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Lessons *from* Arthur Andersen
for a post-Enron world

C.E. Andrews ('74),
RSM McGladrey President & COO
& former Andersen partner

 VirginiaTech
Invent the Future

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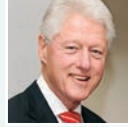
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NOTABLE HEALTH IT EDUCATION

Training health workers on electronic records

Lance Matheson, associate professor of business information technology, is helping five community colleges incorporate training on electronic medical records in their curricula as part of a larger, federally funded, Virginia Tech-led project on health-related information technology education.

The project will focus on such training in communities hard hit by job losses in Southwest Virginia. The 25 partners in the initiative include hospitals and clinics and government and educational institutions. "Virtually every employee in a hospital or medical practice will use the system," Matheson says, "from doctors and nurses to pharmacists, medical technicians, office staff, and IT staff."

Matheson, whose research interests are in electronic data interchange and the application of new technologies to education, says electronic medical records systems are large computer programs that can manage patient information, reduce unnecessary procedures, and improve patient care, while reduc-

ing unnecessary tasks. Such records systems often change the way things are done in an organization, he says. "Managers have to pay attention to the change-management issues of any software project."

In addition to general computer skills, workers must understand how to use the electronic medical records system. "Our courses and modules will teach the broad concepts of such systems, which, combined with hands-on experiences, will prepare health workers to use a variety of systems."

To develop curricula, Matheson will work with five community colleges, local health care providers, and faculty at the University of Virginia at Wise. The overall project has received a \$4.7 million grant from the U.S. Department of Labor, with Virginia Tech's portion coming to \$426,000.

For more information: www.vtnews.vt.edu/articles/2010/07/071310-outreach-healthcaregrant.html



Lance Matheson

Police officers build leadership skills

Twenty-nine law enforcement officers from across Virginia graduated on Sept. 23 from a Pamplin program on leadership skills, developed in partnership with the Virginia Police Chiefs Foundation.

Known as the Institute for Leadership in Changing Times, the program is in its 11th year, and the sergeants and lieutenants who received certificates comprise its 17th graduating class.

"Our program focuses on leadership strategies and techniques that are essential for emerging leaders in the public-safety division of communities and state agencies around the commonwealth," said Sharon Scott, Pamplin's associate director of management and professional development. More than 450 participants have completed the program, she said, including nine who currently serve as chiefs of police in Virginia.

The curriculum has evolved over the years to

provide an up-to-date educational experience for sergeants, lieutenants, and captains in Virginia. Last year, a project management component was added. Participants identify a project relevant to their job responsibilities before arriving in Blacksburg for the week-long program; develop the project over the course of the summer, applying their new leadership knowledge and skills; and implement it in their jobs in the fall. "The projects enable the sponsoring departments to see an immediate return on investment from their graduates," Scott said.



2010 graduates

The 2010 graduation featured a keynote address by Col. David Miller, director of the Virginia Tech Corps of Cadets W. Thomas Rice Center for Leadership Development. Participants in the ceremony included Pamplin dean Richard E. Sorensen, Virginia Tech police chief Wendell Flinchum, Blacksburg police chief Kim Crannis, and Christiansburg police chief Mark Sisson.

EMBA'S IN EUROPE

A group of 22 executive MBA students visited companies, government and professional organizations, and cultural sites in Germany, the Czech Republic, and Austria during their 10-day international residency program last summer.

The group traveled to Berlin, Prague, and Dresden, and toured the small towns of Cesky

Krumlov in the Czech Republic, known for its art and architecture, and Durnstein, on the Danube River in Austria. The trip gives students a first-hand look at business strategies in other countries, says the program's executive director Charles Jacobina. "Students get to see how the local environment affects business and experience other cultures."

EMBA PROGRAM ADOPTS IPAD

Pamplin's newest executive MBA students have adopted iPads in their learning program. "Executive MBAs need to be up-to-date on technology. What better way than by using such innovative products as the iPad?" says the program's executive director Charles Jacobina.

He expects that the students will use the iPad as an eReader, as a tool for team collaboration and communication, and as a notepad for taking notes in class when used with a stylus. "The iPads are included in the tuition and are the students' to keep."

Five Pamplin faculty members plan to use the device as a replacement for or complement to traditional textbooks, business cases, and other reading materials: accounting and information systems associate professor Debra Salvador, business information technology professor Parviz Ghandforoush, finance associate professor Sattar Mansi, management professor Steve Markham, and marketing associate professor Eloise Coupey.

Mansi says the iPad's "size, functionality, and clarity" has allowed it to serve as a substitute for his laptop. "I am using it for e-mail, presentations, and reading various documents." Ghandforoush uses his iPad to provide

students course documents and iPad applications for software tutorials on statistics and decision making.

Salvador plans to put all text materials online to take advantage of the "excellent reader app on the iPad."



19 students comprise the latest EMBA class, called the National Cohort.

KARIME SHAMLOO

Student Dennis Tan, a project management consultant with NII Holdings, loves the iPad's portability and uses it to take notes, do research, and save information. "Web browsing is easy, and apps add a good deal of practicality and expand the uses of the device." He has loaded his iPad with class presentations for later reviewing. "Podcasts and iTunes University are a great complement to classes at campus."

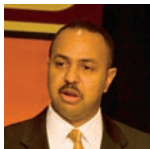
The iPad is "a fun way of staying ahead of the technology curve," says Victoria

McLean, a task manager and supervisor for SAIC. "I really appreciate the high value that Virginia Tech places on staying technologically advanced. The tools available to the executive MBA students set them apart from similar programs in the Washington, D.C., area. iPads, MacBook Pros, fully outfitted conference spaces, etc., not only enhance the learning experience but allow students to expand their core technological capabilities."

LOOK WHO'S TALKING



John May



Kimble Reynolds Jr.



C.E. Andrews



Peggy Noonan

BB&T Distinguished Lecture

John May, managing partner of New Vantage Group of Vienna, Va., discussed "Valuation of Early-Stage Ventures" as the featured speaker in last spring's BB&T Distinguished Lecture Series on Capitalism.

Wachovia Distinguished Lecture

Martinsville attorney Kimble Reynolds Jr. (MKTG '88, M.S./EDPE '95), discussed "Leadership During Challenging Times." The Wachovia Distinguished Speaker series has featured senior executives from Wachovia, GE, Nielsen, IBM, Dial, Wells Fargo, and PricewaterhouseCoopers.

Business Ethics Symposium

C.E. Andrews (ACCT '74), president and chief operating officer of RSM McGladrey and former partner at Arthur Andersen, gave the guest lecture, "Ethics R U: Finding Your Moral Compass," at the 19th Annual Symposium on Business Ethics.

Cutchins Distinguished Lecture

In "An Evening of Perspective with Peggy Noonan," the *Wall Street Journal* columnist and best-selling author discussed American history, politics, and culture.

BRIDGE-TO-BUSINESS GRADUATES 3RD STUDENT COHORT

The college graduated its third group of participants in its post-doctoral bridge-to-business program, developed to help alleviate the critical national shortage of business-school faculty.

The seven participants this past

summer in Pamplin's eight-week, residential program hold doctorates in such fields as economics, electrical engineering, communications, curriculum and instruction, and Hispanic languages and literature. Almost all were faculty members at various institutions. Four were enrolled in the finance track, two were in the management track — new this year — and one was in marketing.

To apply to Pamplin's bridge program, e-mail Frank Smith, or call (540) 231-4972.



MBA students hone skills, help businesses

For more than 10 years, students in Pamplin's National Capital Region MBA program have spent a semester working with businesses in Alexandria, Va. The partnership was initiated by Barbara Hoopes, associate professor of business information technology, and Bill Reagan, executive director of Alexandria Small Business Development Center, both to help the students hone their skills through real-life experience and to provide business owners with an opportunity to improve management operations and customer service.

At each participating business, a team of 2-4 students tackle business issues that may include general operations strategy and competitiveness, quality concepts, product and service design, process planning and technology, facility location and layout, forecasting, capacity planning, inventory management, or project management.



BARBARA HOOPES

MBA students worked with Zach Petry (MGT '06), locations manager, Bike and Roll

THINK | TALK STRAIGHT | STRAIGHT

LESSONS *from* ARTHUR ANDERSEN *for a* POST-ENRON WORLD

Reading the news this year about BP, Toyota, and Goldman Sachs, C.E. Andrews (ACCT '74) couldn't help but be reminded of his own experience managing a major corporate crisis nearly a decade ago.

In late 2001, the Enron debacle emerged. That event and others in its wake led to a scrutiny of the accounting and governance practices of U.S. public companies and legislation aimed at far-reaching reforms. It also resulted in the demise of accounting giant Arthur Andersen, where Andrews had worked for 29 years.

