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Connecting Theory and Practice

DURING THE SPRING semester, University of Miami MBA students had the extraordinary opportunity to travel to India as part of a for-credit course and learn, in person, about what it’s like to do business in that fast-growing nation. That short time spent in India has changed the way many of those students see the world and will undoubtedly impact the way they do business.

This trip to India is just one of the opportunities students at the School have for experiential learning — learning from the world of practice through internships, visiting businesses, consulting work, entering the Business Plan Competition and more. These opportunities are crucial to the School’s goal of developing leaders who are engaged in making a positive difference in global business and society.

One of our top priorities is to create more of these vital hands-on learning experiences for all students, and we need your help to do so. It is why experiences for all students, and we need your help to do so. It is why experiences for all students, and we need your help to do so. It is why experiences for all students, and we need your help to do so. It is why experiences for all students, and we need your help to do so. It is why experiences for all students, and we need your help to do so.

Programs like these provide opportunities to put classroom theory into practice, to develop practical problem-solving and leadership skills, and to learn from first-hand experience what goes on inside companies and organizations around the world.

Such opportunities are critical to preparing our students for the complex, fast-paced, globally connected business world of today, and give them the tools they need to be principled, innovative leaders for the future.

Please consider making a gift to the Momentum 2 campaign so that we can continue to enlarge the world of opportunities available to our students and advance our position as a leader in global business education.

— Gene Anderson
genea@miami.edu

Mission Statement: To develop innovative ideas and principled leaders that transform global business and society.
pace of change, strong leaders are more important than ever, business veteran and one-time California gubernatorial candidate Al Checchi told a packed audience at the School’s Cobb Leadership Lecture Series on March 27.

“We live in a period of accelerating change,” Checchi said. “I can’t tell you how breathtaking the changes have been during my lifetime. Many people just can’t adapt that fast. The goal of a leader is to help people and institutions adapt to that change.” The first goal of leadership, he asserted, is to help others during times of change.

Checchi has instigated plenty of change himself, helping transform Marriott Corporation during the 1970s, Walt Disney during the 1980s and Northwest Airlines during the 1990s. His work keeping Northwest out of bankruptcy in the wake of the 1991 Gulf War led, by 1997, to the most profitable airline in the U.S.

Another important goal of leadership, Checchi told the audience, is to advance the interests of others. “I look at leadership as a form of alchemy,” he said. “You harness individual creativity. Then, you unleash the power of collective action and you produce something greater than the sum of the parts.”

Politicians, he noted, rarely keep the public’s interest in mind, instead playing to polls and special interest groups. The public needs political leaders who are willing to risk failure and seek more effective methods of doing things. “I think you have to be a malcontent,” Checchi said. “You have to be someone willing to wage war against the status quo. You have to be a truth seeker… How can you make things better if you are denying reality?”

In addition to sharing his thoughts on leadership during the event, Checchi mingled with the audience and signed complimentary copies of his memoir, The Change Maker: Preserving the Promise of America and a Declaration for Independence.

The Cobb Leadership Lecture Series is made possible by an endowment gift to the School from Ambassador Sue Cobb, commemorating her husband Ambassador Chuck Cobb’s birthday.
Predicting Company Profits

WHO DOES IT BEST: ANALYSTS OR ECONOMISTS?
BY BRETT GRAFF

Ever since investors and traders began making money in the stock market, analysts have been working to predict company profits. The portion of earnings that increases share values is a closely watched fundamental that — even with slight changes — can move stock prices and whole markets. But real-life methods of predicting profits have always conflicted with economic basics. Sundaresh Ramnath, chair of the School’s Department of Accounting, set out to determine how market-watchers could derive the most accurate forecasts. The research was published in the March 2009 issue of Journal of Accounting Research.

“If you can better predict a company’s profits, you can make money,” Ramnath says. “Given that everyone is so interested in profitability, we’re trying to come up with a better model of profitability.”

Most economic forecasters use cross-sectional models of profitability, grouping firms together and using historical data to predict future profits. Often, they include in their models firms from every corner of the economy, from automotive manufacturers and telecommunications firms to paper-makers and chicken processors. Economic theory, explains Ramnath, states that if one firm in an industry becomes overly profitable, other firms will enter the industry and grab their share of the earnings. So it’s unnecessary — according to this theory — to divide up companies based on what they manufacture or sell when working to predict future profits.

Stock analysts, on the other hand, tend to work within a specific industry. Firms in the same industry have similar profits. Their cost structures are unique to their businesses. For instance, when the price of steel increases, car manufacturers’ expenses will increase. Or, when recycling goes up, paper companies will change their models. Stock analysts typically work within industries, predicting profits for their specific commercial territories and using the additional information they get from being immersed in these specific trades — such as speaking with the executives they follow or reading the work of reporters who also seek information on future contracts and new products — to increase their accuracy.

“Information should lead to better predictions,” Ramnath says. “The theory here is that if you constantly watch specific companies, you’d better predict their profits than if you tried to follow firms randomly, from across all industries.”

Which Method Is Most Accurate?
To determine the difference in prediction accuracy, Ramnath and his co-authors pulled data from 50 industries, including chemicals, pharmaceuticals, oil and utilities. He looked at financial data, sales, expenses and, of course, profits for a time frame that exceeded 20 years. Using a simple linear regression model, he studied the relationship between past profits and future profits, as well as return on assets.

“It was surprising, but the punchline is that you can better predict sales or revenues at the industry level,” says Ramnath, noting that a company with high revenues or sales could still lack profits. “But when it comes to profitability, the industry model is not better.”

One reason giant banks and brokerage houses still give analysts a territory of industries to cover, he says, is that sales are also closely watched by traders and investors. But in order to predict a firm’s profits, you have to examine it under isolated circumstances, factoring in its unique cost structure, as well as perhaps its less tangible relationships, market value and branding.

“The real-world application,” says Ramnath, “is telling people that the benefits to following firms in industry are limited to the revenue line. When it comes to profit, firms follow different strategies, and you can’t blindly look at the profit of firms in one industry and predict the profits of other firms.”
When Is a Bribe Not a Bribe?

BRAVING BUSINESS ABROAD UNDER THE U.S. FOREIGN CORRUPT PRACTICES ACT

BY BRETT GRAFF

at first glance, what constitutes a “bribe” may not seem complex. But when it comes to the Foreign Corrupt Practices Act (FCPA) — a law prohibiting United States-based public companies from providing “foreign officials” with something “of value” in exchange for contracts, sales and other commerce — “bribe” is a particularly tricky and ambiguous term.

Research proves this out. “It’s certainly difficult to figure out the law,” says Anita Cava, a professor of business law at the School and director of the Business Ethics Program. “We used the lens of the pharmaceutical industry to examine the particularly gray areas of who is considered a public official and what is regarded as appropriate educational opportunities as opposed to improper entertainment. Sometimes what appears to be a bribe is not necessarily one.”

Co-author Beverley Earle’s and Cava’s paper, presented at a symposium at The Wharton School of the University of Pennsylvania, is forthcoming in a top-tier law review, and a revised version is a chapter in a book being published by the University of Chicago Press.

Cava, an expert in corruption who also teaches ethics and compliance at the School, says the FCPA was passed in the 1970s, but enforcement was spotty for decades. “The U.S. talked the talk against bribery, but it didn’t walk the walk.”

Enforcement Picks Up, Clarity Does Not

During the past few years, however, the DOJ has come down hard on companies and individuals. In 2008, Siemens Global Worldwide settled FCPA charges for $1.6 billion, which rocked the global business community; several executives are now fugitives from a 2011 criminal indictment. Recently, a subsidiary of clothier Ralph Lauren Corp. was accused of paying more than $600,000 in bribes related to business in Argentina, creating liability for the parent company.

“The risk of bribery is now significant,” Cava says. “FCPA enforcement plus the recent UK Bribery Act, apparently a tougher law, has everyone’s attention.”

Cava’s research focused on the past five years of Justice Department “Opinion Releases” that offer guidance to businesses. After examining some 56 of these, she and her co-author identified few consistencies, with shifting opinions on the jobs and positions considered “official” and the instances when payments were for improper purposes. Especially difficult is distinguishing between a bribe and a payment made to “facilitate” or expedite performance of a contract, which is allowed under U.S. law but not under the UK Act.

“The FCPA permits a payment to get bananas off the dock before they perish, but this is not OK if you do business in the UK,” Cava explains. Many companies go beyond what the law allows by prohibiting “facilitating” payments.

Another conundrum for business is understanding the reach of the law. For example, many physicians in Latin America are considered “public officials” covered by the law because they work for the government. Naturally, they are responsible for purchasing the equipment, supplies and pharmaceuticals for their organizations. Although they’re hardly the high-level gatekeepers the FCPA was trying to target, U.S. firms would invite them on trips to tour manufacturing facilities for permissible educational purposes. Some of those trips led to FCPA-based accusations of treating them to illegal hospitality and leisure.

To promote clarity, Cava calls for changes in the enforcement process. In addition to more specific guidance, she and Earle suggest that the Justice Department permit anonymous inquiries regarding whether a certain practice is permissible. She wants the government to provide business examples of permissible behavior for both developing and developed countries, which operate differently.

Finally, if a company does seek guidance from the DOJ, it should get credit for having done so if decisions are later questioned — assuming the company followed the advice.

“We found the guidance was not clear,” Cava sums up. “We want it to be more useful to businesses.”
A Promise to Deliver
SUPPLY GUARANTEES CAN DRIVE UP PRICES, SO ARE THEY REALLY GOOD FOR THE BUYER? BY BRETT GRAFF

SUPPLY DISRUPTION — the problem of products going undelivered to retail or wholesale shelves due to unexpected production glitches — can thwart a season’s worth of sales for businesses. “Think about a retailer trying to sell in Christmas season,” explains Haresh Gurnani, Leslie O. Barnes Scholar and professor of management at the School. “You need items available in September to put on shelves in October or November. If a supplier is going to be tardy, it’s effectively no good.”

Manufacturers can reduce their customers’ exposure by writing price and quantity guarantees, and such guarantees are common in industries such as electronics, commodities and utilities. But such assurances drive up prices and are desirable only under very specific conditions, according to new research from Gurnani, which was published in the September 2012 issue of Management Science.

Buyers of manufactured items never really know the exact capabilities of their suppliers — a constant state of what Gurnani calls “information asymmetry.” Often, those businesses subcontract to smaller firms that make, say, the intermediate or crude materials necessary for final production. That leaves the final buyer susceptible to those firms’ processes — including perhaps malfunctions or recalled ingredients.

“When the buyer does not know the exact capabilities of the supplier,” Gurnani says, “it means the buyer does not know the true reliability of the supplier.”

A guarantee offers a transfer of risk. “By offering guarantees, the [supplier helps ensure the] buyer becomes insulated from risk,” Gurnani says. “But the guarantee transfers risk to the supplier.” If there are any production obstacles within the supplier’s operations or those of its subcontractors, it must purchase needed materials on the spot market and pay what’s certain to be a premium.

‘Traditional research in the field has focused on buyers, examining which suppliers they should trust and what quantities should be purchased from each potentially reliable candidate. But Gurnani and his team are the first to examine supplier-initiated guarantees with information asymmetry. The fundamental question: Are supply guarantees good for the buyer?’

