radio presented a town forum on globalization May 17 at the Ross School of Business.

The 90-minute event in Phelps Lounge was part of National Public Radio's and Michigan Radio's week-long series of special reports titled "Think Global" that addressed various aspects of globalization.

WDI Executive Director Robert Kennedy served as a panelist as did Martha Welsh, senior partner at the Corporation for a Skilled Workforce in Ann Arbor. Michael Leland, news director of Michigan Radio, served as moderator.

Kennedy outlined the trend towards globalization in a series of slides while Welsh talked about the benefits and drawbacks of it. Audience members were then given the chance to ask questions.

WDI and Michigan Radio teamed up last year on a forum on democracy.

Investment in Morocco Outlined at Conference

WDI Executive Director Robert Kennedy participated in the "Morocco Gateway Advantage" program held March 31 in Troy, Michigan.

The one-day seminar focused on opportunities for trade and investment in Morocco, geared toward the automotive sector. The conference was sponsored by a consortium of companies and U.S. and Moroccan government officials to help support the passing of the recent U.S.-Morocco Free Trade Agreement (FTA).

Kennedy's presentation focused on why U.S. firms go abroad. He compared and contrasted the recent, post-EU Accession foreign direct investment (FDI) boom in Central and Eastern Europe — Poland, Hungary, the Czech Republic and Slovakia — with similar potential anticipated in Morocco.

London Wins Prestigious Case Writing Competition



Ted London, WDI's Director of BOP Initiatives, recently won the oikos Sustainability Case Writing Competition, which is part of the oikos foundation at the University

of St. Gallen in Switzerland. The competition tries to encourage the writing of excellent sustainability teaching cases that can be used at business schools worldwide.

London, who joined WDI in June to head up its research efforts on how businesses can access the base of the pyramid, wrote the case with John Buffington.

Their case, "Building a Sustainable Venture: The Mountain Institute's Earth Brick Machine," explores a non-profit's approach to developing a for-profit initiative targeting low income markets in developing countries.

A case from INSEAD of France took second place while a New Zealand team was awarded third place.

The case has implications for strategy, international business, base of the pyramid markets and sustainability entrepreneurship. It examines the efforts of The Mountain Institute to promote a new compressed earth block technology to build low cost housing in Tibet.

The case is considered particularly timely and instructive given the increasing interest of business, from microenterprises to multi-nationals and large non-profit organizations, in base of the economic pyramid markets — the more than 4 billion people around the world who currently are not part of the global economy. Effectively serving this huge market has tremendous implications for corporate growth, nonprofit strategy and global sustainability.

Martin Entertains with Stories of USOC Tenure

UM Athletic Director Bill Martin spoke April 22 about his tenure as the head of the USOC at WDI's Friday Speaker Series, an informal gathering of students, faculty and staff.

Martin delighted the crowd with story after story about fixing the scandals at the USOC, often veering off one story momentarily to tell another about a related subject. His knowledge and experience in the athletic arena—both nationally and internationally—is extensive.

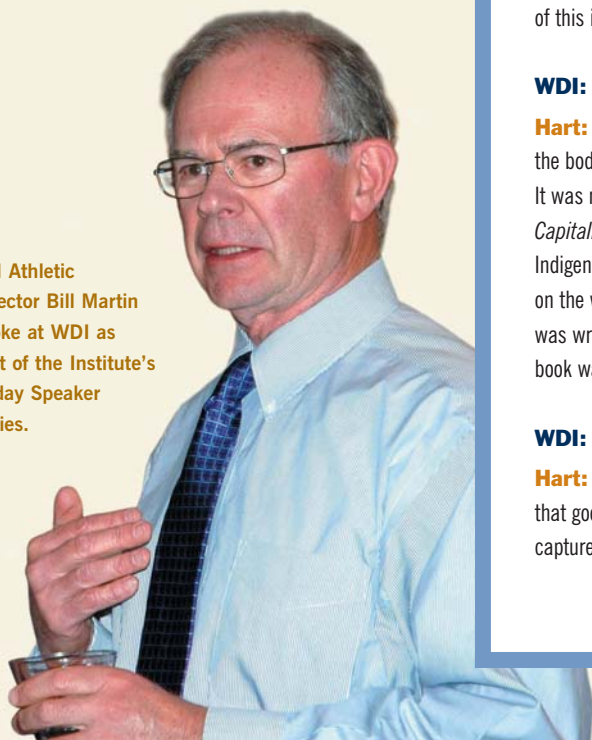
Martin was brought in to steady the U.S. Olympic Committee after it was rocked by charges of bribery related to the 2000 Salt Lake City winter games and the resignation of several high-ranking officials.