At the time, Andrews had just been appointed the global managing partner of Andersen's assurance and business advisory practice. He had never worked on Enron matters when the Texas-based energy company was an Andersen client. However, after Andersen was indicted for obstruction of justice — for allegedly destroying documents related to its audit of Enron — Andrews was pulled to the front

and center of his firm's management of the crisis.

With the departures of Andersen's CEO and general counsel, Andrews became the face of the firm before Congress and the press, a key executive in the winding down of the 89-year old firm after its 2002 conviction. He switched off the lights at Andersen's Houston office and closed its doors. The conviction was unanimously reversed by the U.S. Supreme Court in 2005, but it was too late for the firm and its 85,000-plus employees around the world, including 28,000 in the United States.

Andrews is now president and chief operating officer of tax and consulting services firm RSM McGladrey, a subsidiary of H&R Block. In a recent campus lecture and interviews, he provided an insider's view of that "painful and difficult" period of crisis management and discussed how the events have changed — and not changed — America's business landscape. His key message: why ethics education matters today.



C.E. Andrews, president of RSM McGladrey and former partner at Arthur Andersen.

Enron's failure and others in its wake led to the Sarbanes-Oxley Act, which broadly set new standards for transparency and accountability in financial reporting by public companies. Sarbanes-Oxley, Andrews says, is a "dense and complex" law with "challenging requirements, all aimed at making business more honest and more transparent." Compliance has come at "an enormous cost and burden," he says. "Frankly, the bulk of the benefits could have been achieved at much less cost. Perhaps more troubling is that the compliance efforts were not directed toward the areas of greatest risk."

In any case, legislation can't prevent fraud, Andrews notes. He cites Madoff's multibillion-dollar Ponzi scheme, the "ninja" and "liar" loans of the mortgage crisis, and the improper backdating of stock options at many major companies as "clear evidence of the shortcomings of Sarbanes-Oxley and proof that you cannot legislate honesty." In fact, he points out, "we have had some of our largest ethical lapses and frauds in the last few years."

Still, a lot of good has come out of Sarbanes-Oxley, Andrews acknowledges. The law includes provisions related to auditing, auditor independence, and corporate governance, and it is in the latter realm, he feels, that the act has made a real difference.

"Corporate governance has improved a great deal, particularly the way boards of directors operate. Their role is now being fulfilled much better than it was pre-Enron, pre-Sarbanes-Oxley," says Andrews, alluding to an era when boards tended to be less active bodies whose members lacked the know-how needed to understand the intricacies of the business and could not reliably offer effective oversight of management actions.

Moreover, in many public companies, management used to determine board membership. "Even though board members are supposed to be representatives of the shareholders and elected by the shareholders, board members were often largely handpicked by the CEO or management of the company. And boards operated in a role where they were equals or, sometimes even, subordinates to management."

"Post-Enron, that's changed dramatically. The corporate governance model has gotten straightened out. The board is now in charge. Most companies have separated the CEO and chairman of the board roles and have put great effort into having the right kinds of people on the board."

And, he added, board members are taking their responsibilities seriously. The board's audit committee, in particular, has gained new authority and duties as well as safeguards against management control.

The beefed-up role and responsibilities of the board, Andrews says, is probably the most valuable result of Sarbanes-Oxley. "You've got to see a good corporate governance model to be able to trust what's going on in a company."

Another significant development has been the renewed emphasis on the duties and obligations of accounting and audit firms. "I believe it really did right the ship a bit on the importance of financial integrity, the responsibility that accounting and auditing firms and financial managers have." These functions and obligations and their responsibilities to the investors "that are so important to public trust had gotten watered down over the years." Now, he says, they have been re-elevated to the status where they belong.

MISTAKES OF A FEW

Discussing the challenges of crisis management at Andersen, Andrews says: "There was no way to fully comprehend, in the beginning, the magnitude of the situation. It's only as things unfold and evolve that it grows into something much more complex — that was not obvious at the beginning of the process."

He and his team first had to determine the facts — were the allegations accurate? "Our conclusions were that they were not accurate, and there was never any intent or action to impede the government's investigation. Therefore, we concluded that, while this was a very significant matter, a system of fairness would make it a manageable and containable problem. It was clear that we had to function on multiple fronts — deal aggressively with the regulatory and legal matters, maintain our relationships with our people and clients (and calm their fears), and fight a massive battle on the image and public relations front, where we were constantly being attacked and put on the defensive."

Enron and its executives and board, Andrews says, had successfully distanced or insulated themselves temporarily from the debacle. "They very quickly started hiding behind legal barriers," making Andersen the easy and only target. "Enron's senior management had committed massive fraud, which it successfully hid from its board and us, the auditors. Further, no one has ever determined that the accounting or financial disclosures were wrong. Yet, we were the ones aggressively attacked at the beginning — not those that committed the crime."

This was ironic, he notes. "Consider what Andersen was as a business. We think of ourselves as being about trust and integrity,

doing the right thing, not running from dealing with issues. We truly didn't believe we had done anything wrong of any substance, so we were willing to participate in the initial phase of the investigations. We did not run, and we did not hide. Sadly, we were severely punished for being open and transparent."

In one appearance on Capitol Hill, Andrews stressed that Andersen had voluntarily and promptly come forward to disclose the destruction of documents by its employees, although it was "well aware of the potentially devastating impact" of the disclosure on its reputation and that the documents destroyed were unrelated to the government investigation. The firm, he told members of Congress, was certainly not proud of the document destruction — "but we are proud of our decision to step forward and accept responsibility." This approach, he notes, reflected Andersen's "think straight, talk straight" culture of the last 90 years.

A GROSS INJUSTICE

The crisis management experience shook his faith in the "fairness of the system," he says, and made him question the motives and methods of some government officials. Lawmakers, rule makers, and rule enforcers sometimes operate in a "ready, fire, aim" fashion, he says, reaching a conclusion and implementing an action before gathering supporting evidence.

Andersen's conviction was unanimously reversed by the U.S. Supreme Court in 2005, but it was too late for the firm.

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“I remember how we were forced to turn out the lights at Arthur Andersen, and we hadn’t even had our final day in court. When that day arrived, and the U.S. Supreme Court ruled in our favor by a very rare 9-to-0 vote, we were vindicated. But you know what? The lights didn’t go back on. We were done.”

“Power, whether in business or in government, used to excess and used in the wrong way, can be very damaging.” What happened to Andersen in the Enron situation, he says, was a misuse of power and “overreaction to the mistakes of a few” that ended up unnecessarily punishing the innocent majority.

During the unfolding events, Andersen’s clients had generally remained with the firm, Andrews says, “respecting our firm, our people, and our services and believing, as most people would, that the entire enterprise should not be condemned over the actions of a few.” The federal indictment changed everything. It made it impossible for public companies to continue to do business with Andersen.

“If you are an auditing firm, a federal indictment for obstruction of justice is a death sentence. The prosecutors knew this ... they understood the stakes of filing their indictment. They went ahead anyway — an action that I believe was reckless, unwarranted, and unnecessary. So the firm shut down — thousands lost their jobs and financial assets. And in my view, that was a gross injustice. The eventual reversal of the indictment, while emotionally gratifying, did nothing for the many whose lives were permanently changed. You can’t put the toothpaste back in the tube.”

He was fortunate, Andrews says, in being able to immediately join a new employer — Sallie Mae, where he worked for five years, part of that time as president. Most Andersen employees and partners were very quickly placed with other firms, he says, with many gaining leadership



C.E. Andrews testifies before the House Subcommittee on Oversight and Investigations.

DOUGLAS GRAHAM/ROLL CALL/GETTY IMAGES

positions.

There were indeed numerous senior executives whose reputations and careers were unfairly tainted by Enron — those who had not worked closely with Enron when it was a client. It was a somber reminder, he says, that “it takes a lifetime to build a good reputation and only an instant to destroy it.”

On a bittersweet note, the breakup of Andersen has spawned an

extensive alumni network of former Andersen employees who organize annual reunions in various cities across the country and keep in touch on social networking sites. Andrews says he always makes it to the D.C.-area gatherings if he is in town.

The reunions are “powerful” emblems of Andersen’s unique culture, and the mood “almost entirely upbeat,” he says. “Virtually all who attend have great pride in Arthur Andersen, and the memory sharing is generally very positive and enjoyable. Plus, the majority are in successful situations, and that creates good conversation.” A common theme among the alumni, he points out, is how “their subsequent work experiences have truly reinforced how great a firm Andersen was.”

It’s a view that Andrews himself embraces. “I’ve been on the inside of companies all my life. As an auditor, you’re in companies all the time and around other accounting firms. The culture of Arthur Andersen — the depth, substance, and essence — is probably stronger than any company of any type I’ve ever seen.” The entity is no longer there, he says, but the bonds of its former employees remain very much in place.