To answer the question, Gurnani created theoretical, strategic decision-making models. He identified conditions in which a supplier would be willing to offer a guarantee. In the model, the supplier always initiates the guarantee to signal dependability. Sometimes, a guarantee is offered by a reliable supplier to differentiate itself on the market. But a less-dependable supplier might also offer a guarantee, knowing how a trustworthy firm would behave. A shaky supplier might also offer other business enticements, such as low prices. “Different types of rational, intelligent decision-makers come up with different strategies to compete with each other,” Gurnani notes.

He found supply guarantees are a good strategy for buyers under specific conditions. For example, they allow a less reliable supplier to compete against a more reliable one, which means more viable competitors from which to choose. Such a guarantee is even more important when the dependability of available suppliers varies — some are extremely steadfast in meeting delivery dates while others are consistently disrupting supply. In fact, the lack of a guarantee could signal doubt, leading the buyer to only utilize the more reliable supplier, which can then charge higher prices.

In other cases, a guarantee hurts the buyer. Because the supplier absorbs the risk of the costs associated with disruptions (for example, because the supplier may have to buy materials at high prices on the spot market), it may raise its prices to compensate. That can bring the unknown supplier’s price closer to that of the less-risky supplier. “When guarantees reduce competition between suppliers, it may end up leading to high prices,” Gurnani says.

“If competition is intense — say between two gas stations — how do they compete? By lowering prices,” he points out. “But if guarantees lead to reduced competition, and then suppliers charge higher prices to absorb the risk, then it’s bad for the buyer and the entire supply chain.”
Insights

Investing Tips from Morningstar’s 2000-2010 Domestic-Stock Fund Manager of the Decade

FAIRHOLME CAPITAL MANAGEMENT FOUNDER BRUCE BERKOWITZ
ON FOCUSED INVESTING, MARGINS OF SAFETY AND MORE
BY JACKIE SALO AND ROCHELLE BRODER-SINGER

Berkowitz spoke to students, more than 30% of the fund was concentrated in American International Group (AIG). The share was acquired for less than the cash the troubled insurer had in the bank.

“Would you rather buy your 10th best idea when you could buy more of your top idea?” Berkowitz said. He refers to his investment model as “the fixable cancer model” — targeting a company that he believes has the potential to grow after removing something that is hurting it.

He also decides which companies to invest in by determining whether there is a margin of safety for the investment. “We’re very much focused on the idea of “What is the worst thing that could happen, and are we still going to make money?”” he explained. “And we don’t think too much about how much money we’re going to make if great things happen.” Such a margin of safety allowed Fairholme to weather a loss in value in 2011 and then more than double the market last year, with a 35.8% return.

The bottom line from Berkowitz: There are no reliable shortcuts when it comes to investments. For instance, many investors get into trouble by using share price as a proxy for worth — which, many times, it isn’t. Fairholme follows no simple rules of thumb for choosing investments, instead using extensive checklists. “That’s why we focus, because how many companies can you study in depth?” Berkowitz explained.

Successful value investors must take risks that go against the trend, Berkowitz added. “You’ve got to feel comfortable with making your own decisions and doing your own homework,” he said. AIG, for instance, “was hated, and we buy that which is hated. … What is hated is usually cheap.”

Investing, Berkowitz noted, will never have consistently smooth, positive results. That’s not the way the economy works or the way people work, he said. “If you think it’s a smooth, easy process, then there’s a guy that’s in jail right now that you can give your money to: Madoff.”

Fairholme Capital’s Approach:
1. Buy what others hate, priced cheaply.
2. Focus on companies and sectors where you’ve made money before.
3. Look at whether an investment will be profitable – not at how profitable it might be.
4. Take risks against trends.

More from Berkowitz, including how he evaluates a company’s management and the five broad questions Fairholme asks when evaluating investments, in the video from his appearance:
bus.miami.edu/magazine
Journey of a Titan
REAL ESTATE INDUSTRY ICONS ON FINDING ENDURING SUCCESS
BY JENNIFER LECLAIRE

Every commercial real estate veteran suffers a few battle scars on the way to the top — and most industry icons will tell you they learned as much from their losses as their victories. Some of those icons shared their war stories — and their principles for success — with School of Business students in February.

New York real estate developer Steve Witkoff, CEO of The Witkoff Group and chair of the School’s Real Estate Programs Advisory Board, easily spoke about a low point: “The worst investment I ever made was purchasing 65 acres in Las Vegas. I thought I was going to be the second coming of Steve Wynn,” he said. Wynn had played a key role in revitalizing and expanding the Las Vegas Strip. “I got it all wrong,” Witkoff continued. “This is a risky business.”

Witkoff also pointed to what he thinks is one of his best investments: 150 Charles, a luxury condo project that overlooks the Hudson River in Manhattan’s West Village. Witkoff knew when he purchased the land in 2004 that it wouldn’t be an easy project. Indeed, it saw plenty of obstacles, including the real estate downturn, rezoning issues, opposition from local residents who filed a lawsuit to block construction and delays due to Hurricane Sandy. But Witkoff held the site.

Jay Bechtel, a real estate project executive at Google and parent of a School of Business student, noted that 150 Charles, which has become a condo success story, required commitment. “As a developer, you need the ability to see [the project] and the skills to fight for what you see,” he said. “You have to appreciate the complexity and staying power. Steve held that property for nearly a decade.”

Howard Lorber, president and CEO of Miami-based Vector Group and chairman of Douglas Elliman, the largest residential real estate brokerage in New York (which Vector owns 50% of), discussed how young developers can access capital. “There’s a lot of money available to invest, even with people who don’t have much experience, if the deal looks good,” said Lorber, a member of the School’s Real Estate Programs Board. “We might look at 150 deals before we find one to invest in. … This is not a get-rich-quick industry. It takes learning, training, ethics and experience.”

Manny de Zarraga (BSCE ’82, MBA ’83), executive managing director at real estate capital firm HFF, joined the discussion with a South Florida broker’s point of view. Also a Real Estate Board member, he talked about the most interesting real estate investments in the current environment. “I’d go where others are not going — suburban office,” he said. “You can buy suburban office for 40% of what it would cost to build.”

Snapping up investments for less than replacement cost is a solid strategy for developers looking to add value to an asset. But Google’s Bechtel warned students not to expect 100% success. “You are not going to get it right every time,” he said.

Witkoff also told the students to let their view of where the market is and where it’s going guide their decisions. If your view is accurate, he noted, you look smart. If it’s wrong, the newspaper headlines make sure you don’t forget it.

The veterans also put a heavy emphasis on finding the right partners, as well as on ethics. “Business ethics are critical,” Witkoff said. “You can’t [find] success in this life without your word meaning something.”
Five Trends in Emerging Markets’ Health Care Business

By Arun Sharma, professor of marketing and director of the UM JAE Leadership Institute

Although the health care sector in emerging markets will continue to grow, most multinational firms will not be able to capture much of that growth. Our research suggests that multinational firms will capture less than 20% of emerging market growth. Why? Because of these five trends:

1. Multinational firms will continue to lose market share in emerging markets. Multinationals have high growth-rate goals for emerging markets, which will be difficult to achieve. Analysis suggests that 71% of firms will not meet revenue or profit goals for emerging markets in 2013. Revenues of emerging market firms will continue to increase at higher rates than those of multinationals.

2. Investments in emerging markets will slow down because revenue growth from the U.S., Europe and Japan will be small or even negative. Multinationals will restructure/downsize in emerging markets, with some firms pulling out of some markets. Some will expand into consumer markets.

3. There will be a growth of “good enough” products in emerging markets. More buyers will seek “value” rather than the “best product,” leading to the growth of “good enough” products. Emerging market governments will make it easier for local firms to compete with multinational firms through preferential treatment of local firms, which traditionally focus on “good enough” products.

4. Firms that prosper in emerging markets will have strong “localization” and “access” strategies. Firms such as G.E., Siemens and Roche have successfully implemented localization strategies. Other firms will have to follow. Most will also need to develop “access” strategies in emerging markets to increase low access index scores.

5. Compliance rules will be relaxed. Multinationals have problems competing with local firms in emerging markets due to different compliance requirements. This will continue in the short term. In the long term, multinationals will examine global compliance rules, and some internal compliance rules will be relaxed for emerging markets.

Politics Has Predictable Stock Market Impact

Investors can benefit from understanding shifts, according to work presented by school faculty at Miami Behavioral Finance Conference by Jennifer Leclaire

President Obama’s second-term win means health care, real estate and construction stocks are likely to outperform the overall market during 2013, according to research by two of the School’s finance professors. And mining, firearms, defense and tobacco are likely to underperform.

The two professors examined the impact of changing political environments on the stock market, presenting their findings at the School’s third annual Miami Behavioral Finance Conference. Their overarching conclusion: As the political climate changes, investors make systematic shifts in their portfolios — and those shifts generate predictable patterns in stock returns.

“If we can predict election outcomes using available data, sophisticated traders might as well [use the data],” said Jawad M. Addoum, assistant professor of finance at the School, who presented the paper at the conference. He co-authored it with Alok Kumar, the School’s Gabelli Asset Management Professor of Finance.

Examining stock market reactions during previous changes in power, Addoum and Kumar crafted a trading strategy that, had an investor begun using it in 1939 — going long or short on particular industries based on which party won each election — could have exploited this predictable stock market pattern. It would have generated an annualized risk-adjusted return of about 6% between 1939 and 2011, in what is known as a self-funding long-minus-short trading strategy.

see “Politics,” page 10
**Politics from page 9**

“Predictability is strongest around elections with party changes,” Addoum said in his presentation. “The predictability patterns are also stronger during high-attention months surrounding the elections and years one and four of the presidential term — when the level of political awareness is higher.”

Certain market segments are more likely to be influenced by changes in the political climate, Addoum and Kumar found, and changes in power make the market more predictable. “Return predictability is almost twice as strong when the challenger party is victorious,” Addoum says. “As the election nears, we find evidence of portfolio rebalancing that could occur due to optimism, pessimism or for strategic reasons.” Specifically, stocks previously in the long portfolio experience negative returns as such elections near and continue to do so during the next 24 months, while stocks previously in the short portfolio steadily appreciate in value during the next 24 months.

Lenny Kostovetsky, assistant professor of finance at the University of Rochester, also joined the discussion at the conference. He largely agreed with the findings in Addoum’s and Kumar’s work, but raised some concerns. “The markets aren’t very efficient at evaluating political news,” Kostovetsky said. “The day after the election, the stock market fell 2.5%, even though the results were highly predictable. There are also other questions, such as what role does the party affiliation of the CEO play in the equation?”

**Industries Most Influenced by Politics**

Investors tend to short stocks in these industries based on the party holding the presidency (meaning they’re expected to lose value)

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**The Meaning of Cash**

**ON A COMPANY’S BALANCE SHEET, CASH CAN TELL YOU WHAT MANAGEMENT THINKS ABOUT THE FIRM’S FUTURE**

**BY BRETT GRAFF**

CASH - IT’S ONE OF THE MOST BASIC ELEMENTS of business, but one that’s rarely examined deeply. Accounting Professor Dhananjay “D.J.” Nanda challenged hundreds of top finance executives to re-examine cash at “The Middle Market – Our World of Opportunity in 2013.” The School was the academic sponsor for the international conference, held in January in Miami and hosted by The Alliance of Merger & Acquisition Advisors.