While helping bring credibility back to the USOC, Martin also was running the UM Athletic Department.

Being the athletic director of Michigan came in handy when Martin visited Congress to talk about the USOC situation.

"It was the single greatest calling card," he said. "I had instant credibility because I had a block M on my chest."

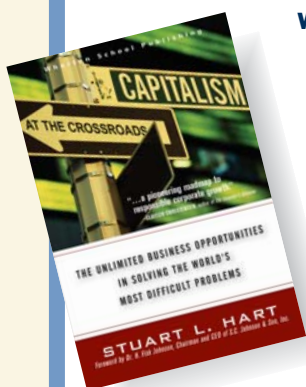
UM Athletic Director Bill Martin spoke at WDI as part of the Institute's Friday Speaker Series.



5

Questions with Stuart Hart

Stuart Hart, a leading thinker on the Base of the Pyramid movement and author of the book, *Capitalism at the Crossroads*, joined WDI as a research fellow in June. Hart, the S.C. Johnson Chair of Sustainable Global Enterprise and Professor of Management at Cornell University's Johnson School of Management, talked to WDI about his BoP research and his latest book.



WDI: How did you get interested in BoP?

Hart: I've been focused on the connection between business strategy and sustainable development for the past 15 years. Beginning in the early- to mid-1990s it became increasingly apparent to me that focusing exclusively on reducing environmental impacts in the developed countries would not succeed in moving us toward a more sustainable world. Only by addressing the problems and challenges in the developing world would this be possible. With a healthy dose of creativity and imagination, it became clear to me that the private sector could indeed play an important role in this regard.

WDI: Why do you think it's an important idea to study?

Hart: Because it had been previously ignored by the commercial sector. By simply reframing the debate, I believe that (WDI Distinguished Fellow and UM Professor) C.K. Prahalad and I have succeeded in opening up a whole new area of both business innovation and academic pursuit.

WDI: What needs to happen for BOP to gain wider acceptance and practice?

Hart: While several local companies in the developing world have created successful models, most western multinational company initiatives remain small and experimental. What we need is for a few of these MNC initiatives to become wildly successful from a business point of view. Unilever has demonstrated this already to some extent with the great success of their Indian subsidiary Hindustan Lever in serving the BoP. However, the significance of this is muted by the fact that Unilever's corporate performance has been sub-par.

WDI: Talk a bit about your book. When did you decide to write it, and how long did it take?

Hart: I realized around 2000 that it was time for me to write a book that brought together—and extended—the body of work that I had produced over the previous decade in the area of business and global sustainability. It was not until 2003, however, that I finally found the time and the energy to put together the actual proposal for *Capitalism at the Crossroads*. The basic architecture of the book—Greening, Beyond Greening, and Becoming Indigenous—was clear in my mind even at that point, and changed little over the ensuing two years. I got started on the writing during the summer of 2003 and Winter Break 2003-04. However, the vast majority of the book was written during the summer of 2004 in what turned out to be an utterly obsessive three month period. The book was published in March 2005 by Wharton School Publishing (www.whartonsp.com).

WDI: Would you do it again?

Hart: Sometimes authors look back on a finished product and think to themselves, "you know what, it's really not that good!" Luckily, I do not feel that way about this book. I feel very proud of this book and feel that it effectively captures and articulates my point of view.