DEMISE OF ARTHUR ANDERSEN | Another partner’s experience



JOHN MCCORMICK

Shirley A. Edwards (ACCT ’82), audit and advisory services partner at Ernst & Young, is a former partner at Arthur Andersen, which she joined upon graduating from Virginia Tech. Giving the Wachovia Distinguished Lecture, “Leadership and Managing for Success in Challenging Times,” in October 2007 on campus, Edwards discussed her career in accounting and its successes and challenges, including the impact of the Andersen crisis on her professional and personal lives. Below are excerpts from her speech.

20 years gone

“The fall of 2001 was a trying time for most people. In addition to the September 11 tragedy, my firm was beginning to go through its own professional tragedy. With the downfall of Enron

and the destruction of some audit work papers, I quickly saw the 20 years that I had invested in Arthur Andersen begin to fade away from me.

From the winter of 2001 to the spring of 2002, it became increasingly clear to me and my partners that Arthur Andersen would not be able to withstand the blow we had taken to our reputation. Clearly, the criminal indictment of the firm by the Department of Justice — which was subsequently overturned — put the nail in the coffin.

I can’t adequately describe to you the emotions that I felt at that time. I was very concerned about my personal and professional reputation. We trade on our individual reputations, and to have the firm I was associated with to be declared a criminal was quite a blow. As CPAs, our primary goal is to serve the public’s interest and protect our client’s shareholders. Our integrity must be irreproachable in order to maintain our reputation. Interestingly, the Arthur Andersen practice in the mid-Atlantic region was very successful and well respected within the area for being conservatively managed ... We were able to rely upon that reputation to hold our practice together and seek out an appropriate exit for our part of the business.

Traumatic time for family

During this time, I was also concerned about my family and their financial wellbeing. As a partner in a firm, you share in the full risks and rewards of the firm. As a result of the demise of Arthur Andersen, all of the partners lost their invested capital as well as all of their retirement. Since I was in my early 40’s, I was in a position to potentially rebuild my financial

ETHICS LESSONS FROM THE FRONT

At Pamplin's 19th annual Symposium on Business Ethics, C.E. Andrews addressed themes related to business and personal ethics.



JOHN MCCORMICK

fraud, it wasn't so easy to see. I learned an important lesson: what's ethical always seems a lot clearer in hindsight than it does when you are right in the middle of a sticky situation.

TRUST YOUR GUT

When I was at Arthur Andersen, we had a major client — one of our most important clients. One day, out of the blue, we heard the news that the recently promoted CEO had resigned for 'personal reasons.' We knew this guy reasonably well. He had worked hard for years to achieve that top job. So this just didn't make sense. I asked around — we all did. But all heard the same response: he's leaving for 'personal reasons ... he wants to slow down, spend more time with his family.'

After hitting that wall over and over, we went back to our work for that client. We didn't raise the issue again.

Now, as it turns out, there was, at that very same time, someone else raising questions. She was working inside for the client and questioned the financial integrity of the client's reported results. We heard about the allegations, and we asked the client's legal department about them.

They asked their reputable outside counsel for an extensive investigation.

Everyone involved — the lawyers, the senior managers, outside counsel — said there was nothing to be concerned about. Instead of following our gut, we accepted that answer. But less than three months later, the company was bankrupt and out of business.

The CEO hadn't resigned for personal reasons. The whistleblower had it right. That company was Enron. And when Enron went down, it took a lot of good people with it — including my firm and our 85,000 employees.

THEY'RE CLEARER IN HINDSIGHT

Ethical dilemmas are sometimes difficult to detect when they are happening. They aren't as crystal clear as they seem long after the fact, when they are written up as case studies. In textbooks and case studies, the story of Enron is now legendary.

But up close, right next to this massive

ACCOUNTING NOT JUST ABOUT RULES

Accounting isn't just about the rules, because rules can never cover every situation. That's why the rules are constantly getting updated. In America, we are moving to a more principles-based accounting system, a recognition that accounting isn't just about following rules, but often about judgment, which comes from a combination of knowledge, experience, insight, character and, to a certain extent, guts. And that's also true of business ethics.

WHY STUDY ETHICS

Good leaders are guided by a strong sense of what is wrong and what is right. That's why we have to study business ethics, and take it seriously. As an alumnus, I know how seriously this school takes the idea of personal ethics.

I really think we spend more time here trying to equip people with the tools and grounding for a good moral compass than many schools do. I have hired over the years many people from Virginia Tech and from other schools. I have found that this school gives people as good a foundation as, or better than, any of the other schools where I've recruited.

position, but that was still quite a loss, given my 20-year investment.

Needless to say, this was a traumatic time for my family. My husband is an alumnus of Arthur Andersen, so he participated in the demonstrations and marches and even gave a speech on the footsteps of the Capitol. My children watched the news reports and worried about the impact on their mother and the career they knew I loved.

The true meaning of leadership

A typical day during these trying times involved serving our clients until 10 at night — calming our people and convincing our clients to stay with us until we could work out a plan. Then, the partner group would meet until 2 in the morning, working through the various options, and managing the impact on our practice.

During this turmoil, the partners in the mid-Atlantic region of Arthur Andersen demonstrated what I believe to be the true meaning of leadership. During a tumultuous time, when we were intensely focused on maintaining the confidence of our clients and our people, we were able to hold our practice together and, as a cohesive group, market it to the other firms. This was clearly an example where the whole was more valuable than the individual parts. Other offices within the firm seemed to implode, and people and clients scattered among the different firms.

After several weeks of negotiation, we successfully moved the major-

ity of our practices from D.C., McLean, Baltimore, and Richmond from Arthur Andersen to Ernst & Young. We were able to negotiate to bring to Ernst & Young 10 people for each partner that made a commitment to join the firm — this was a group transaction that allowed us to keep the core of our practice together. We were able to give staff through managers as well as administrative personnel a soft landing — over 300 people were promised jobs as part of our negotiations.

Interestingly, individual partners could have negotiated their own deal that might have been greater for them, but, as a practice, we decided to stay together and take care of the most (number of) people possible within the region.

So, after almost 20 years with Arthur Andersen, I completed my last deliverable due to a client at 11 p.m. on June 6, 2003, and arrived at Ernst & Young at 8 the next morning to begin another chapter of my professional services career.

Now, I would be misleading you if I inferred that the transition was easy, but the key point here is that it takes resilience to make a significant career change successfully. There are few careers that move along in a linear fashion without any detours or dead ends. Being resilient and able to recover from a misstep is critical to advancing in your career.

LOYALTY PROGRAMS ILLUSIONS OF PROGRESS

Compare the following two grocery-store rewards programs: “Earn 10 points per dollar spent, get \$6 off when you accumulate 1,000 points,” or “Earn 1 point per dollar spent, get \$6 off when you accumulate 100 points.” Would consumers evaluate the two programs differently?

Though both programs require consumers to spend the same amount — \$100 — to earn the \$6 discount, they elicit strikingly different responses from consumers, says marketing assistant professor Rajesh Bagchi, whose study of consumer perceptions of rewards or loyalty programs, co-authored with recent master’s graduate Xingbo Li (M.S./MKTG ’10), will be published in the *Journal of Consumer Research*.

“Since American Airlines pioneered its frequent-flyer program 28 years ago, rewards or loyalty programs have grown in popularity,” says Bagchi, noting their use today by airlines, credit-card companies, hotels, retailers, and other businesses to promote customer allegiance. Despite their importance to businesses, he says, “little is known about how different facets of a loyalty program affect consumer perceptions of the program after they sign up. Membership does not guarantee loyalty.”

Studies have shown that 1.3 billion loyalty program memberships exist in the U.S., he says, but less than a quarter of enrolled members redeem rewards. Studies have also shown that consumers put more effort into a program as they get closer to the reward.

Findings from his research, he says, can help companies design more effective loyalty programs. Companies periodically make changes to their programs but may not realize the effects of these adjustments on consumers, he says. Many cards offer points that vary according to category of purchase — purchases from a particular retailer vs. all other purchases, for example, or, in

the case of grocery cards, the types of groceries bought. Sometimes, more points are required to redeem rewards, sometimes fewer. Often, different tiers — premium, platinum, gold — are created, with varying enhanced benefits for members, based on a specific number of points earned per period for that tier.

“All these factors may influence consumer perceptions of progress toward the reward, and these in turn can affect their loyalty.”

The programs comprise two key elements: the points earned per dollar, which Bagchi and Li call “step size,” and the total points needed to redeem the reward, or “reward distance.” How do these two pieces of information affect consumers’ perceptions of their progress, their loyalty, and the likelihood of their recommending the business? Do consumers always integrate both elements in their assessments? What is the role, if any, played by the overall “magnitude” of the program? (A higher magnitude program has large reward distances and large step sizes; a lower magnitude program has small reward distances and step sizes.)

While the role of distances in affecting general consumer behavior has been studied, the influence of step sizes has not been looked at, Bagchi says. “We introduce the concept of step sizes and show that small step sizes can make even a small distance appear large.”