Debt and equity both have a value that’s affected by markets, but having cash on a balance sheet is a choice, Nanda said as he moderated a roundtable discussion on capital structure, organized by School partner the CFO Alliance. That choice reflects management’s personal view on where the business is headed. “When we look at balance sheets, we ask ourselves, ‘What are managers thinking about?”’ said Nanda, who has published a litany of related work. “And that’s what cash tells me.”

There are many reasons companies hold cash, Nanda pointed out. Having more liquid assets may reduce transaction costs. And, because companies must always pay suppliers and employees, cash helps protect against shocks during recessions. Also, it offers a safety blanket by making balance sheets appear healthy and vital. It satisfies some tax arbitrage motives, because U.S. companies that keep it tucked overseas can avoid paying taxes.

“There are good reasons and bad reasons to hold cash,” Nanda said. An example of a bad reason: holding cash simply because company leadership is out of ideas for growth or investment. “If you’re holding cash to sleep well as opposed to doing shareholders good,” Nanda said, “that’s not a good reason.”

**Insights**
THE UM COMMUNITY came together in a new way to celebrate and learn more about Chinese culture, thanks to two ambitious School of Business students. Students and staff had the opportunity to learn from calligraphy masters, watch traditional Chinese Han dances performed in customary dress and eat traditional foods as they celebrated the Chinese New Year in February.

School of Business student Shuo “Sean” Wang started the tradition of the celebration last year, when he was president of the Chinese Students & Scholars Association (CSSA). It continued this year with the help of Jia “Justin” Yan, an undergraduate marketing student at the School.

The CSSA and Asian-American Students Association collaborated to hold the campus celebration, which attracted more than 500 people. Designed to educate students about the Chinese New Year celebration as well as bridge cultural gaps, the successful event also earned the CSSA UM’s Organization of the Month award for the third time.

“This year, we had many talented students who worked for weeks to put on dances at the event,” said Yan, who is president of the CSSA. “Students were posting many photos from the events online and were very excited about what was going on.”

Wang, who discovered the CSSA shortly after arriving from China, saw its potential to be more than a club and a refuge for Chinese students. It could be a conduit for connecting non-Chinese students with Chinese students, and to help them learn about Asian culture. He began activities and events that allowed Western and Asian students and faculty to connect. When he became president of CSSA, he started fundraising for a Chinese New Year event.

Yan’s vision was somewhat unusual. “Many Chinese students don’t understand the need for that kind of networking,” said Ellen McPhillip, assistant dean for undergraduate business education. “But he became a leader of people.” The Chinese government has recognized the UM CSSA for providing Westerners with insights into Chinese culture. And Yan, the current CSSA president, hopes to continue to grow the event. “Next year, we want to invite more performers from other student organizations to represent their culture,” he said.
Find web-exclusive stories, video, photo galleries and more at bus.miami.edu/magazine. Share stories with others, browse and search back issues of BusinessMiami and access all the links mentioned in this issue.

**VIDEOS:**
- The entire Executive-in-Residence conversation between Fairholme Capital Management Founder Bruce Berkowitz and Andrea Heuson, professor of finance at the School
- Every session of the School's Real Estate Impact Conference
- Every session from “The Business of Health Care Post-Election,” hosted by the School and the Center for Health Sector Management and Policy
- Students, faculty and Gene Anderson, dean of the School of Business, on the school’s mission “to develop innovative ideas and principled leaders that transform global business and society”

**WEB-EXCLUSIVE STORIES:**
- Tips on doing business in Latin America from executives with Citi
- Vonage co-founder Jeff Pulver’s thoughts on taking risks and learning from failure, from his Hillel Business Leadership Talk
- Harvard Business Review blogs by Robert Plant, associate professor at the School: “Big-Data Platforms & Tools: Islands in the Stream of Extreme Data,” “Big Photo Data,” “Treat Everything as a Case Study,” “Call It Antisocial Media: Even Twitter Has a Dark Side” and “Does Your CEO Really Get Data Security?”

**PHOTOS FROM:**
- Undergraduate and graduate commencement, as well as the MBA Awards Ceremony and the 2013 Celebration of Excellence Awards for graduating School of Business seniors and faculty
- May’s Business Alumni Networking Reception at the Four Seasons Hotel Miami
- The Entrepreneurship Consulting Mixer, where a roasted pig and U-shaped cake from students’ consulting clients capped the School’s Student Entrepreneurship Consulting Program
- Scholarship Donor Recognition Luncheon
- UM’s Year of the Snake Chinese New Year celebration, spearheaded by a School student

**Undergraduates Join Students from Around the World in Case Competition**

Four undergraduate students from the School of Business represented the University of Miami in the CIBER Case Challenge, an international business case competition hosted by the University of Connecticut in October.

Robert Stacey, Gilad Ashpis, Thomas Fields and Aaron Middlen were teamed up with students from other universities around the world for the competition. Middlen, at the time a junior majoring in management, was part of a team that placed second overall.

“The case was challenging and the competition was intense, but I thoroughly enjoyed the experience,” Middlen said. “I had the pleasure of meeting and working with students from around the world, and I have made friendships and bonds with many of them.”

The four-person teams analyzed and presented international business case studies to judges, with each student on the team representing a different specific functional area, such as finance and accounting, marketing, management operations and IT.

The University of Miami Center for International Business Education and Research (CIBER), housed at the School, provided registration fees and traveling scholarships to the UM participants.
Students Learn from the Field

STUDENTS FROM THE SCHOOL’S real estate programs had the unique opportunity to meet with titans from the industry at an intimate roundtable and dinner in February. New York real estate developer Steve Witkoff, who is chair of the School’s Real Estate Programs Advisory Board, hosted the dinner at his Miami Beach home.

Ranging from freshmen to MBAs, the students ate and chatted with Witkoff and guests including Howard Lorber, chairman of Douglas Elliman, the largest residential real estate brokerage in New York, and president and CEO of Miami-based holding company Vector Group; Jay Bechtel, a real estate project executive at Google; and Manny de Zarraga (BSCE ’82, MBA ’83), executive managing director at real estate capital firm HFF. Lorber and de Zarraga are also members of the School’s Real Estate Programs Board.

“I remember what it was like when I was that age and I didn’t even have a clue where my life was going,” said Witkoff, who is CEO of The Witkoff Group. “The job market is tough. Our time together was very good for them. They heard some real stories, how it happens.”

The dinner party opened Austin Kallman’s eyes. Kallman, a freshman with a double major in marketing and management, admits he thought real estate development was about buying property you like, doing some repairs and selling it for a profit.

He sat across from Witkoff during dinner and got a fast education. “It’s all a little bit of a gamble. You can do loads of work, but at the end, the property could bring a loss,” Kallman said. “I found out that even leaders in the real estate industry miss it sometimes.”
Female MBA Students Honored

INTERNATIONAL TRADE ORGANIZATION HONORS TWO MBA STUDENTS

THE ORGANIZATION OF WOMEN in International Trade (OWIT) South Florida chapter honored two School of Business MBA students at its 11th International Business Woman of the Year Awards. More than 200 members of the South Florida business community attended the awards, held in November.

MBA students Anshy Kurian (far left) and Sharayu Kakhotiya (to right of check) each received a $2,000 OWIT scholarship for women pursuing degrees in international business.

The money for the scholarship was raised through a silent auction held during the event. OWIT is a networking and informational organization that promotes international business and trade.

Growing the Ranks of Citi ‘Canes

CITIGROUP, ALUMNUS AND SCHOOL WORK TOGETHER TO CREATE A PIPELINE OF GLOBALLY Minded GRADUATES

A PARTNERSHIP BETWEEN the School of Business, an active alumnus and Citigroup has led to the recruitment of nearly 50 young alumni and graduates by Citi during the past three years. Shortly after Bill Fisse (BBA ’75, MBA ’77) became the senior human resources officer for Citi’s Transaction Services business, the School began helping him identify and form relationships with students whom Citi might one day want to hire.

“We’ve been able to put together a strong contingent of University of Miami students over the last three years, and it allows Citi to recruit very strong global citizens, which is an important piece of their business strategy,” says Ellen McPhillip, assistant dean for undergraduate business education.

Students feel the impact of the partnership between Citi and the School from the beginning of their freshman year, when Fisse is the first guest speaker in their required first-semester “Management 100” course. He speaks to students about the importance of building their leadership brand and the career development opportunities they should engage in from the beginning of their college careers. This early engagement allows UM freshman to be ready for the recruiting process that Citi and many other financial firms engage in as they near graduation.

Undergraduate academics, career planning and placement and alumni relations work in tandem to bring students and Citi executives together throughout the year. This includes career fairs, bringing Citi executives to speak to student organizations or classes and networking with School alumni who currently work at Citi—a group Fisse has dubbed “Citi ‘Canes.”

The partnership has yielded benefits to students and to Citi. “We target eight to 10 universities to recruit our analysts and associates from in the U.S. – many of them from Ivy League schools. The Citi ‘Canes have more than held their own, and they have truly distinguished themselves within our organization,” Fisse says.

A year ago, Citi Latam – the company’s Latin American division, which is based in Fort Lauderdale – began hiring students from the School for full-semester paid internships. Students work full-time in a variety of roles, getting the opportunity to connect with people around Latin America.

This fall, a “reverse mentoring” initiative will connect School students with executives in Citi’s downtown Miami office to help the executives enhance their social networking capabilities.

“The partnership with Citi is great for us. The success we have had means we are producing the kinds of candidates who are globally minded and will be successful there,” McPhillip says. “They literally can go anywhere and fit into the corporate culture as well as the business operational culture.” That has helped elevate the perception of the University and the School, says Fisse, who adds that, “The evolution of the brand of the U into Academic U and Global U is a great story.”
Fighting Malaria

THE SCHOOL’S HYPERION COUNCIL HELPS NON-PROFIT MALAIKA FOR LIFE PLAN AN EXPANSION OF ITS MALARIA-FIGHTING EFFORTS

STUDENTS ON THE SCHOOL’S HYPERION COUNCIL helped a non-profit successfully launch several years ago, and as the organization looks to expand with a new business model, it has once again turned to Hyperion for assistance.

Malaika for Life raises money to fight malaria and help women grow their businesses by selling bracelets made by Tanzanian women. The Hyperion Council, which focuses on projects that strengthen the bonds between UM and the local business community, created a business plan for the non-profit, covering everything from marketing strategy to operations and a financial model for profitability.

The business plan helped Malaika become so successful that founders Kristen Kenney (BA ’06) and Anna Wascher decided to expand their efforts with a strategy targeted specifically to college campuses. They turned, once again, to the Hyperion Council. Members came up with a business plan that will utilize a formal program of volunteer student “ambassadors,” supervised by Hyperion Council members, to raise malaria awareness and sell Malaika bracelets on and around campus. The plan includes using social media, Hurricanes games, UM events and other student organizations to communicate Malaika’s message about malaria prevention and treatment – and about how inexpensive it is to help. The plan also envisions the student ambassadors approaching stores near campus about selling Malaika bracelets in ‘Canes colors, and details the training, task lists and promotional materials the endeavor will require.

“We want to use UM as the model, since Kristen Kenney was a ‘Cane who survived malaria,” says Ana Ruiz, a Hyperion Council member. The Hyperion Council will then refine the model based on its testing at UM, and help Malaika with a plan to roll it out to other college campuses as early as spring of 2014.

“The School of Business students have really been instrumental in creating the outline and coming up with a platform that we can execute at various campuses across the country,” Tenny says. “This is the beginning stage. The Hyperion Council’s job is to figure out how we can do it and how we keep it sustainable, given the resources we have here at Malaika.”