Zetsche, Josefowicz talk about globalization and growth

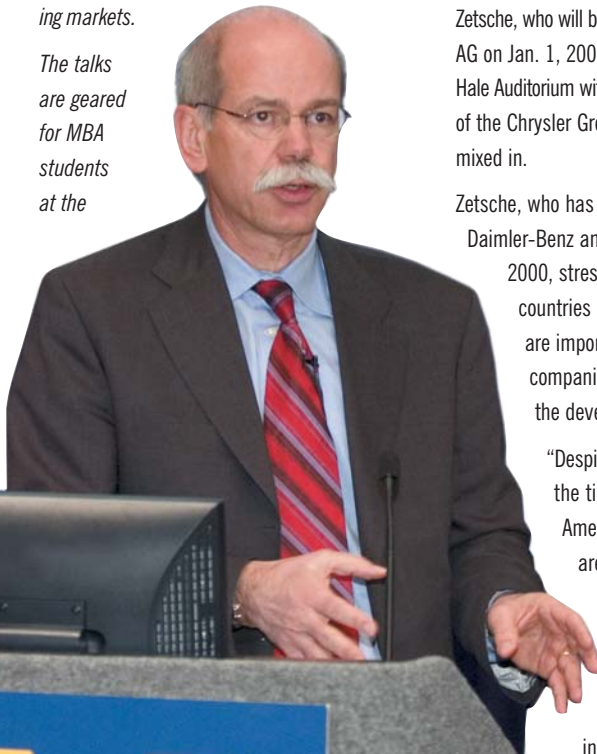
WDI brought in the CEO of one of the world's largest automakers and the CEO of one of the world's largest booksellers as part of its Corporate Speaker Series.

Chrysler President and CEO Dieter Zetsche spoke in March and Greg Josefowicz, chairman, president and chief executive officer of Borders Group, Inc., appeared a month later.

Started in Fall 2004, the speaker series features leading thinkers in the corporate world who work in emerging markets. The goal of the series is to engage members of the corporate community in the larger discussion around globalization. Business leaders are invited to share first-hand their experience dealing with the challenges and opportunities of operating in emerging markets.

The talks are geared for MBA students at the

Chrysler President and CEO Dieter Zetsche spoke at the WDI Corporate Speaker Series in March



Stephen M. Ross School of Business at the University of Michigan who are about to enter the job market and can gain real-world perspective from the speakers on issues they've discussed in class as well as practical career advice. BBA students as well as faculty and others from around the university also are invited to attend.

The series is a way for WDI to be involved with students at the business school.

Dieter Zetsche

Zetsche, who will become CEO of DaimlerChrysler AG on Jan. 1, 2006, entertained the crowd at Hale Auditorium with stories from his life as head of the Chrysler Group—with a bit of humor mixed in.

Zetsche, who has spent 28 years with Daimler-Benz and has run Chrysler since 2000, stressed that while developing countries such as China and India are important to the future of auto companies, the relationship with the developed world is still vital.

"Despite many political differences, the ties between Europe and America are as important and are as tightly woven as ever before—especially the economic ties," he said.

Zetsche said global competitiveness is increasing each year as more

nameplates and models are added to the market. This may lead some to think "only the strong survive," Zetsche said, quoting Darwin. But Zetsche reminded the audience that Darwin's entire quote mentioned that the ones who survive are the ones "most responsive to change."

"So adapting to compete in the new order is the key to survival," he said.

The merger of Daimler-Benz and Chrysler was necessary for the long-term survival of both companies. It didn't immediately solve any of the problems both were having but "created an opportunity for us to blend our organizations, expertise and technology know-how in the search for solutions to surviving in this hyper-competitive global market," Zetsche said.

He said the 1998 merger taught executives at the new DaimlerChrysler many lessons. Zetsche shared five with the Hale Auditorium crowd.