How fast the rewards seem to pile up in consumers’ minds, he says, depends on whether they focus on the reward distance or the step size, or consider both at the same time. “Our study demonstrates that consumers tend to focus on reward-distance alone, when the step size is not precisely presented as a straightforward rate — 1 point per dollar — but as a more complicated range of points — 7-13, for example — depending on the product purchased.”

When the step size is not clear but ambiguous, he says, consumers ignore it and rely on the reward distance, whose influence on perceptions is then strengthened or weakened, depending on the program’s magnitude.



KEISEI KRADEL

Rajesh Bagchi studied the magnitude of steps in loyalty programs and how the rewards-per-dollar influences consumer perception of progress.

In a higher-magnitude program, the reward distance somehow feels very large to consumers, so that those close to getting the reward — those with 800 of the 1,000 required points, for example — feel that they have made much more progress than those with only 200 points. In a lower-magnitude program, however, the reverse is the case: consumers feel the reward distance is small and that there is little difference between 80 and 20 points, so that those closer to the reward do not feel that they have made more progress than those farther away.

What happens when the step size is a single, unambiguous rate? “Consumers then integrate step size with reward distance in their thinking, but do so in a biased manner that again reflects the human inability to consider more than a small amount of information at a time in their decision making.”

Consumer perceptions about their rewards progress not only affect their loyalty, but also how likely they are to recommend the reward program to others.

Thus, when step sizes are straightforward, a large reward distance makes consumers feel the goal is a long way off, but instead of calculating the redemption costs, they use the step size to form quick impressions. “When the reward distance is large, the step size is also large. The giant

step size makes the reward appear more easily attainable, and so those close to the reward do not feel that they have made more progress relative to those farther away,” Bagchi says. “When the reward distance is small, the step size is also correspondingly small. These baby step sizes make the distances appear larger, and so those near the reward feel that they have made more progress relative to those farther away.”

Bagchi says his findings have important implications in other contexts. These include weight loss and financial savings goals, where perceptions of progress influence the continued pursuit of the goal. “In weight loss, for instance, different number systems — kilograms vs. pounds — with different step-sizes and corresponding goal-distances may be evaluated differently by consumers, depending on whether attention is on the step-sizes, distances, or both.”

Bagchi and Li conducted two experimental studies involving 246 and 385 participants respectively. In one study, participants earned reward points in a grocery-store loyalty program that could be redeemed for a gas card, while in the other study, they accrued points in a restaurant loyalty program through dinner purchases that could be redeemed for a free dinner.

Their article, “Illusionary Progress in Loyalty Programs: Magnitudes, Reward Distances, and Step-Size Ambiguity,” will be published in the February 2011 *Journal of Consumer Research*.

HIGHLY RANKED for BUSINESS ETHICS RESEARCH

Management professor Richard Wokutch and marketing professor Joseph Sirgy are listed among the most productive researchers in business ethics, according to a recent study in the *Journal of Business Ethics* that ranked Virginia Tech 15th among the top 25 academic institutions in this field. (The study listed the top schools and the two leading scholars in each institution.)

Wokutch’s research focuses on international business ethics and the global management of corporate social performance. He has written or edited several books, including *Worker Protection, Japanese Style: Occupational Safety and Health in the Auto Industry* and *Rising Above Sweatshops: Innovative Approaches to Global Labor Challenges*. He conducted research in Germany and Japan as a recipient of two Fulbright awards. Wokutch teaches an MBA course, Ethical Dimensions of Leadership, and coordinates Pamplin’s annual Business Ethics Symposium.

Sirgy is a specialist in quality-of-life research. He received the Distinguished Quality-of-Life Researcher Award, the highest honor of the International Society



Richard Wokutch

for Quality-of-Life Studies. His applied research has examined housing well-being and real estate, quality of work life, leisure well-being and tourism marketing, community quality of life and economic development, health-related quality of life and healthcare marketing, corporate social performance, and ethics codes development for business organizations.



Joseph Sirgy

The article, in the journal’s August 2010, no. 1 issue, based its rankings on total number of articles, weighted by co-authors and co-affiliations in major business ethics journals over a 10-year period (1999–2008).

The article examined global patterns of business ethics research and contributing institutions — more than 1,400, including nearly 570 in the U.S. — and scholars — more than 4,000 worldwide. The results, the study’s authors say, show that business ethics research is highly concentrated on a limited number of scholars within each institution.

The study also found that business ethics research output is closely linked to institutional missions that are driven by the school’s values or religious belief. Among the top 100 institutions, 22 are affiliated with a religious denomination. The authors note that their findings are consistent with previous arguments that business ethics are influenced by culture, education, and legal environment in a global context. It found that although U.S. academic institutions continue to lead in business ethics research contributions, Asian and European institutions have made significant progress.

IMPROVING SUPPLY CHAIN MANAGEMENT FOR DISASTER RELIEF

Even under normal conditions, managing a supply chain for a business can be a daunting task. Imagine the challenges of managing a supply chain to handle the recovery from a natural disaster, says Chris Zobel, an associate professor of business information technology who studies resilience in supply chains for disaster relief and readiness.

Supply chain management is frequently used in disaster relief efforts, he says, noting that the International Federation of Red Cross and Red Crescent Societies won the European Supply Chain Excellence Award in 2006 for its disaster response activities.

It is particularly important for the supply chains of humanitarian aid agencies to be resilient — to be strongly resistant to the initial impact of a disaster and to be able to recover quickly and respond and adapt well to changing conditions. “I want to help organizations improve their ability to prepare for and respond to disasters — particularly service-oriented organizations that have that as their core mission.”

Zobel notes that while a significant body of research on disaster management has accumulated in the social sciences, economics, and humanities fields, there is still need and opportunity for problem-solving in this area within the decision sciences and operations management communities. “In scholarly publications, the topic of modeling humanitarian relief supply

chains, and the specific issues they face, has emerged relatively recently and is just starting to become more widely recognized.”

Not-for-profit and government organizations, Zobel says, often struggle with having enough and the right type of resources to serve those affected by disasters. “Any improvements that can be made in their ability to procure, manage, and move goods and other resources can only be a good thing,” he says. “I am interested in looking at how they can do even better than they are currently doing, considering the uncertainty of the situations they deal with, the scarcity of necessary resources, and the often heavy reliance on volunteer labor.”

Researchers in this field, Zobel says, tend to focus on particular aspects of the supply chain’s operations — inventory management, transportation, or facility location, for example — rather than the entire

chain all at once, because “we can make the whole supply chain more effective if we can work on manageable portions of it first.”

As examples, Zobel cites the work of recent Pamplin doctoral graduates Gary Fetter and Mauro Falasca. Fetter (Ph.D./BIT ’10), now an assistant professor at Western Carolina University, investigated cost-effective ways of cleaning up debris in Chesapeake, Va., in the wake of Hurricane Isabel in 2003. “Gary’s project looked at the problem of transporting large amounts of debris to temporary debris staging and reduction facilities. He

“There are more than technical issues at play when you are trying to improve the ability of an organization to help mitigate against or recover from a disaster.”

A NOT-SO-RISKY BUSINESS

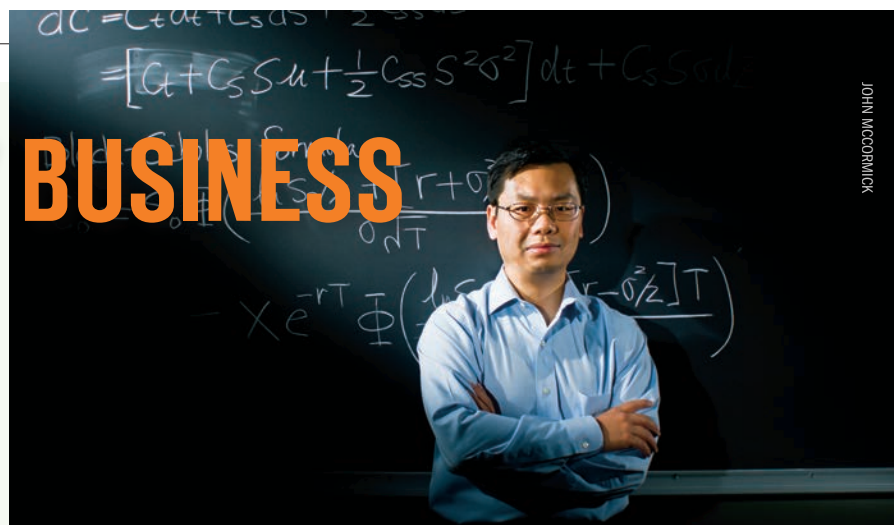
They have been called “financial weapons of mass destruction” and blamed for a number of catastrophic losses and bankruptcies. New research by finance assistant professor Yong Chen, however, counters the popular perception of derivatives as dangerous tools and investments.

In a study to be published in the *Journal of Financial and Quantitative Analysis*, Chen investigates how derivatives are used by hedge funds and focuses on the relationship between derivatives use and hedge funds’ risk-taking behavior.