MBAs Place 3rd at Global Health Case Competition

FIVE UM MBA STUDENTS placed third at an international health-care case competition held in March at Emory University. Nearly 150 students from 24 universities competed at the sixth Emory Global Health Case Competition, focusing on the issue of world sanitation and its impact on China’s foreign-aid policy.

The UM team included second-year MBA Jason Siem; first-year MBA Nilam Singh; and MD/MBAs Karan Srivastava, Onyi Ugorji and Chaitanya Vadlamudi. Their performance topped those of teams from Boston University, Georgetown University, the National University of Singapore, Tulane University and the University of Virginia.

“I participated last year in this competition without experience in global public health,” Siem said. “I found the experience interesting and wanted to present a better final product this year, so I assisted with an epidemiology course over the summer at the UM School of Medicine. I was able to leverage that global public health style, my business background and experiences last year with the new team members’ unique perspectives to give a complete package that the judges appreciated.”

Johns Hopkins University took first place in the completion, and Yale University came in second. The multidisciplinary competition includes graduate and undergraduate students from fields such as agricultural and life sciences, business, engineering, law, medicine, nursing, public health, theology, the social sciences and the humanities. A multidisciplinary external panel of judges evaluated the presentations.
Faculty Share Their Expertise

In a blog post about whether CEOs really understand data security, Robert Plant, associate professor of computer information systems, wrote that:

“The CSO [chief security officer] is arguably a more valuable asset than the CFO because breaches cost a lot of money.”

The Wall Street Journal – 5/13/13
The MoneyBeat blog covered findings by Alok Kumar, the Gabelli Asset Management Professor of Finance, and George Korniotis, an assistant professor of finance, which found that the stocks of companies based in economically-troubled states offer a better money-making opportunity than stocks of companies based in more prosperous ones. “It was surprising,” Kumar says, “because all of behavioral finance theory says there shouldn’t be any predictability.”

CBS-4 TV (Miami) – 5/3/13
Claudia Townsend, an assistant professor of marketing, provided insight for a segment investigating the actual value of discounted products offered to consumers. She noted that consumers of all incomes are looking for deals:

“Even things like the dollar store are becoming more relevant to more consumers.”

Arun Sharma, a professor of marketing, noted in an article that revealed big rum companies do not focus on marketing their product based on where it is produced:

“The brand is more important than where it is produced.”

South Florida Sun-Sentinel – 4/3/13
Steven Ullman, director of the School’s Center for Health Sector Management and Policy, provided insight into the economic impact of expanding Medicaid in Florida. If health care providers receive payment for more of the services they deliver, they will hire more workers, he noted, adding that:

“The multiplier effects are two-and-a-half to three times the initial increase.”

Fortune – 3/18/13
Andrea Heuson, a finance professor, noted that rising mortgage interest rates “could bring serious purchases back to the market” as those who are considering buying move to lock in current rates.

C-SPAN – 3/1/13
The national network aired three panel sessions from the conference, “The Business of Health Care Post-Election,” which was hosted by the School.

GlobeSt.com – 2/27/13
The national commercial real estate publication featured several articles about the Real Estate Impact conference hosted by the School of Business and School of Architecture.

Forbes – 2/26/13
An article featured research by Christopher Cotton, an assistant professor of economics, which found that the gender gap in math skills disappears in math competitions when the game is longer or when time constraints are removed. The article noted that:

“Taste was not what caused the reactions. It was a longing for calories. ... Beware of savvy food marketers bearing bad news.”

Nightly Business Report” (PBS) – 2/27/13
Alok Kumar, the School’s Gabelli Asset Management Professor of Finance, and Jawad M. Ad-doum, an assistant professor of finance, discussed the impact of uncertainty about the fiscal cliff on investor behavior.

América Economía – 12/6/12
In an article about companies taking a political stand through social networks and media campaigns, Jeffrey Weinstock, a marketing lecturer at the School, noted that, “In other times, societies were even more polarized.” Yet, he added:

“We did not see demonstrations of political views by companies, which saw their role in society very clearly: make money and create value for the company’s directors and shareholders.”

Links to these articles, plus more school faculty in the news: bus.miami.edu/inthenews
Three Faculty Members Earn Tenure

FACULTY MEMBERS SANDRO C. ANDRADE, VIDHI CHHAOCHHARIA AND JULIANO LARAN HAVE BEEN PROMOTED TO ASSOCIATE PROFESSOR, WITH TENURE

Sandro Andrade is now an associate professor of finance, with research interests in international finance, emerging markets and investments. A native of Brazil, he has worked as a senior advisor in the foreign reserves department at Brazil’s central bank and as a senior financial analyst at BBM Investment Bank in that country. Andrade earned his PhD in finance from the University of California-Berkeley; he also has a master’s degree in engineering.

Vidhi Chhaouchharia, who is now also an associate professor of finance, specializes in international finance and corporate governance. A native of India, she earned her PhD in economics from Cornell University and has a master’s degree in quantitative economics and a bachelor’s in economics. Between earning her doctorate and beginning her academic career, Chhaouchharia worked as a financial economist for the World Bank in Washington, D.C., in the financial sector of the operations and policy department.

Juliano Laran, who is now an associate professor of marketing, focuses his research on self-regulation, associative learning and the cognitive properties of goals. His teaching interests include consumer behavior, international marketing, marketing management and marketing communications. After completing a master’s degree in marketing and a bachelor’s in business administration in Brazil, Laran earned his PhD in marketing at the University of Florida.

Faculty News

Founding Department Editor in Operations - Economics Interface

Haresh Gurnani, professor and Leslie D. Barnes Scholar of management at the School, was invited to serve as the founding department editor for a new Operations and Economics area of POM Journal, the journal of the Production and Operations Management Society.

Marketing Professor Receives Distinguished Appointments in China

A. “Parsu” Parasuraman, professor and holder of the James W. McLamore Chair in Marketing, has been appointed honorary guest professor by the South China University of Technology (SCUT) in Guangzhou, China, for a three-year period. The university also named him a member of the executive advisory board at its Institute of Supply Chain Integration and Service Innovation.

Middle East Quality Conference Keynote

Parasuraman also delivered a keynote address on “Fallacies and Facts about Delivering Superior Service Quality” at the Fourth Saudi National Quality Conference on Feb. 4. The conference, held at the University of Ha’il in Saudi Arabia, was in association with the Saudi Standards, Metrology and Quality Organization.

Recognition for Highly Cited Article

The publisher of the Journal of Retailing, Elsevier, commended Parasuraman and Michael Tsirios, professor of marketing, for having one of the most-cited articles published in the journal within the past five years. The two are co-authors of the article “Customer Experience Creation: Determinants, Dynamics and Management Strategies,” which examines the creation of a customer experience for retailers from historic and strategic perspectives. It was the third most-cited article published since 2007.

Health Sector Programs Director Among Nation’s Top Faculty

Steven Ullmann, professor of management and director of the School’s programs in health sector management and policy, has been named on the 2013 list of “100 Great Health Administration Professors” by MHA Guide. The list is based on personal achievements and leadership as well as the reputation of the health program at each professor’s school.

Community Service Honors

Ullmann was also one of four people honored for his service to the University, receiving the James W. McLamore Outstanding Service Award. The award, named after the co-founder of Burger King and former chair of the UM Board of Trustees, honors a member of the University community who has gone above and beyond the call of duty in service to the institution. Read more about Ullmann’s service to UM at bus.miami.edu/magazine.
MBA students, faculty share an inside look at conducting business in one of the world’s fastest-growing economies.

By Robert S. Benchley & Doreen Hemlock

INDIA: It’s an exotic, mysterious land in the minds of many Westerners who have never been there. Yet for the nearly 1.3 billion people who live in India, there’s no mystery. It’s simply home — in one of the world’s largest, fastest-growing economies. Since India’s government began opening its socialistic market in 1991, the South Asian country has been surging, lifting tens of millions of people out of poverty, multiplying its middle class and creating new global business groups. And the massive nation is shaping up to be even more important in the 21st century.

“GDP growth is estimated to average 9% annually over the next two decades, with income tripling, to make the country the world’s fifth-largest consumer market by 2025,” says Vaidy Jayaraman, associate professor of operations and supply chain management at the School. Jayaraman organized and led a recent course and trip to his native India, in conjunction with the UM Center for International Business Education and Research. (For more on the course, see page 23.)

Despite its huge opportunities, India has significant internal challenges, from red tape to vestiges of a restrictive caste system. Nineteen full-time MBA students learned both sides of India firsthand as part of a course on doing business with the booming nation. The students — who hailed from the United States, Latin America, the Caribbean, Austria and other locations — visited four cities and held meetings with various companies in India on their 12-day trip. They found a business culture different from anything they’d seen in the West or in other Asian nations. Along with faculty members who are experts on doing business in India, those students shared with BusinessMiami some of their most important insights into that business culture.

“My biggest takeaway in terms of doing business in India is that culture and business are inextricably woven together,” says Kristi Mooti Persad, a student of Indian heritage who grew up in Trinidad and Tobago in the Caribbean. “How you do business does not boil down to a simple cash-flow formula, but rather how you manage the relationships directly and indirectly affected by your transactions.

“India is a collectivist society that can be considered both rich and poor, both religious and secular, both urban and rural,” Mooti Persad adds. Decisions take the family and other groups into consideration more so than in the individualistic United States. “The key to success in India is understanding the culture,” she says.

Photos by UM MBA students
LARGE POPULATION, LARGE LAND MASS, LARGE INFRASTRUCTURE ISSUES

For Carlos Rosales, an MBA student from Venezuela and a veteran in international business, India stands out for its huge scale and density. The country is about the size of the United States east of the Mississippi, yet it has four times the population of the entire U.S. And birthrates are so high that India will soon surpass China as the world’s most populated nation.

Unlike communist China, India is rolling out new roads, ports and other infrastructure at a relatively slow pace, stymied in part by its fractious democracy. That presents big bottlenecks for investors.

“Doing business with Indian companies is not so different from doing business with companies anywhere else in our globalized economy,” Rosales says. “What makes it unique is doing business in India, a country with a very poor population, with an incredible lack of infrastructure — more than 600 million people live in isolated villages — but with people who are willing to work and excel in any area they go into.”

The shortage of infrastructure is palpable. Take Mumbai, formerly known as Bombay, the city of 20 million people that is considered India’s financial hub. Six percent of India’s GDP now is produced in the skyscraper-studded city. But traffic jams and slums also abound, as roads and housing for rural immigrants fail to keep pace with economic growth. Students saw abandoned buildings that were intended as multi-family housing but likely couldn’t get through the red tape or payoffs required to finish construction and licensing.

“As India now moves forward, its infrastructure system — especially in transportation and power — is behind,” says student Jonathan Steele. For business, that can mean everything from supply-chain challenges traversing poor roadways to blackouts.
And just because one area has power now doesn’t mean that it won’t face outages later. Pharmaceutical makers and other companies that depend on electricity, Steele says, need to look at growth projections and consider whether outages might affect their chosen location in five or six years.

Indeed, India’s sheer population size and growth tend to make everything about the country — good and bad — uncommonly large. For example, about 30% of Indians live in extreme poverty. That’s a smaller proportion than in 71 other countries, but it still tops 400 million people — more than all U.S. residents. That scale influences all aspects of society and business, such as education and even mechanization.