- 1) Success or failure may be less about which business model you choose and more about how well you execute your model.
- 2) In a global merger, protect your brands and integrate your operations.

Merging two companies but then running them as separate entities doesn't make sense, Zetsche said. "That's not a marriage, that's just roommates," he said with a smile.

- 3) When it comes to merging cultures, it's all about business.

Merging the American and German cultures was not difficult; merging the corporate cultures was. Both companies had their strengths and had to learn from each other. At Chrysler, Zetsche said they had to adopt the discipline of Mercedes without losing their creative spirit.

- 4) Never take your eye off your core business—be it product or service.

Zetsche said it may sound basic, but it is easy to be distracted—especially if a company is going through a merger or major business initiative.

5) Although the business world is more competitive than ever, there's also a new world of opportunity open to those who are best prepared, willing and eager to take advantage of it.

Zetsche's final point was directed at the students in the audience. He said global companies need talented people with a good education, experience or demonstrated ability. As importantly, they need people with the attitude to succeed.

A bachelor's degree is required in the global business world these days and a master's is preferred. "And," he said, "people need to have knowledge in other fields." For instance, engineers should know about finance and economics majors should know about marketing.

Studying abroad also is favored by global companies, which shows them you can adapt to other cultures and conditions. And speaking a foreign language, even if it's just the basics, can go a long way in the business world.

Zetsche also urged the students to "make opportunities for yourself."

"Find mentors who can help steer your career," he said. "Take advantage of training and continuing education opportunities. Be willing to accept global assignments with increasing responsibilities that provide exciting challenges and professional growth."

"And, don't forget to have some fun while you're doing it."

Greg Josefowicz

Josefowicz told the audience at Phelps Lounge that Borders has about 1,200 superstores throughout the United States but data showed that their growth would basically stop after about 2,000 stores — or in about six to eight years.

There are several ways a business can grow but Josefowicz decided his company would grow geographically. His speech, titled "Looking Beyond the Border," outlined the company's global strategy.

Borders Group remains the only U.S. book



first attempt in a Spanish-language market. The dearth of Spanish-language books — there are one million books in English — makes the Puerto Rico expansion risky.

retailer to open stores around the globe. It has grown from a single bookshop on the University of Michigan campus to a \$3.9 billion global retailer of books, music and movies.

There is a potential of \$10 billion in sales in the international market for Borders, which is primarily in the United Kingdom and Australia. Josefowicz said the company was confident it could succeed overseas because there is no Barnes & Noble-like competitor, bookstores there tend to be the smaller format and they rely less on their experience.

"We're the only superstore operation in that market," he said. "That's what gave us confidence."

Josefowicz said Borders must choose its markets carefully. They look at size, economics, language, supply chain, competition, and licensing rights. They favor in-country management, they recognize and manage cultural differences, they find the right location and they market their brand, he said.

Borders looks at three different ways to enter an international market — buying, building, or through a franchise agreement, which the company did in Malaysia. It accelerates the learning curve, Josefowicz said, because the local partners educate the company about real estate, the customs and culture.

A franchise agreement limits the company's initial investment and puts a cap on returns.

"But it's a great way for us to accelerate growth in a market while mitigating the risks," Josefowicz said.

Borders entered the London market by acquiring a bookstore chain. The UK represents 75 percent of Borders' global expansion.

A store in Singapore is one of its top-performing and one in Puerto Rico represents the company's

Some of the markets that Borders is eyeing include: China, India, Spain, Mexico, Taiwan, Hong Kong, Netherlands, and Ireland.

All has not gone smoothly during Borders' international expansion. The bookseller had trouble in Australia. There was a big learning curve about the way things were done Down Under. The trouble in Australia caused Borders to halt its growth there for a while.

"We were not sure we had it right so we took the year off," Josefowicz said. "We learned a bit more and turned it back on."