Despite the widespread use of derivatives by hedge funds, Chen says, little is known about their effects on fund risks and performance. How do derivatives users differ from nonusers with respect to fund risks and performance? Do hedge funds that use derivatives demonstrate a greater propensity for risk shifting? Are derivatives-using funds more likely to fail? “Such questions, and their answers, are very

important to investors, lenders, and regulators.”

Examining more than 5,000 hedge funds during 1994-2006, Chen found that 70 percent of them trade derivatives. On average, those that



Finance assistant professor Yong Chen says that the overall evidence does not suggest that derivatives use by hedge funds leads to more risk-taking.



BIT associate professor Chris Zobel is improving supply chain management for disaster recovery, to make a difference in people's lives.

created a mathematical model that could identify the most appropriate locations and number of such facilities to open, so that trucks could be routed correctly, and normal operations within the city could be restored more quickly, more equitably, and more cost-effectively.”

Falasca (Ph.D./BIT '09), an assistant professor at East Carolina University, looked at the problem of scheduling volunteers in humanitarian organizations. “In many humanitarian supply chains, volunteers are the primary labor source. Because their needs and motivations are generally different from those of paid employees ... Mauro created a model that allows someone to easily examine the tradeoffs necessary to ensure that a volunteer-driven organization can meet its goals.”

Supply chain researchers and managers, Zobel says, need to constantly bear in mind that disaster response and recovery operations involve organizational, social, and environmental dimensions that can impact the decision-making process. “Analytic techniques can't be applied in a vacuum — there are more than technical issues at play when you are

trying to improve the ability of an organization to help mitigate against or recover from a disaster.”

The best technological solution, he says, may be constrained by other factors that may include bureaucratic roadblocks to delivering supplies and cultural differences in communication approaches. “Finding the optimal route for delivering supplies, i.e. one that avoids all the flooding and debris in the roads, doesn't do any good if the official in charge of a roadblock hasn't been told that you have permission to be there.”

Humanitarian supply chain management, he says, is fraught with uncertainty and time and resource constraints. “We often don't know when a disaster will occur, the extent of the damage, what resources — roads, hospitals, equipment, and personnel — are available immediately following the event, or how long it will take for resources to arrive.”

People need to be evacuated or rescued, Zobel says, and decisions have to be made swiftly about the best use of limited resources in the face of urgent needs and considerable uncertainty.

do so showed lower fund risks (as measured by fund return volatility, average market exposure, and market exposure during market downturns or extreme market events). “Overall, the evidence does not suggest that derivatives use by hedge funds leads to more risk-taking.”

His findings would be of broad interest, he says, given the current concern about the risk-taking activities of hedge funds and other quasi-bank institutions among lenders, investors, and regulators, who are seeking to increase government oversight of hedge funds.

“In the past two decades,” Chen says, “derivative markets and the hedge fund industry and have experienced explosive growth and wielded increasing influence on the market and economy.”

Deriving their value from other assets, derivatives are financial instruments that allow investors to speculate on the future price of an asset — commodities or shares, for example — without buying the underlying asset. Developed to allow investors to hedge, or insure against, risks in financial markets, derivatives such as futures, options, and swaps, have become investments in their own right.

Hedge funds, which use aggressive strategies to maximize returns in managing investments of wealthy private investors or institutions, have become major players in derivative markets, Chen says. “The pervasive use of derivatives by hedge funds stands in sharp contrast to mutual funds,” he

notes, citing one study that found that only about 20 percent of mutual funds use derivatives.

The high-risk image of derivatives, Chen notes, resulted from a number of spectacular financial failures, all of which involved derivatives trading: the bankruptcy of Orange County, Calif., in 1994; the collapse of British-owned Barings Bank in 1995; the fall of U.S. hedge fund Long-Term Capital Management in 1998; the failure of another U.S. hedge fund, Amaranth, in 2006; and the huge losses of French bank Société Générale in 2008. It was legendary investor Warren Buffett who called derivatives “financial weapons of mass destruction.”

Depending on the purpose — hedging or speculation — the use of derivatives may be associated with lower or higher fund risk, Chen said. “Although it cannot be ruled out that some hedge funds use derivatives to speculate on asset prices,” he says, “the overall evidence is more consistent with risk-management-motivated use of derivatives.”

Chen's study found that “derivatives users engage less in risk shifting,” the practice in which funds performing poorly in the first half of a given year tend to increase portfolio risk in hopes of catching up in the second half, while funds performing well try to lock in their returns by lowering risk. Derivatives users, he adds, are also less likely to liquidate during market downturns.



COURTESY OF JESSICA FORRESTER

“President Clinton gave an amazing speech at the Healthy Schools Program Forum that made me teary-eyed. Imagine getting to hear such an incredible speaker discuss the gravity of the issue you work on and the importance of the work you’re doing. After the speech, the new employees got to meet him and get their photos taken.”

RECENT MARKETING GRAD JOINS SMALL ORGANIZATION

with **BIG** CONNECTIONS

One month into her first job as a new Pamplin graduate, Jessica Forrester (MKTG '09) found herself at a meeting with 11 other people, including the CEO, to discuss major strategy issues for the team. “The plans we made we would launch across the country,” she says. “It’s very cool as a brand new employee to be able to dream up projects that can be launched on such a large scale.”

Forrester has met President Clinton and traveled to New York, Little Rock, and Portland, Ore. Her organization also works closely with the First Lady and such celebrities as basketball star Paul Pierce and TV chef Rachael Ray.

Her job at the Washington, D.C., office of Alliance for a Healthier Generation, which she joined in December 2009, isn’t your average entry-level position, she notes. “We were founded five years ago and still have fewer than 100 employees across the country. For me, that meant when I was hired, I was needed!”

Forrester, whose title is youth mobilization manager for the web, works on web strategy and outreach for the empowerME Movement, a youth-driven branch of Alliance. “We provide guidance and resources for young people who serve as leaders in the movement.”

Given her target audience, the web is key for outreach efforts, Forrester says. “It’s my job to make sure our website (empowerME2b.org) has fresh content that is consistent with our branding and goals, and that we are using the web to increase access to our programs and provide support wherever possible.”

Of the projects so far, she says: “We’ve had teens and tweens across the country host public forums to draw attention to important health issues and demand changes in their schools and communities. They’ve gotten soda machines removed from their schools, added salad bars, and planted community gardens. They’ve taught their peers about healthy living and exercise.”

Forrester finds herself constantly impressed by “how strong, smart, passionate, and professional” her young constituents can be. “We’ve been really successful in motivating a powerful youth force. It’s exciting to see the things they can accomplish!”

Her colleagues are another reason she loves her job: “They’re a

“I wanted to make enough money to live comfortably but didn’t need to be rich ... I wanted to do work that was more than a paycheck to me, and I wanted to do something creative.”

truly passionate bunch of over-achievers, and I feel lucky to have them as coworkers and friends.” The organization as a whole is very tight-knit, she says, and the Kids’ Team is particularly close. “In January, I met everyone in the organization at our annual All-Alliance meeting. When I got to the airport, I could tell who was an Alliance employee — because they were all hugging!”

The work culture is very team-oriented, she says. “Much of what I

Nonprofit steps up so kids can slim down

Founded by the American Heart Association and the Clinton Foundation, the Alliance seeks to eliminate childhood obesity and promote healthier lifestyles among young people. It is a partner in the First Lady's Let's Move initiative. In addition to reaching out to young people directly and through more than 9,000 schools across the U.S., the Alliance also works with companies in health care and other industries to promote its mission. "We recognize the complexity of the obesity epidemic," Forrester says, "and attack the issue through multiple initiatives."

First Lady Michelle Obama hula hoops with children during a Healthy Kids Fair. The Alliance for a Healthier Generation is a partner in Obama's Let's Move initiative.



OFFICIAL WHITE HOUSE PHOTO BY SAMANTHA APPLETON

do requires at the very least group consensus, if it isn't developed by the group in the first place." Employees work from home at least part time and many work entirely from home, says Forrester, as Alliance is a virtual organization.

"I have an office that I work out of most of the time, but I do work from home occasionally. I recently moved only two miles from my work, so I go in most days. When you can work from anywhere, it's hard to turn work off sometimes, but the Alliance is very good about emphasizing work-life balance, even sometimes announcing a 'no-email zone' over holidays."

How did she land in the nonprofit sector? "Honestly? I wasn't sure what I wanted to do," says Forrester, who is from Winchester, Va. "I wanted a lot of things. I wanted to make enough money to live comfortably but didn't need to be rich. I wanted a job that I could get excited about, I wanted to do work that was more than a paycheck to me, and I wanted to do something creative."

"I'm afflicted by something my Dad calls 'Save-the-World-Syndrome' — something my mother has as well. But I hadn't thought to work for a nonprofit until Professor Ozanne brought it up in class one day. She believes in the power of business to make positive change, and she mentioned the value business skills can give to a nonprofit environment."