“How are the companies we visited were not very automated the way they would be in the U.S.,” says Gurtegh Singh, another student of Indian heritage, who was born and raised in Fort Lauderdale and regularly visits India. “That’s because, in India, the labor is so cheap that it’s less expensive to have a factory full of people than a factory full of machines. There was a lot more money invested in the labor than in the capital.”

UNDERSTANDING HIERARCHY
Abundant labor helps explain why Indian companies tend to have larger employee bases than many Western counterparts. But there are other cultural reasons for the relatively large number of managerial-level employees that students found in India, too, Jayaraman says. In a land where hierarchy, class and caste systems have deep roots over centuries, many Indians who earn college degrees expect to become managers straight out of school and won’t start in lower-level positions. Also, companies know that firing non-managerial employees is tough and

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**DOING BUSINESS IN INDIA**

**Five common mistakes foreigners make**

APPROACHING INDIA AS ONE COUNTRY. India is more of a collection of regions than a single national market, explains Vaidy Jayaraman, the faculty member who organized and led the trip. He notes that languages, customs and even government rules vary widely between regions. Look to do business in regional markets, not India as a whole, suggests Anuj Mehrotra, vice dean and professor of management science at the School.

ASSUMING ENGINEERS AND HIGH-TECH STAFF ABOUND. While India is known for its engineers and high-tech services, the elite schools that turn out skilled tech workers are relatively few. Many engineers take jobs abroad. “Tech companies are actually scrambling to find limited talent,” Mehrotra says. About one-fourth of India’s residents remain illiterate, especially women and those in rural areas.

FIGURING ENGLISH IS ENOUGH. Although English is an official language, a relic of India’s British colonial past, it’s generally a second language for residents. Their first language may be Hindi or any one of some 20 others. English is not prevalent in the hinterland or among many urban poor. “Even when people are speaking English, it’s often Hinglish, a mix of English and their native language,” Mehrotra says.

UNDERESTIMATING THE IMPORTANCE OF DEFEERENCE TO SENIOR MANAGERS. Foreigners tend to figure faster outcomes in India than is possible. Seniority and hierarchy matter in Indian government and business, and employees will always defer to a team manager or senior executive for a final decision. Along with red tape, this can slow down decision-making in both business and government.

DOWNPLAYING THE WEIGHT OF RELIGION AND SPIRITUALITY. While its constitution declares India a secular nation, religion and spirituality greatly influence daily life and business. Expect to see images of Shiva, Ganesh and other Hindu deities in taxis and office cubicles. Days considered auspicious may determine when a contract is signed or an event held. “Some foreigners don’t understand that,” Jayaraman says. “It’s just the way it is.”

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it’s all about the people that you know versus the amount of money that you have,” he says. “And the trust that you build with those people is key.”

At the same time, the culture of trust and connections, as well as the red tape inherent in the bureaucracy of India’s democratic government, have led to ample use of bribes to get things done. In fact, greasing the palm of government officials to speed bureaucracy is so common that such payments are often included as line items in company budgets, sometimes described as “business gifts.”

“Here it’s scandalous; there it’s embedded in the system,” says student Jody Klein. “So for a foreigner, if you don’t understand that it’s part of the system, you won’t be able to conduct business. … That was the biggest shock to me about doing business in India.”

The reasons that “business gifts” flourish are numerous. Some see links to centralized planning and the socialist market developed in newly independent India between 1947 and 1991. The government adopted so many rules, laws and policies for that complicated, closed system that it now takes incentives for officials to circumvent the antiquated tangle, says Anuj Mehrotra, vice dean and professor of management science at the School. Others link such gifts to the weakness of India’s political institutions, but Mehrotra points back to the cultural importance of relationships in all aspects of Indian life. “There’s a sense of getting things done by knowing people and having contacts,” he says.

On its corruption perception index, Transparency International ranks India in the murkier bottom half among 176 nations (tied at No. 94 with Mongolia). Its ranking may improve as India modernizes and its institutions strengthen.

Yet, doing business in India is not as risky as one might imagine. Both oral and written agreements are honored as a matter of course, Mooti Persad explains. It goes back to that embedded culture of trust in business, something the MBAs say they’ve rarely seen in other emerging economies.

“If I were a consultant advising other business people, I would tell them that India is a safe place to do business,” Rosales says. “Contracts are always kept, and there is a culture of contract enforcement. Indian business managers are always willing to work with foreign customers, and they are open to hearing the needs of customers in order to offer an appropriate solution.”

A SOMETIMES-CONFUSING GENDER GAP

Traditional and modern, India is in many ways a place of contrasts. Perhaps nowhere is that starker than in the treatment and status of women. On one hand, women hold positions of political power: Sonia Gandhi, widow of the late Prime Minister Rajiv Gandhi, leads the Indian National Congress Party. Women also are entering the labor force in surging numbers, now representing one in every four workers. Yet, studies show that just 5% of Indian women reach management posts, versus 20% on average worldwide. And last year, a Thomson Reuters Foundation poll ranked India as the world’s fourth most dangerous country for women, partly because of violence in a society where dating remains largely taboo, marriages are commonly arranged and divorce is still stigmatized.

Mooti Persad found herself surprised by how she was treated in one particular instance. “When we were getting off that flight from Delhi, there were guys that were pushing me constantly,” she says, noting that she looks Indian and may or may not have blended in. “I think that they expected somewhat of a more submissive and docile type of reaction from me, but when I turned around and said, ‘Hey, I’m standing there,’ … I
saw culture shock on their faces.” And while she has always lived in the West, while in India, Mooti Persad says she deliberately chose to be more conservative in her dress, censor her speech and keep to herself more.

THE ADVANTAGE OF ASPIRATION

As India further integrates into the world economy and lifts millions more people from poverty, more unusual mixes are likely. Innovations are already popping up, even related to meal delivery in major cities.

“Lunch in Mumbai is delivered by people who are Six Sigma-certified [for quality processes] but only have a fourth-grade education,” says Mooti Persad. “Traffic is impossible, yet they came up with a massive coding system that organizes lunch delivery. It opened up my eyes to the possibilities of where the world can go — how one country that is so diverse is making things work.”

What most emotionally moved the UM students in India, however, was not seeing novel businesses but meeting school children in a slum outside the southern city of Chennai. As part of a leadership education program called Karma Yoga, the MBA candidates joined peers from Chennai’s Great Lakes Institute of Management to visit an elementary school in the slum. The visitors took coloring books, stationery, chocolates and other gifts to the youngsters, who were mostly from poor families. Unaccustomed to receiving gifts, the children became wide-eyed with delight.

“I’ve never seen slums like I saw there,” Klein says. “It was heartbreaking, yet the kids had such a sense of pride and hope. When asked what their fathers did for a living, they answered proudly, even though it was some form of menial work. When asked what they wanted to be when they grew up, they all wanted to be professionals.”

A textbook alone can’t provide the deep insights into a business culture that a visit to a country can. That’s why the land of the Taj Mahal, Mahatma Gandhi and software engineers became the destination for “Doing Business in India” — a 12-day, for-credit spring break adventure that offered a firsthand look at corporate strategy, business education and mass-market culture, Indian-style.

“I wanted the students to be able to experience the real, modern world,” says Vaidy Jayaraman, who organized the course and visit, in conjunction with the UM Center for International Business Education and Research. “I thought, ‘Instead of talking about what is happening in India in the classroom, why don’t we go there and see for ourselves?’ My vision, however, was not a vacation trip. I wanted it to be a true academic experience — a two-credit course that would count toward one of their electives.”

The journey began on March 1, as Jayaraman and the students boarded a Lufthansa flight at Miami International Airport bound for Chennai, India — the nation’s automotive capital.

The group spent four days in Chennai, visiting companies including Rane, an automotive supply-chain firm, and Allsec Technologies, a business-process outsourcing and call-center services provider. The students also attended graduate classes at the Great Lakes Institute of Management (India’s No. 2-ranked large graduate business school) and discussed a case study that they had covered in Miami to prepare for the trip. “Interestingly,” says Jody Klein, an MBA candidate from Toronto, “there was more disagreement within our group about the case than there was between the Indian students and us as a whole.”

Next up, two days in Mumbai, the country’s financial capital, where the students visited another business school, the Durgadevi Saraf Institute of Management, and met top executives at retailer Future Group (Big Bazaar and Pantaloons) and logistics firm Dachser Services. While in the city, the juxtaposition of very rich and very poor jarred many in the group. “In Mumbai, I think the poverty hit me a bit more,” says student Anish Roopnarinesingh. “I think this is because now we’re seeing Range Rovers X6, X5 on the streets.”

Crowded hovels were just a stone’s throw away from Mumbai’s luxury car dealerships. “The imbalance between rich and poor in such proximity was too great for me to stomach,” he says.

From Mumbai, the group spent three days in New Delhi, India’s capital, with a day-long side trip to the city of Agra for tours of the Taj Mahal. Delhi visits featured the country’s Parliament House and Chintan, a “green” company trying to turn waste and recycling into economic opportunity for India’s poor.

All of the stops included chances for sightseeing, shopping, dining and other ways to experience Indian culture as a consumer. For example, visits to stores quickly taught the students the fine art of haggling. A rule of thumb: If you pay the asking price, you’ll probably pay about 90% more than you should. And advertised “sales” at discount prices — so common in the United States — are extremely rare in India.

Courses like Jayaraman’s, known as Global Immersion Electives, are an increasingly important part of the School’s MBA academic curriculum. The classes aim to provide students with experiences that enhance their knowledge and skills to succeed in a market that is becoming ever more global. “Experiential learning like this is a unique opportunity for students to connect theory with practice,” says Gene Anderson, dean of the School of Business. “And real-world experiences like the course in India help them develop the leadership capabilities and skills they will need for success in today’s complex, global business environment.” — RB
IN DEPTH: HEALTH CARE REFORM

THE ERA OF THE AFFORDABLE CARE ACT

National policy leaders provide insights on “The Business of Health Care Post-Election”
WILL PARTISAN BICKERING over the federal deficit sidetrack health care reform? Can the Affordable Care Act (ACA) be implemented successfully in the coming year? How will the changing landscape affect businesses, investors and health care providers? To shed light on those critical questions, the University of Miami School of Business brought together national health care policy and industry leaders for a Feb. 1 conference on “The Business of Health Care Post-Election,” hosted by the School’s Center for Health Sector Management and Policy. “Health care is one of the most complex issues facing our country today,” said Gene Anderson, the School’s dean, in his opening remarks. “Addressing those policy, planning and business challenges requires a collaborative approach and multidisciplinary thinking.” More than 700 business and health care executives, physicians, nurses and other providers, as well as undergraduate and graduate students, attended the conference at UM’s BankUnited Center. The conference was supported by presenting sponsors Bank of America Merrill Lynch and Florida Blue, as well as other organizations.

By Richard Westlund, MBA ’83
“We received an overwhelming response from the health care and business communities,” said Steven Ullmann, professor of management at the School of Business and director of the Center for Health Sector Management and Policy. “The timing was right to examine the policy and business issues that will be shaping health care in the next few years.”

The School’s multidisciplinary conference won high praise from attendees for its content. “The session topics were right on target,” said Geoffrey P. Todd, a consultant with BDC Advisors in Miami. “It spoke directly to the current challenges that we’ve seen in the health care sector and solidified our understanding of what market leaders believe will happen in the future.”