Josefowicz joined Borders Group in November 1999. As CEO, he provides leadership toward the company's achievement of its four-point strategic plan:

- Building the core Borders superstore business with a special emphasis on maintaining strength in books as the centerpiece of the Borders brand.
- Driving superstore growth beyond the U.S. into primarily English-speaking countries where consumers are embracing the Borders brand.
- Leveraging alliances and technology inside and outside our stores. By offering Web-enabled, self-help kiosks throughout our stores, and by teaming with leading brands such as Amazon.com, Ingram, Paperchase and Seattle's Best Coffee, Borders Group delivers an outstanding customer shopping experience while focusing on its core strength in bookselling.
- Maximizing potential at Waldenbooks by reinvigorating and right sizing the mall store base, and investing in growth vehicles such as seasonal business, airport stores and outlet stores.

Greg Josefowicz chats with faculty member Dennis Severance.

WDI and The University of Michigan

WDI continued to support international activities at UM by funding student projects, internships and international research, organizing seminars, hosting guest speakers for our Wine and Cheese receptions and our Corporate Speaker Series. Some of the speakers included Chrysler Group CEO Dieter Zetsche and Borders CEO Greg Josefowicz (see article, Page 14).

WDI supported five International Multidisciplinary Action Program (IMAP) teams, including two that went to Morocco (see article, Page 8). A Social Enterprise Speaker Series will begin in September 2005 (see article, page 4). The Institute will also co-sponsor a research fund for Ross School of Business faculty to support research on international business topics.

WDI, Students Examine Core Strategic Issue for CARE USA

With the end of the school year approaching, Jodie Eason and Katy Levine wondered how they would spend their summer. Then they received an email sent out to students at Michigan's Ross School of Business about a summer internship opportunity that involved working with CARE USA.

The nonprofit had asked WDI to examine the use of revenue-generating enterprises (RGE) as a poverty-fighting tool. One of the things CARE wanted to know was whether it could benefit from a more institutionalized approach to supporting the development of RGEs.

Both Eason, 34, who received her MBA from Michigan this spring, and Levine, 28, who is entering her second year in the MBA program, were interested.

Five Ross School students were selected for the project and they began their work a few days after spring commencement. In addition to Eason and Levine, Gabriela Reyes, Lakshmi Viswanathan and Min Yang rounded out the team.

One of the first steps was having in-depth meetings with CARE USA officials, UM faculty and the students.

Research was conducted on CARE's operations around the world and on other nonprofits that have RGEs. As part of this, some student team members visited CARE USA headquarters in Atlanta, while others went to Peru to learn more about CARE's operations in South and Latin America. Eason and Levine spent about 10 days in Bangladesh with CARE personnel.

The two stayed at a CARE staff house while in Bangladesh which allowed them to meet a diversity of people face to face and get their thoughts on RGEs.

The team sent its report to CARE USA in July. It included detailed analysis and thoughtful evaluations of the issue and a proposal of "next steps."

Reyes, who traveled to Peru for the project, said it was rewarding both personally and professionally.

"In addition to giving a broader education to MBA students, it allows joint degree students to put into practice the knowledge and skills that we are acquiring in different schools throughout the University," she said.

Ted London, director of WDI's Base of the Pyramid initiative, said the Institute will continue to look for similar opportunities.

"This is the kind of project we want to be involved in," said London, who provided faculty support for the team along with Mike Gordon from the Ross School of Business. "It's good for the participating organization because it's a cost-effective way to address a real-time problem. It's great for the students in that they get experience in dealing with emerging issues within an organization that requires creative and thoughtful analysis.

"Finally, it is great for WDI and the Ross School because we are using our expertise to have a real impact on, and substantially influence, organizational practice."

London said CARE USA is very pleased with the results of this collaboration and is interested in exploring future partnership opportunities.

The project also was a great learning experience for the student team. Eason said it had "some challenges, some good growth opportunities." Levine said she is interested in the topic of social enterprise "so I was glad to have the experience."

Reyes said the project was a great exercise in teamwork.



Jodie Eason, right, talks to a woman in Bangladesh while doing research for a CARE USA project.



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