Marketing professor Julie Ozanne taught her a lot about how businesses and nonprofits work together and about consumer behavior in general, says Forrester, who emailed her former teacher last spring to

thank her and update her on her career. Ozanne, who regularly receives the strongest student evaluations in the department for her teaching and has won many teaching awards, including the university's William E. Wine Award in 2000, has said that her teaching goal "is to change the way students see and understand the marketplace and their role as consumers."

The courses she teaches or has taught include Marketing, Society, and Public Interest; Advertising; Marketing Management; and Consumer Behavior.

Her marketing courses at Pamplin, Forrester says, taught her a great deal about target audience, analytics, strategy, partnerships, and branding. The project-management skills she developed in her second major, management, have been essential to her work. "It's my job to manage all things web-related for the Kids' Team, so as we discuss programs, solutions, and strategies, I chime in with how the web will fit in. It's up to me to keep the ball rolling on various web-focused projects, so it's extremely important that I manage my time well and work around my coworkers' busy schedules at the same time."

When some of her friends report being bored "doing busy work" at bigger organizations, Forrester feels lucky that she has "the best of both worlds," working at "a small organization with big connections."

"The Alliance turned out to be the perfect fit for me. I work for people whose philosophies are similar to mine, I do work that makes a real impact, and I get to stretch my wings and fly into new territory on a regular basis." Not bad indeed for an entry-level job.



Forrester works on web strategy and outreach for the empowerME Movement, a youth-driven branch of Alliance. "We provide guidance and resources for young people who serve as leaders in the movement."

Still Building Teams

From basketball to employee recruiting & church communities

Wayne Robinson (FIN '80) hasn't followed Virginia Tech basketball in years, which may surprise those who recall the 6-foot-9 former forward/center's key role in the Hokies' 81-35 record during his four seasons on the team, including the Metro Conference Championship — its only one — in 1979.

Robinson was the first pick of the Los Angeles Lakers in the second round of the 1980 National Basketball Association draft and played for the Lakers and Detroit Pistons for a couple of years before playing professionally in Italy and Spain for a decade. The sport was an important part of his life, he says. But it's a chapter that has closed — and is, he emphasizes, "well sealed."

What occupies him these days is his job as a recruitment manager for Nucor, the nation's largest steel manufacturer, and his work as senior pastor of a nondenominational ministry in his hometown of Greensboro, N.C.

Based at Nucor's Charlotte, N.C., headquarters, Robinson has been at the company for almost four years. (Nucor had been his client in his previous job at an executive search firm in Greensboro.) A leader in steel production and steel recycling (it produces steel from scrap metal), Nucor is unusual among American employers, Robinson notes.

"We haven't laid anybody off in 40 years. Not a lot of companies can say that." The company also has hefty cash reserves — about \$1.4 billion — and little debt, and has made money almost every quarter, he says, for more than 30 years. However, its rapid growth of the past decade, including acquisitions of a host of steel and steel products companies, has been curbed considerably by the global recession.

As a result, for 2009, Nucor reported the first annual net loss in its history — \$293.6 million, compared to record net earnings of \$1.83 billion in 2008 — after demand for its steel and steel products plummeted by more than half compared with the previous year. Orders at its steel mills

began moving up, however, during the second half of last year, as customers drew down their inventories, and the company was able to record a profitable fourth quarter.

Even during the slowdown, Robinson notes, Nucor managed to avoid layoffs. "We're not union, so that also keeps us at a much lower level of expense that we have to carry." Employees tend to leave mostly due to retirement or injury, he says.

"Once you come in to Nucor, typically, you don't leave, because the benefits can be tremendous." Workers can double their "very competitive base salaries" through the company's pay-for-performance bonus system, he says, if the economy and their divisions are doing well. "We always tell the story," Robinson adds, "that if you start at Nucor as a young person right out of school, by the time you retire, you're probably going to be a wealthy person."

Describing the company's culture, Robinson cites a focus on safety, employee empowerment, and a strong work ethic. Anyone can move up the ladder at Nucor, he says, if he or she is willing to work hard and relocate, if needed. Many of Nucor's divisions are

in such rural areas as Norfolk, Neb.; Plymouth, Utah; and El Paso, Ill. — and being off the beaten track is sometimes a tough sell in recruiting, he notes, especially among young people, who "place great value on work-life balance and their lifestyle outside work."

The company may not be a household name, he says, but it is well known within a select group of universities. It has been recruiting for about 15 years at Virginia Tech, which it considers one of its six "core schools" for recruiting, research support, and other partnership opportunities. "We hope to foster a stronger relationship with the Pamplin College of Business," Robinson says. During a campus visit last spring, he presented a \$5,000 donation from the company to support the college's



Wayne Robinson (right) presented a \$5,000 donation from Nucor to support Pamplin's diversity programs.

"We always tell the story that if you start at Nucor as a young person right out of school, by the time you retire, you're probably going to be a wealthy person."

“Without Dr. Keown, I don’t know if I would have made it. I spent a lot of hours with him, talking about the best way to handle the workload...”

diversity programs.

Robinson, who is the oldest of four children (brother Michael is a 1985 Pamplin finance graduate), fondly recalls his years at Virginia Tech as being an “outstanding” experience. Even though the school had fewer than 250 black students out of a student population of 19,000, “it was okay for me, because I had already learned how to navigate the cultural divide. That was pivotal, because there were some African-American student athletes who could not do so and didn’t succeed.”

He attributes his ability to thrive at Virginia Tech in large part to his experiences at the Greensboro Day School, which he attended on an academic scholarship in 1972-76. He was the school’s first African-American student, he recalls (two others later enrolled during his time there). The city of Greensboro had seen its share of racial strife and civil rights protests in the previous decade, and, like many other cities in the South, was still grappling with the aftermath of desegregation decisions.

The early ’70s were still a very contentious time in race relations in Greensboro, says Robinson. “To go across town to the predominantly white, upper-class, college prep school was very hard at first. But I am so thankful it happened, because it helped me see the value of a college education relative to sports.”

Robinson (No. 40) was a key player in the Hokies’ drive to the Metro Conference championship.

There, Robinson realized that he needed to learn not only “how to study but how to accept people being different and they had to accept me.” With the help of teachers who also mentored him, he graduated in the top five percent of the class and was senior class president.

At Virginia Tech, Robinson received considerable guidance from finance professor Art Keown. “Without Dr. Keown, I don’t know if I would have made it. I spent a lot of hours with him, talking about the best way to handle the workload and doing whatever extra work was needed.”

Robinson also recalls the friendship and mentoring he received from university treasurer Ray Smoot, assistant vice president for administration at the time. “Did I experience any racial tension in my four years? Very, very little ... That doesn’t mean it wasn’t there. It’s just that I did not personally experience it.”

It certainly helped, he says, to be on the basketball team. “Basketball was king in the ’70s. Football was fledgling at the time, and football games at Tech were poorly attended. Basketball was packed every game — we sold out every game. There was a frenzy around basketball during the four years I was here.

“I played on some outstanding teams, some of the best teams in the history of the school. Socially, the atmosphere was electric, because we were winning. When you’re winning in sports, that transcends race. When the ball’s thrown up, nobody’s thinking about the color of your skin, they want to know whether or not you can put the ball in the basket.”

After his professional basketball career ended in 1992, Robinson, whose parents had not been “heavy church goers,” discovered a yearning for a more fulfilled life, one that included spiritual and community service. He took up Bible study, seeking purpose and direction in his transition from sports to what he considered “a normal life.”

Deciding to focus on helping youth and young adults, he launched and ran a Greensboro center for several years that offered after-school and summer academic enrichment programs. “I wanted to be accessible to young people and to be a good role model, because I’ve had some good role models in my life.”

News of his work spread, and local churches sought his help with developing their youth departments. Robinson, who had become an ordained minister, was hired by the 4,000-member Mount Zion Baptist Church, where, for seven years, he helped guide its younger constituents on spiritual growth as well as decision making, conflict resolution, and career planning. Appointed senior pastor of the nondenominational New Millennium Christian Center in 2004, Robinson continues to focus on spiritual education and counseling for young adults.

EMBRACING DIVERSITY IN THE WORKPLACE

Though many companies have fully embraced the need for workplace diversity, the reality is that progress is slow, Robinson said in his address at Pamplin’s fifth annual Diversity Conference last February. Workplace diversity, Robinson

said, means “employing people without discrimination on the basis of gender, age, and ethnic or racial background.”

He discussed the essential factors for a successful corporate diversity committee and urged students to “enquire how companies frame their vision for inclusion and diversity” when considering internships and employment opportunities. “It’s okay to ask employers how they shape up in some of these areas. You may be setting yourself up for failure and frustration if you don’t ask.”

Wayne Robinson gives the keynote address at Pamplin’s fifth annual diversity conference.