Jackie Gonzalez, senior vice president/chief nursing officer at Miami Children’s Hospital, and a doctoral candidate at the UM School of Nursing, called it a “thought-provoking, energizing conference,” particularly in regard to potential future care models for providers. “It’s important for providers to come together to visualize and operationalize the strategic opportunities in relation to the patient’s continuum of care, rather than continuing to focus on the traditional fee-for-service model,” she said.

PUTTING THE AFFORDABLE CARE ACT INTO PRACTICE

In his conference keynote address, former U.S. Senate majority leader Tom Daschle said that U.S. Supreme Court decisions upholding the Affordable Care Act and the re-election of President Obama in November helped settle the question of the government’s role in the nation’s private-public health care system. “While this is a time of tectonic change and uncertainty, the basic character of the American health sector will remain largely intact,” he predicted. “Despite the partisan debate, I think we do have a consensus on the basics. No one would disagree that there is a cost problem, and there is no debate about access to health care or the need for quality care.”

Daschle, who is a senior policy advisor at DLA Piper and co-leader of the Bipartisan Policy Center Health Project, also called on Congress to focus on the goals of the ACA — better patient outcomes and lower overall costs — rather than be sidetracked by partisan bickering. “Policymakers in Washington could decide to cut the federal budget and shift health care costs to the states and other stakeholders,” he said. “Instead of shifting costs, we need to redesign the system to improve the quality of care and bring down costs for the entire market.”

The first of three panel discussions at the day-long conference focused on “The Politics, Policy and Federal Budget Implications of Health Care Reform,” with Patrick Geraghty, chairman and CEO of insurer Florida Blue, serving as moderator.

Mark McClellan, who served as administrator for the Centers for Medicare & Medicaid Services and senior director of health care policy under President George W. Bush, focused on the difficulties in implementing the ACA in the coming year. “The first step involves setting up rules of the road,” said McClellan, now the director and Leonard D. Schaeffer chair in Health Policy Studies of the Engelberg Center for Health Care Reform at the Brookings Institution. “There will be bumps along the way, and some ACA provisions will likely be phased in gradually.”

Noting the complexity of the ACA’s provisions, McClellan called for a strong education and communications program for consumers. For instance, consumers should be able to purchase health insurance coverage through state-level marketplaces or exchanges beginning in October, but they will need significant education to prepare them to do so, he said.
Most other ACA provisions are set to go into effect on Jan. 1, and most participants expect that will happen, regardless of congressional wrangling. Chris Jennings, a former senior health care advisor to President Bill Clinton, noted that the ACA is President Obama’s signature legislative accomplishment, yet it incorporates a number of Republican approaches to health care reform, such as an expansion of the private insurance sector and no “public option” for direct government care.

“If you looked closely at the ACA, you would say it’s Mitt Romney’s bill,” he said. “In fact, if we wind up with a system that includes insurance exchanges in the states as well as employer-based coverage, we could wind up with an even more competitive marketplace.”

**ACA IMPACT ON INSURERS, EMPLOYERS**

The Affordable Care Act’s many provisions and the uncertainties of exactly how reform will play out ranked high among conference participants’ concerns. UM President Donna E. Shalala, former U.S. Secretary of Health and Human Services in the Clinton administration, acknowledged those concerns. “The ACA is facing a complex future as our nation deals with the emerging challenges and opportunities,” she said. “Events like this conference help bring the community together to exchange ideas and find solutions.”

The insurance industry has been thinking about ways to integrate ACA requirements into its business model for more than two years, although many employers have only just begun to contemplate what it will mean for their business. Both agree that for health care reform to succeed, consumers need affordable insurance options.

Although a main ACA goal is to increase the number of Americans who are covered by insurance, many of its provisions have the potential to increase insurance costs, noted Karen Ignagni, president and CEO of insurance trade association America’s Health Insurance Plans. “If we are to be successful in getting people into the system, affordability is the crucial thing. Otherwise, people simply won’t participate,” she noted, adding that the key to affordability is finding a way to reduce overall health care costs.

Individuals aren’t the only ones who may opt out of the system if costs are too high, said Anne E. Phelps, a principal, health care leader and member of the Washington Council at Ernst & Young. Although moderately sized to large employers must offer health insurance to full-time employees or face tax penalties, they could decide to drop health care coverage if they calculate that its costs are significantly higher than the penalty.

**WAYS THE ACA AIMS TO EXPAND HEALTH INSURANCE COVERAGE**

The primary goal of the Affordable Care Act (ACA) was to expand health insurance coverage to 32 million uninsured Americans.

- Individual mandate requires almost everyone to obtain coverage or face a penalty.
- Employers with 50 or more employees must provide coverage or face a penalty.
- State exchanges will pool buyers to make policies more affordable for individuals and small businesses.
- Medicaid will be expanded in many states, covering more individuals.
Currently, about 160 million Americans receive health insurance through their employers. “Employers provide this important benefit for a number of reasons,” Phelps said. “They want to offer a competitive salary and benefits package to attract and retain employees. They also recognize the advantages of having a healthy workforce and take advantage of the tax incentives.”

Phelps encouraged employers to continue to offer health insurance coverage. Employers, she suggested, should not look at the ACA requirements as a math equation, determining the cost per employee and multiplying that by the number of employees in the business, then deciding whether to offer coverage or pay penalties. If employers drop coverage because of higher costs, employees will likely ask for bigger paychecks to compensate, and employers will lose control of this important benefit. “There are many reasons why employers offer insurance, and we need to keep them in the game,” she concluded.

INEVITABLE DISRUPTIONS
While many employers have not yet prepared for the rollout of ACA provisions, major U.S. health plans have set up special units to be sure they are ready. “As we look forward to 2014, we want to minimize disruption and improve affordability,” Ignagni said. “But those are clearly major challenges at this point.”

Disruptions are inevitable. For instance, one little-known provision of the ACA calls for reducing the difference in premiums charged to older and younger policyholders to a three-to-one ratio. Currently, premiums for older Americans are typically five or six times higher than those for younger Americans, according to Ignagni. “That rating-band compression will put more financial pressure on younger and healthier people in their 20s and 30s,” she said. “Higher premiums could discourage young Americans from obtaining insurance coverage and work against the intent of the ACA.”

Ignagni also criticized a requirement that policyholders pay a federal sales tax when buying health insurance policies. “That makes no sense at all, and we’re asking Congress to remove that tax provision before [that part of] the ACA goes into effect,” she said.
WHAT CONSUMERS WILL FEEL
ACA implementation is likely to bring a mixed bag of benefits and drawbacks to consumers. For instance, Ignagni noted, it will continue to benefit consumers with more transparency in regard to health care costs and insurance premiums. “When consumers can see what medical services actually cost, they can make better choices,” she said. “That transparency can also help consumers determine what options they want in their insurance coverage.”

On the other hand, Phelps said, there are concerns as to whether there will be a shortage of primary care physicians when coverage is expanded to 32 million more Americans. “I may know how to buy a policy and how much it will cost, but will there be someone to take care of me and my family?” she said.

While participants at the conference debated multiple ways to increase the number of primary care physicians in the market (including addressing issues of medical school tuition and malpractice lawsuits), Shalala said that providing care to everyone will require expanded use of physician assistants, nurse practitioners and other health care professionals.

“We will have enough providers if we can expand the scope of these physician extenders,” she said. “This approach can increase physician productivity while creating new employment opportunities in health care.”

CHANGE BRINGS NEW BUSINESS OPPORTUNITIES
The transformation of the U.S. health care system is also creating business opportunities, from innovative technology investments to mergers and acquisitions among hospitals and physician groups.

“It’s not just policy directives in Washington and Tallahassee that create the health care environment,” said Richard L. Clarke, former president and CEO of the Healthcare Financial Management Association. “It’s also market trends and the decisions made by employers, providers and investors.”

Clarke moderated the third conference session, “Capitalizing on New Business Opportunities Arising From the Transformation of the U.S. Health Care System,” which explored how investors are responding to the industry’s changing landscape.

“Investment dollars like to go where there are inefficiencies,” said Robert Galvin, CEO and equity health care operating partner of investment firm The Blackstone Group. “To keep it simple, there are opportunities in cost reduction, consumerism and cutting-edge science and technology,” Galvin noted. However, he cautioned that it can be difficult to determine future revenue streams and potential return on investment when assessing opportunities in such a volatile sector.

CAPITALIZE ON CONSUMERS’ CHOICES AND NEEDS
Opportunities in consumerism revolve around helping consumers make informed decisions when choosing providers, insurance plans and medical services. “Most people don’t understand the system, especially on the cost side,” Galvin said. That lack of transparency creates opportunities for start-ups to create new consumer platforms that explain different health care services, compare providers and make pricing easily understandable.

For example, a patient might compare prices at local magnetic resonance imaging centers and decide to drive five extra miles to save hundreds of dollars for the same
diagnostic service. “That’s a logical decision, but very difficult today because patients just don’t have that pricing information,” Galvin said.

Other market opportunities exist in alternative medicine and wellness programs, as well as social networking platforms and mobile applications aimed at helping people stay healthy. “It’s important to look at the behavioral economics in these situations,” he added. “With wellness programs, for example, it’s more effective to give the right incentives to employees rather than sending emails that say ‘lose weight.’”

Promising innovations are also occurring in remote bio-monitoring technology; for instance, using devices connected to smart phones that read blood sugar levels and transmit the information to a nurse in a provider’s office. “That’s a convenient, cost-effective approach to preventive care that can produce better outcomes,” Galvin added. Other advances are being made in telemedicine, such as virtual doctor visits via a phone or Skype call. “When you think about disruptive technologies in health care, telemedicine may be a sector for investors to consider,” Galvin said.

NEW PROVIDER BUSINESS MODELS

Health care reform is also dramatically changing the business and operational models for hospitals, physician groups and other providers, according to panelist James T. Olsen, managing director and head of Healthcare Advisory Services for Bank of America Merrill Lynch.

“We have seen a tremendous pickup in M&A (merger and acquisition) activity in the past few years,” he said. “The financial crisis put tremendous pressure on many providers, especially the nonprofits. That was followed by significant pressures on the reimbursement side, and the ACA of 2010. It’s really been a perfect storm.”

Olsen expects consolidations to continue into the near future due to the nature of health care reform, which is seeking to reduce overall costs, in part, by emphasizing a collaborative approach among providers. “While health care is a very much a local industry, we are seeing a number of innovative partnerships being formed in response to the ACA,” he said. “It’s an exciting time for the industry.”

Not-for-profit health systems are forming some of the most innovative partnerships, Olsen said. For example, some are bringing in private equity capital for financial support, while others are seeking funding for deferred maintenance and improvement projects.

In general, hospitals and health systems — especially not-for-profits — are usually seeking greater integration of clinical services and broader delivery networks in the local market. “If you are the No. 5 provider in the local market, you may need to move up to first or second place in order...
to have the scale needed to be successful,” Olsen said. “Even large systems are doing portfolio analysis to see if it makes sense to divest in one market in order to achieve scale in another market.” This consolidation, he added, will support needed investments in health care delivery reforms and risk management.

However, Galvin emphasized the importance of finding the right balance between consolidation and competition. Mergers and acquisitions can get rid of excess capacity and wasted resources in a slower market, but if consolidation goes too far, the outcome can be less competition, which could lead to higher prices, he pointed out.