HEISEY KRUEDEL



VIRGINIA TECH ATHLETICS COMMUNICATIONS

ERNST & YOUNG FUND

9 alumni pledge \$190K, matched by Ernst & Young



From left: Tom Hough and Shirley Edwards of Ernst & Young, ACIS department head Robert Brown, and Fran Randall and Dan Lasik, of Ernst & Young.

Nine alumni have together pledged \$190,000 to the Department of Accounting and Information Systems to endow a fund named for their employer, Ernst & Young, which is expected to match their gifts dollar for dollar, bringing the total to \$380,000.

The Ernst & Young Partners Fund for Excellence in Accounting and Information Systems reflects the strong relationship between the department and that “big-four” accounting firm, says Robert Brown, department head and R.B. Pamplin Professor.

“To get a gift of this magnitude for the department speaks in a lot of ways to how they regard us and our future,” he says.

Ernst & Young has consistently been one of the top-10 employers of Pamplin graduates, according to postgraduate surveys of undergraduate degree recipients from 2005 to 2009.

Sending faculty members to conferences and student organizations to national meetings are a couple of examples of activities the fund could support, Brown says, adding that the gift “will allow us to do things in the

department that we couldn’t do otherwise.”

The effort to establish the fund was led by Shirley Edwards (ACCT ’82), of Sandy Springs, Md., who is an assurance managing partner for Ernst & Young.

The creation of the Ernst & Young Partners Fund was announced during a company visit in March at which Edwards and other executives — including Tom Hough, a vice chairman — spoke to a capacity crowd of students in the Holtzman Alumni Center’s largest conference room.

“It’s also very generous of the Ernst & Young executives to share their time and expertise and provide inspiration to the students,” Brown says.

Along with Edwards, the accounting graduates who pledged to support the fund are: Robert Arnall (’81), Bill Colbert (’89), Dan Knightly (’95), Daniel Lasik (’86), George Manners (’92), Victor Vecchiariello (’93), Timothy Winder (’87), and Maurice Fingeret (’79).

– By Albert Raboteau, development writer, University Development

Bonham Fund for Excellence in Management Ph.D. Education



Hap Bonham

The Department of Management has created the Hap Bonham Fund for Excellence in Management Doctoral Education with an initial sum of \$25,000 to create expanded opportunities for doctoral student education and research in the department.

Bonham, professor emeritus of management, served as a college administrator for 28 years, including 23 years as associate dean for administration and research. He was appointed assistant dean of the college’s undergraduate programs and undergraduate academic advisor in 1978, promoted to associate dean of undergraduate programs in 1981, and appointed associate dean of administration and

research in 1983.

Bonham, whose teaching and research interests are in organizational behavior, returned to full-time teaching in the Department of Management in July 2006.

He received four teaching awards and is a member of the Virginia Tech Academy of Teaching Excellence. He retired in May. Alumni and friends who are interested in supporting the fund may send their contributions directly to:

Department of Management
2007 Pamplin Hall (0233)
Virginia Tech, Blacksburg, VA 24061
Attn: Anju Seth, Department Head

Pamplin Campaign Update

Fundraising during the last few years has been a challenging but rewarding experience.

I accepted Dean Sorensen's invitation to me to chair the Pamplin Campaign Steering Committee for the Campaign for Virginia Tech-Invent the Future in the fall of 2006. The college was temporarily without a development director, and I was trying to figure out what my job as chair entailed, when a couple of calamities unfolded.

The April 16 tragedy occurred two weeks before the scheduled public announcement of the campaign. The university postponed its kickoff event six months. Following this, a worldwide economic recession and stock market slide hit like a tidal wave.

Now, the good news. In spite of these adversities, the Pamplin campaign goal of \$80 million has been surpassed, with the campaign still underway. This amazing achievement is a tribute to many loyal alumni and friends, the Pamplin development team, Dean Sorensen, and my fellow members of the Campaign Steering Committee: Tom Byrd, Mike Clarke, Doug Curling, John Emery, Bill Evans, Ron Gridley, Mary McVay, and Jim Pearman.

It will take some time to realize the actual benefits of this fundraising accomplishment, as donations have been made in multi-year pledges, bequests, and charitable trusts as well as cash. But, over time, this success will make a profound difference within Pamplin by providing new professorships, fellowships, student scholarships, and expanded curricula and program support.

Development of these new sources of funding for the college is

especially important in the current environment. Financial support from the commonwealth has been in serial decline over the last 20 years. The decline in state funding raises the question of "what about future funding support?" This campaign will end in less than a year, but financial support needs will continue to advance, with very little prospect of a meaningful increase in funding from the state. Annual giving, cash contributions to Pamplin, will have to increase significantly.

I believe that, throughout this campaign, we have seen a growing culture of giving back to the university. Hokie Spirit has never been stronger, and as Hokies, we share a sense of community unlike any university in the United States. Going forward, we all can help make the Pamplin College of Business and Virginia Tech stronger and more special, for We Are Virginia Tech!

—Jim Hatch (MACCT '72), chair, Pamplin Campaign Steering Committee

Jim Hatch also serves on the university's national Campaign Steering Committee and on the Virginia Tech Foundation's board of directors. He is a member of the Ut Prosim Society, Virginia Tech's most distinguished recognition society, comprising alumni and friends whose lifetime giving totals \$100,000 or more, and the Legacy Society, established to recognize alumni and friends who provide for the university through their estate plans and other deferred gifts. In addition to supporting professorship, scholarship, and departmental endowed funds in accounting and information systems, Hatch has established an MBA fellowship fund and three college-wide funds.

MAJOR GIFTS

Evans MBA fellowship

William D. Evans (MBA '74), of Bluefield, Va., through two charitable gift annuities, has given \$200,000 toward the establishment of the William D. Evans MBA Fellowship.

Groover scholarship, fund

John L. Groover (MKTG '78), of Austin, Texas, has donated \$25,000 to the Brittany Groover Memorial Scholarship, established in honor of Groover's niece, Brittany.

Groover has also made a generous bequest to the Department of Management that will endow a Fund for Excellence to provide unrestricted funding in perpetuity to the department.

Petrine MGMT fund

Deborah L. Petrine (MGT '80), of Hardy, Va., and her husband James (BSCE '78), have pledged \$25,000 to create the James G. and Deborah L. Petrine Excellence Fund in Management to give back to their alma mater and to support students enrolled in the management program.

Sorensen fellowship

Pamplin dean Richard E. Sorensen, of Blacksburg, Va., and his wife, Carol, have pledged \$50,000 to establish the Richard E. Sorensen Junior Faculty Fellowship Endowment for the college.

Income distributions from the fellowship will be used to provide funding for junior faculty within the college. Sorensen has been dean since 1982. He and his wife have been strong supporters of the college.

SEED, BASIS endowment

Carl Verboncoeur (MBA '77), of Potomac, Md., and his wife Lynn, have made a gift of \$30,000 to create the Verboncoeur Family Fund for Excellence for SEED and BASIS Endowment.

Proceeds from the endowed fund will benefit the student-led BASIS (Bonds and Securities Investing by Students) and SEED (Student Endowment for Educational Development) programs. In addition, Carl Verboncoeur contributed \$40,000 to help fund Bloomberg terminal subscriptions for students.

Wohlleben fund for ACIS

Paul A. Wohlleben (FIN '72), of Oakton, Va., and his wife, Sharon, have pledged \$50,000 to the college to establish the Paul and Sharon Wohlleben Fund for Excellence in Accounting and Information Systems.

Winder ACIS gift

Timothy C. Winder (ACCT '87), of Glen Allen, Va., and his wife, Linda, have presented the Pamplin College of Business with a \$25,000 commitment to create the Tim and Linda Winder Excellence Fund in Accounting and Information Systems. The Winders have made an additional pledge as part of the Ernst & Young Partners Fund for Excellence in ACIS (see story on page 16).

Eaton scholarship

Charles L. Eaton (ACCT '53), of Pinehurst, N.C., has given an additional \$33,000 to the Charles L. Eaton College of Business Scholarship, established in 1995 to benefit Pamplin students.

HONORS & AWARDS

HILLER RECEIVES FULBRIGHT GRANT, DISTINGUISHED CHAIR



Janine Hiller, professor of business law, has received a Fulbright Scholar grant and the Fulbright-Lund Distinguished Chair of International Public Law.

She will spend the 2010 fall semester in Sweden, at Lund University's Raoul Wallenberg

Institute of International Human Rights Law.

There, Hiller will participate in undergraduate programs and faculty and graduate-student seminars and pursue a research project comparing Swedish, other European Union, and U.S. approaches to balancing patient privacy and health rights in the area of electronic health record systems.

Hiller's research interests focus on the legal challenges and the policy, privacy, security, and trust issues posed by electronic communications technologies. She designed and taught one of the first courses in the U.S. on Internet law and policy and co-authored one of the first textbooks on the subject.

She has taught both undergraduate and graduate students at Virginia Tech and students in international settings. She has participated in distance learning and professional development programs at Virginia Tech and abroad.

Hiller is the 2010-11 president of the Academy of Legal Studies in Business (ALSB), the academic association for professors of business law, legal studies, and related fields. The ALSB has more than 1,000 members from universities and colleges in the U.S. and abroad. Hiller is also a member of the ALSB executive committee and a past editor-in-chief of the

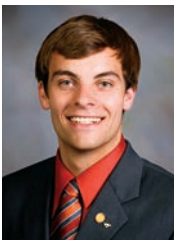
Journal of Legal Studies Education.

Hiller is among 1,100 U.S. faculty and professionals who will travel abroad through the Fulbright Program in 2010-11. Fulbright grant recipients are selected on the basis of academic or professional achievement and demonstrated leadership potential in their fields.

The program is the flagship international educational exchange program sponsored by the U.S. government and is designed to increase mutual understanding between the people of the United States and the people of other countries.

The primary source of funding for the program is an annual appropriation made by Congress to the Department of State. Participating governments and host institutions, corporations and foundations in foreign countries and in the U.S. also provide direct and indirect support. The program operates in more than 155 countries.

ON THE MOVE



Shane McCarty, of Arlington, Va., a marketing senior, was appointed the undergraduate student representative to the board of visitors for 2010-11. Extensively involved in leadership, research, and volunteer activities, McCarty has served as Student Government Association vice president, Pritchard Hall vice president, resident advisor, and Big Event community outreach volunteer. He is a research

assistant in Virginia Tech's Center for Applied Behavior Systems. For the past two years, McCarty has spent summer and winter breaks developing social media marketing strategies for Arlington County's Division of Transportation. His honors and awards include the Virginia Tech Student of the Month Award for Community Service, the Wachovia Leadership Scholarship, and the Ryan C. Clark Award.



Stuart Mease (MKTG '97, MBA '00), of Christiansburg, Va., was appointed director of undergraduate career services. Mease will advise Pamplin's undergraduates in career planning, assist employers in their recruitment of Pamplin students, and advise the Business Horizons team, which organizes the annual career fair for Pamplin students. Mease was a special projects coordinator for the City of Roanoke's Office of Economic Development and most recently worked at Rackspace,

where he created and implemented the recruiting strategy for the Blacksburg division of the publicly traded technology company.

EMERITI



T.W. (Hap) Bonham

T.W. (Hap) Bonham and **James Littlefield** were conferred the "professor emeritus" title by the Virginia Tech Board of Visitors. The title of emeritus may be conferred on retired professors and associate professors, administrative officers, librarians, and exceptional staff members who are specially recommended to the board of visitors by the president.

Bonham joined the university in 1969. As a faculty member of the management department, he taught courses and did research in organizational behavior. An award-winning teacher, he returned to full-time teaching in 2006 after serving the college for 28 years as an administrator, including 23 years as associate dean for administration and research (see p. 16).



James Littlefield

Littlefield, who joined the university in 1984, contributed significantly to research and teaching in international marketing and economic development. A recipient of the 2007 Alumni Award for Excellence in International Education, Littlefield led more than 30 study-abroad programs and advised universities in Egypt, Albania, and Turkey on program development. He served on 26 master's and doctoral committees. He served as marketing department head for seven years.

FACULTY AWARDS



Nancy McGehee, associate professor of hospitality and tourism management research, received a 2010 Best Paper Award at the recent ATLAS (Association for Tourism and Leisure Education) International Conference on Sustainable Tourism. McGehee's award, in the "travel philanthropy, volunteer, and charity tourism" special stream, was for her co-authored paper, "Critical Theory, Social Movement Theory, and Volunteer Tourism." McGehee was among the first scholars, in the mid-1990s, to study the phenomenon of volunteer tourism, or voluntourism, in which individuals undertake vacations that include organized community service.



Eloise Coupey, associate professor of marketing, received the university's 2010 William E. Wine Award, in recognition of her many contributions in program development across the college's postdoctoral, graduate, and undergraduate levels. She was one of three faculty members who led the 2008 launch of Pamplin's post-doctoral bridge-to-business program. She also worked to develop a comprehensive honors program for undergraduate students.



Jane Machin, assistant professor of marketing, was among eight faculty members who received the university's 2010 XCaliber Award, for their collaborative work on Virginia Tech's Lumenhaus solar decathlon project. The XCaliber Award (shorthand for exceptional, high-caliber work) is presented annually by the Virginia Tech Center for Innovation in Learning to recognize individual faculty members or teams of faculty and staff who integrate technology in teaching and learning. As advisor to the Lumenhaus communications team, Machin provided guidance on branding strategy and various publicity activities (see Fall 2009 *Pamplin* magazine, "Bringing Lumenhaus into the Light.")



Reza Barkhi, associate professor of accounting and information systems, has been appointed the PricewaterhouseCoopers Junior Faculty Fellow of Accounting and Information Systems. The fellowship was established through gifts from alumni and friends employed by PricewaterhouseCoopers and by the PricewaterhouseCoopers Foundation.

Barkhi joined the Pamplin faculty in 1997 and was promoted to associate professor in 2002. In 2006-09, he was on leave from Virginia Tech to head the management information systems department at American University of Sharjah, United Arab Emirates. Barkhi has published 35 journal articles and four book chapters and has served on 21 Ph.D. committees.



John Brozovsky, associate professor of accounting and information systems, has been appointed the Wayne E. Leininger Junior Faculty Fellow. The fellowship was established by friends of Wayne E. Leininger to honor the former faculty member and head of the Department of Accounting and Information Systems. The fellowship recognizes excellence in teaching and scholarship.

A Pamplin faculty member since 1989, Brozovsky has contributed significantly to the department's ability to prepare its students to work in a changing financial reporting environment. He is the primary advisor to more than 500 accounting and information systems majors and 90 master's students. His publications include a book and 32 journal articles.

ALUMNI HONORS



Retired U.S. Air Force General **Lance L. Smith** (BAD '68) received Virginia Tech's 2010 University Distinguished Achievement Award. Smith retired from the Air Force in 2008, after 38 years, including service as commander of the U.S. Joint Forces Command and NATO's supreme allied commander for transformation. As commander of the U.S. Joint Forces Command, Smith led nearly 1.2 million service members, civil servants, contract employees, and consultants providing combat resources and training to America's war efforts around the world. As supreme allied commander for transformation, he worked to train NATO's military forces and transform their structures, capabilities, and doctrine to improve military effectiveness of the alliance.



E. Ann Spencer (ACCT '76, MBA '84), of Jackson Hole, Wyo., received the university's 2010 Alumni Distinguished Service Award, which recognizes outstanding service to the Virginia Tech Alumni Association and the university as a whole. A retired vice president for personnel and administrative services at Virginia Tech, Spencer reorganized personnel services around customer-service modules, introduced an employee wellness program, and oversaw the installation of the university's first comprehensive human-resource system during her tenure. A past president of the Virginia Tech Alumni Association and president of the Greater Yellowstone Region Alumni Club, Spencer is a member of the Pamplin Advisory Council, the Women in Leadership and Philanthropy Council, and the Ut Prosim Society of donors. She served on the Virginia Tech Foundation Board, MBA Alumni Advisory Board, and the Panhellenic Council. She received the college's Distinguished Alumnus Award in 1997.



James H. Hatch (MACCT '72), of White Stone, Va., received Pamplin's 2010 Distinguished Alumnus Award. Hatch worked in public accounting for five years in Charlotte, N.C., before joining First Union Corporation, where he became corporate controller. He retired in 2002, after a 25-year career at First Union and a year after its merger with Wachovia. Hatch, Pamplin dean Richard E. Sorensen noted, has provided exemplary service to the Department of Accounting and Information Systems Advisory Board and the Pamplin Advisory Council and has contributed substantially to Pamplin's fundraising efforts through his leadership of the college's campaign steering committee (see p. 17).

Change service requested

PAMPLIN STUDENT, SERIAL ENTREPRENEUR

Social media allows you to build relationships more effectively.

College Entrepreneur

Creativity is the currency of the new millennium.

Getting you and your business noticed is my business.

"I feel it is very important to connect not just for business but also on a personal level."

You no longer own your business. The people that talk about it do.



Only in his junior year studying finance in Pamplin, Nathan Latka is already a veteran of four entrepreneurial ventures in social media, which have, he says, made more than \$45,000 in net income (as of end of August). His current main business, The Fan Page Factory, designs customizable Facebook Fan Pages, an endeavor so successful, his clients collectively have

amassed more than 600,000 Facebook Fans.

His talents have been noticed by many, including Robert Riggs, a Peabody Award-winning investigative reporter, who commends Latka for his creativity and entrepreneurship. Riggs introduced Latka to a professor at Texas A&M, who arranged for Latka to address his popular classes on creativity and innovation.

WEB EXCLUSIVE!

Read the complete story on Latka, available online at www.pamplin.vt.edu/fall10/nathan



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