Despite those concerns, both Galvin and Olsen expect consolidation among providers to accelerate in the next few years, particularly among smaller regional health care systems. As Olsen said, “The survivors will be the ones who are able to deliver services more efficiently and manage risks more effectively.” Galvin, who sits on a health system board of directors, noted that running a hospital system today is incredibly difficult. It is, he said, like “having one foot on the dock and the other on the boat, and the current’s moving the boat out.”
Balancing

A relative paid for Hillelene Lustig’s (BBA ’55) School of Business education, and for more than two decades, her scholarship gift has helped other women earn accounting degrees as she did.
Accounts

When Hillelene (Bluming) Lustig (BBA ’55) was a student at the School of Business, there were only two other women studying accounting with her. “It was a different world back then,” says the 78-year-old, who still works as a CPA. “In my era, most women either became a nurse or a teacher.” Talented in math, with a bookkeeper mother, Lustig decided to try an accounting class and really loved it. That class was the beginning of an accounting career that has spanned nearly six decades.

None of it would have happened, though, without the help of a great-uncle. A doctor, he had delivered Lustig and had no children of his own, and he paid her college tuition. So, the 16-year-old New Yorker made her way to Florida, where that great-uncle lived, to attend UM.

“I had never been away from home,” Lustig recalls. “I was very naïve, but I knew at least I’d have someone here.” Terribly homesick and living in UM apartments, “I was very naïve, but I knew at least I’d have someone there.” And when she tried to return to New York, she found she couldn’t take the cold anymore. Lustig stayed the course in Miami, graduating at the age of 20 — not even old enough yet to take the CPA exam, which required that applicants be at least 21.

Breaking Glass Ceilings

As a woman, finding a job in accounting was difficult in the 1950s, Lustig says. She eventually got a job with a large local firm. “I don’t know why they hired me,” she says. “I really don’t know why.” She was the only woman working there. And, although she’d worked for an accountant for two years during college, at first the firm gave her no serious work. “In the beginning, I felt like a piece of furniture,” she says. “Then the war broke out and a lot of the men got drafted, so they gave me work to do.”

Lustig met her future husband, Edward Lustig (BBA ’56), while working at the firm where she was employed. He’d been a School of Business student (through the G.I. Bill) at the same time as she was, graduating six months after her. She didn’t remember him, but he remembered her. Initially, she was reluctant to go on a date with him. “I wanted to separate my personal life from my business life,” she says. A few years after they married, the two started their own CPA firm. While they both worked with clients, Lustig mostly ran the business, which had eight employees at its peak. They had their own practice for 17 years, eventually merging with another firm.

After Ed’s death in 1995, two years after he had a serious stroke, Lustig ended up partnering with the other firm and returning to practice on her own. She has no plans to retire, keeping her energy high with twice-weekly 6 a.m. workouts at the gym. “I like doing something constructive, and as long as nobody aggravates me and I have clients, I keep it up,” she says.

Through it all, Lustig maintained strong ties with the School of Business. She was president of the Alumni Association of the School of Business, which later folded into the University’s alumni association. Lustig has also been a champion of both her profession and women’s role in it. A past president of the American Society of Women Accountants, she also served eight years on the Florida Board of Accountancy and on that board’s Continuing Professional Education Committee. In 2003, the Jewish Museum of South Florida honored her with its “Breaking the Glass Ceiling” award, and she has been involved with a number of other charitable organizations, both locally and nationally.

A Scholarship is Started

Lustig has never forgotten the help she received to start it all — that great-uncle who paid for her tuition. Tuition plus on-campus room and board totaled $5,000 for four years, she recalls, noting that, “At that time, that was considered expensive.” Lustig wanted the opportunity to help other women like herself in that same way. After years of giving to the School, in 1991, she and her husband founded a scholarship for women studying accounting. Initially founded as a joint gift from the two of them, after his death in 1995, it later became a memorial scholarship, called the Edward and Hillelene Lustig Endowed Scholarship in Accounting.

After initially gifting an endowment to the School, Lustig continues to add to the scholarship every year. “My goal is to get it up to $100,000 if I live long enough,” she says. (The University’s requirements for endowed gifts have since changed.) Lustig has also made the scholarship the beneficiary of an annuity.

Over the years, Lustig’s gift has helped more than 25 students. “School is expensive today. A lot of people graduate, and they’re loaded with debt,” she says. “It’s satisfying to me to give back to people that find it difficult. [Even with the scholarship], it’s still expensive.”

Even as she continues to build the scholarship she and her husband founded, Lustig has inspired others to make gifts of their own. Her longtime friend, Herschel Rosenthal (BBA ’49), started a scholarship for students at the School this year. “He knew that I had a scholarship myself and he started thinking about it. [And] I talked him into starting one,” she says proudly.
CHANGING THE GAME

Industry leaders join the Schools of Business and Architecture to discuss career milestones,
When you gather the likes of Related Company’s Stephen M. Ross, Related Group’s Jorge Pérez, DACRA’s Craig Robins, Wells Fargo’s Mark Myers and a host of other movers and shakers in the real estate industry at a single event, you should expect standing-room only.

That was the scene at 600 Brickell on Feb. 22 as the University of Miami School of Business and School of Architecture hosted the second Real Estate Impact Conference. With two panel sessions and a keynote featuring real estate and financing thought leaders, the conference was flooded with professionals, students and alumni ready to learn and network.

The School of Business Real Estate Programs Advisory Board was instrumental in putting the conference together. They called on their personal connections with prominent real estate developers, financiers and others in the industry to speak at and moderate the conference. Board members saw it as an opportunity to share intellectual capital and as a forum for networking within the industry. They also felt it was an important chance for students in the School’s real estate program to learn from some of the top professionals in the field and network with them as well.

“I find it valuable to hear the panelists’ perspectives,” says Steven Witkoff, chair of the advisory board and chairman and CEO of The Witkoff Group. “They are sharing key data points. I want to get all the information I can. This conference was another forum for gathering information and networking.”

The partnership between two areas of academia and industry that led to the conference is helping advance both industry thinking and academic goals. “The conference contributes to the intellectual vitality of South Florida overall,” says School of Business Dean Gene Anderson. “It also helps build our reputation, and participants gain new insight about what the future holds for real estate, in the region and beyond.”

One panel session, “Game-Changing Real Estate Developers,” explored the power of the urban landscape to change the course of a city’s future. That panel featured Robins, CEO and president of DACRA, who made his mark on Miami Beach and is now focusing on the Design District, as well as Yaromir Steiner, CEO of Steiner and Associates. Attorney Neisen Kasdin from Akerman Senterfitt moderated the panel.

A second panel, “U.S. Commercial Real Estate Markets: The View from Home and Abroad,” explored the perspectives of both foreign and domestic investors on U.S. commercial markets, with a focus on South Florida. The panel included Seamus Foran, senior vice president of Brookfield Asset Management; Michael Fuchs, co-principal of RFR Holding; Paulo Melo, principal of Integra Solutions; and Mark L. Myers, executive vice president and group head, commercial real estate at Wells Fargo & Company. Witkoff moderated the session.

In the keynote session, UM President Donna E. Shalala introduced Ross, chairman of Related Companies, and Pérez, chairman of The Related Group. In a casual conversation, the two, who have partnered on many projects, asked each other questions about reshaping real estate markets in South Florida and around the world.

The conference made an impact on Thomas Bartelmo, president and CEO of Kislak. His company, along with Douglas Elliman Real Estate, DRA Advisors and The Witkoff Group, were lead conference...
sponsors. Bartelmo said part of his company’s culture is to give back to the community—and supporting education is a key part of that effort.

“Opportunities to assemble so many leaders in the real estate community in an educational setting dovetail with our philanthropy endeavors,” Bartelmo said. “Real estate is the number one industry in South Florida, and UM is the premier university in South Florida with a top-notch real estate program. It’s vital for UM to host conferences like this one.”

In the following pages, we share some of the speakers’ experiences dealing with the 2008 real estate crash and their recovery from it. For coverage of more topics from the conference, visit bus.miami.edu/RE2013.

2008: THE CRASH ROCKS THE INDUSTRY—HOW FOUR COMMERCIAL LEADERS SURVIVED

When a global economic crisis rocked the commercial real estate sector in 2008, the words “doom” and “gloom” couldn’t adequately describe the sentiment among most industry watchers. Even the optimists were pessimists, and the most prominent economists fell short of predictions.

“In 2008, we were fully expecting a boatload of opportunities that we couldn’t possibly have enough capital to take full advantage of,” said Seamus Foran, senior vice president at Brookfield Real Estate Opportunity Group, which focuses on opportunistic investments for the New York-based Brookfield Asset Management. “Over a very short period of time, that vast expected window closed appreciably.”

Brookfield anticipated that buying bad loans from U.S. banks would represent its biggest opportunity during the crash. Brookfield was wrong. When banks generated enough profits to restore their balance sheets more quickly than expected, Brookfield shifted its focus to acquiring companies and recapitalizing broken balance sheets and otherwise undermanaged real estate. Foran’s firm acquired or recapitalized several companies out of bankruptcy, including a $2.6 billion equity commitment to fund the recapitalization of General Growth Properties, a publicly-traded real estate investment trust in Chicago.

Integra Solutions, a real estate private equity company based in Miami, took a different approach during the crash.

“We had large liquidity in Brazil, which freed up capital for reinvestment. It was the perfect storm for us. By 2008, everybody was scared because of the magnitude of the crisis. Nobody knew how long it would take for the market to come back. We are always opportunists, but we also have a long-term approach,” said Melo, calling it a cultural mindset of Brazilian real estate developers. “We were patient, and it paid off.”

For Mark Myers, executive vice president and group head of commercial real estate at Wells Fargo, 2008 and 2009 felt like the eye of the storm. Wells Fargo was in the midst of the largest-ever bank merger with Wachovia in 2008. When the ink dried on the acquisition on Jan. 1, 2009, Wells Fargo inherited a $40 billion troubled real estate portfolio from Wachovia.

“It wasn’t clear where the markets were headed, the economic climate was soft and liquidity was challenging.
Our goal was to aggressively focus on managing risks and losses and executing on various restructuring, disposition and workout strategies to maximize the value of these assets,” Myers said. “It took us about three and a half years to work down the portfolio. Two things helped us. One, low interest rates, which inflated asset values and improved the refinance market. Two, an improving economic environment, which helped property level fundamentals.”

RFR Holding, a privately held New York-based real estate investment, development and management company, has chronicled its ups and downs since 2008—and they are telling. After launching in 1991, Michael Fuchs, co-founder and principal of RFR, had a good run until 2007. That year, the firm completed 350 transactions totaling $50 billion with an average price per square foot of $850. Then, suddenly, “someone switched off the light,” he said.

In 2009, his firm closed a mere 66 transactions totaling $5 billion and averaging about $350 per square foot. In 2012, that number rose to 250 transactions totaling $250 billion. Fuchs expects 2013 to surpass that volume. “I feel very bullish about the next three years,” he said. “After two and a half years of missed opportunities, this money is ready to get back into the market.”

2013: MONEY GETS BACK INTO THE MARKET

Other money is coming back into the market, too. In 2008, the financial locomotive came to a screeching halt. Banks weren’t lending. Private capital was holding back. And the commercial mortgage-backed securities (CMBS) market was in crisis. Real estate investors waited six to nine months to get properties refinanced, if they could get them refinanced at all.

Today the debt markets are quickly rebuilding. According to Myers, the CMBS market originated $40 billion in loans in 2012, and he expects that market to grow upward of 50% this year. Traditional banks are also liquid. “There’s about $10 trillion of deposit money sitting in banks today,” Myers said. “The loan-to-deposit ratio today stands at about 72%, suggesting significant room for additional loans to be made.”

The availability of low-interest-rate debt is causing even companies that haven’t historically borrowed to take loans. Paulo said Integra just closed on its first-ever loan after operating with a cash-only philosophy since launching the firm in 2001. “Because of our cultural baggage, we are relatively conservative in terms of how we leverage ourselves, especially in real estate,” he said. “We have a very hard time approving a project if it has to underwrite above a 65% leverage ratio.”

Brookfield is also leveraging the low-interest-rate environment. The firm refinanced about $12 billion of debt on a long-term basis in 2012. Now, Seamus said, his firm is trying to bring capital to international markets in which it operates because of the significant advantage of borrowing money in the U.S. “If we can bring in a lender like Wells Fargo to markets like Australia or South America,” he explains, “we save hundreds of millions over time just from creating a much more competitive and efficient marketplace.”

As for RFR, Fuchs is taking the same approach he’s taken for the past 20 years: buying quality assets in strong fundamental markets. As he sees it, the value of these assets remained through the downturn, but the liquidity to unleash the value dried up. “A couple of months ago, S&P changed

POSITIVE OUTLOOK

Signs that Money Is Back In the Market

- CMBS market originated $40 billion in loans in 2012
- Loan-to-deposit ratio around 72%
- Integra Solutions, formerly a cash-only investor, closed on its first loan
- Brookfield Asset Management refinanced $12 billion of debt on a long-term basis
the way it looks at how CMBS underwrites high-end assets,” he said. “We can again buy these superior assets with a decent debt stack in place. Lenders are listening again to our story. In 2011 and 2012, it was just a question of debt yield.”

**NEXT: MIAMI GROWS UP**

Looking locally, Brookfield is active in Miami through its investment in General Growth, which owns four malls in the region. It also acquired two multifamily assets in the past year and is looking for more opportunities. The office market, Foran said, is more difficult for Brookfield to justify.

“We try to be as efficient with our capital as possible. As a result, we just don’t find that bidding with 15 other groups on a single asset gives us the most efficient use of our capital,” said Foran, who shared disappointment that his firm unsuccessfully tried to buy Flagler twice. “Over the past five years, we haven’t had that many opportunities in Florida. It’s not a comment on the market. We tend to underwrite markets as the situations arise and as the opportunities are put in front of us.”

Wells Fargo’s Myers is still marveling at Miami’s rebound. During what he calls the “eye of the storm” in 2008 and 2009, experts predicted Miami had 10 to 12 years of new condo inventory on the market. But it took only a few years to absorb that inventory. Meanwhile, prices have recovered, and new condo towers are rising from the dirt without bank financing.

“Where does Miami fit on the U.S. stage as far as being a great city? Great cities have a combination of the following: great intellectual capital, a great infrastructure, great health care, great education — and the cities that are really thriving today have a technology component,” Myers said. “The tech piece, though, seems to be missing when you compare Miami against Boston, New York, San Francisco and L.A.”

From Melo’s Brazilian perspective, Miami is a young city, uniquely positioned for the future. He recalled Miami’s “bad rap” in the 1970s and ’80s and said it takes time to turn a city into a thriving metropolitan area. If Melo had to put an age on Miami in terms of its vision to become a true 24/7 city, he’d say Miami is about 35 years old.

“Some people say Miami has too much dependency on South American capital, but I look at it differently. South American capital is good for Miami and acts as a foundation that will help the city grow over time,” Melo said. “We need to take the next step. How do we attract long-term talent, industries and make this a magnet for human capital? That’s the next step for Miami.”

**IN DEPTH: REAL ESTATE TRENDS**

For more from the conference, including Pérez and Ross recollecting some of their career highlights and discussing Miami’s real estate future:

bus.miami.edu/realestate2013

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Spring Commencement

5/9/13 and 5/10/13—Nearly 400 undergraduate and 180 graduate students from the School of Business joined in spring 2013 commencement exercises at BankUnited Center.

More photos from the commencement ceremonies and reception, and from the MBA and undergraduate awards ceremonies: bus.miami.edu/magazine
Real Estate Impact Conference

The School of Business and School of Architecture hosted the second Real Estate Impact Conference on Feb. 22 at 600 Brickell in Miami. Two panel sessions and a keynote – as well as networking events – attracted industry professionals, students and alumni. Douglas Elliman, The Kislak Family Foundation and The Witkoff Group were presenting sponsors. More from the conference on page 34 and at bus.miami.edu/re2013.
The Business of Health Care Post-Election

More than 700 people attended the Feb. 1 conference, hosted by the School’s Center for Health Sector Management and Policy at the BankUnited Center. The conference was supported by presenting sponsors Bank of America Merrill Lynch and Florida Blue, as well as other organizations.

More from the conference on page 25 and at bus.miami.edu/healthcare2013.

1. Susan Pinnas and Javier Mendoza of AvMed.
2. Steven G. Ullmann, professor and director of the School’s Center for Health Sector Management and Policy; UM President Donna E. Shalala; Ernst & Young’s Hector Tundidor (MPRA ’05); CareCloud CEO Albert Santalo; and Cleveland Clinic CEO Bernardo B. Fernandez (BS ’83, MBA ’11), a member of the School’s Health Sector Management and Policy Advisory Board.
5. Schön Klinik’s Dieter Schön and Susanne Nolte-Schön with Memorial Health Care System’s Frank V. Sacco (BA ’70), a member of the School’s Health Sector Management and Policy Advisory Board.
6. Gabriel Decaran-Voigt, an MBA student and director of corporate alliances & executive education in health care at the School of Business; Amerigroup Corp.’s Karen Peralta; and Dean Eugene Anderson.
7. Ernst & Young’s Oscar Suarez, Florida Blue’s Penny Shaffer and Ernst & Young’s Hector Tundidor (MPRA ’05).
8. Quest Diagnostics’ Jack Sznapstajler (BS ’79, MSPH ’83).
9. Femwell’s Francisco Leon (BSEE ’81) and Vital MD Group Holding’s Glenn L. Salkind.
10. Vitas Student Scholars Vanessa Rayan, Michelle Barrios, Scott Sinclair, Lauren Beidron, Kristin Perez and Jamie Grossman.
Distinguished Speakers at the School of Business

11/8/12—Executive-in-Residence Bruce S. Berkowitz, founder of Fairholme Capital Management, on his investing advice (see story, page 7)

11/26/12—Matthew Rubel (MBA ‘80), former chairman, CEO and president of Collective Brands

1/23/13—Oscar Maaza, Citi’s managing director and cluster head for Citi LATAM region; Citi Transaction Services’ Bill Fisse (BBA ’75, MBA ’77), senior human resources officer, Gordon Joost, regional business head of the LATAM bank services group; Driss Temsamani, marketing director; and Daniella Quintero, (MS ’00, MBA ’01), assistant vice president and regional client sales manager; and John Mezias, associate professor of management at the School, on “Leveraging Global Business & Career Opportunities in Latin America”

1/29/13—Sze Lee, online and digital marketing strategist, on “The Power of Personal Branding and Online Reputation,” part of the Tonkinson Lecture Series

2/2/13—Sam Ballam III (BBA ‘72), partner at Cooke & Bieler, Lunch & Learn on the finance industry

2/23/13—Jeff Pulver, co-founder of Vonage, on taking risks and learning from failure, as part of the Hillel Business Leadership Talks

3/26/13—Napster Founding Chairman and CEO John Fanning, on the importance of following your passion

3/27/13—Cobb Leadership Lecture Series with Al Checchi (see story, page 3)

4/2/13—Rudolph Moise (MBA ’94, JD ’97), president of Comprehensive Health Center, on “Food for the Poor”

4/9/13—Joe Ankus, founder of Ankus Consulting, on “A Recruiter’s Perspective”

4/10/13—Jean-Michel Caffin, president of the Counsellors of External Commerce of France and managing partner of Axis America; Michael Claus, managing director of Hellmann Network and president of the German-American Chamber of Commerce; Pamela Fuertes (BAS ’98, AB ’99, MBA ’04), vice president of economic development programs at the Beacon Council; Ann Olazábal (MBA ’97), the School’s vice dean for undergraduate business education; Maria Lorcúsusino, UM lecturer; Maxime Larivé, UM Jean Monnet Postdoctoral Fellow, and Joaquín Roy, director of the UM European Union Center, on “Focus on Europe”

4/14/13—Executive-in-Residence Karl Schulze (BBA ’74), president of Schulze, Haynes, Loewenguth & Co

4/24/13—Mentor Program Appreciation Dinner

The School celebrated 22 years of mentoring with a dinner honoring student participants and mentors, including (from left) Eric Farmelant (BBA ’07, JD ’10), an attorney with Restani, Dittmar and Hauser, and Edward Baker, the School’s chair of management science and interim chair of computer information systems
Foreign Exchange

ILEANA MUSA, BBA ’91, INTERNATIONAL CREDIT & BANKING EXECUTIVE AND MANAGING DIRECTOR, GWIM BANKING, BANK OF AMERICA, MIAMI

Raised in Miami by a single mother, Cuban-born Ileana Musa was schooled in the power of a strong work ethic from an early age. “My mother worked three jobs,” she says, “and we were taught that if you worked hard enough, you would break through.”

That philosophy paid off when Musa won a scholarship to UM and was offered the chance to work in real estate title services at a local bank. She grabbed both opportunities, holding down a full-time job while pursuing her undergraduate degree and, subsequently, an MBA at Florida International University. By the time she left school, Musa had garnered an impressive set of financial skills and a discipline honed by balancing school and office work.

Interest in financial services sent her to New York, where she spent 13 years in leadership at BankBoston, JP Morgan Chase and her current company, Bank of America. Now in Miami, she heads the International Credit and Banking Group for GWIM Banking, a unit within the Global Wealth & Investment Management division of Bank of America. “This has been a career highlight for me because it’s the first time I’ve worked with teams around the globe,” says Musa, who spent the past three years building the business and leading a team that provides cash management, liquidity, and credit and lending solutions to clients in international markets. She is also involved with the firm’s sale of its non-U.S. wealth management operations to Julius Baer.

What Musa finds most rewarding, however, is the opportunity to change people’s lives. “In financial services, you can really make an impact; by helping people reach their financial goals, you can improve their lives,” she explains. “As a manager, you also have the ability to change employees’ lives by helping them develop and grow.”

Recently, Musa’s own life changed when she and husband Chaz Mena adopted their daughter, Anabella, but parenthood hasn’t slowed her down. “I just came back from leave, and it was great to step away knowing my company would support me,” she says. “I haven’t for a single moment doubted that I can continue to grow within this organization, add value for the firm and also be there for my family.”

—Jennifer Pellet
1970

YUTTACHAT BOONYARAT (BBA ’74) is based in Bangkok, Thailand, representing importers from countries around the world for KMB Company.

STEVEN GINSBURG (BBA ’73, JD ’76), a partner in the Atlanta office of Duane Morris, co-authored a chapter in the book Florida Civil Practice Before Trial, 10th Edition.

SANDRA P. GREENBLATT (MBA ’77, JD ’87) joined Lubell/Rosen Law Firm’s Coral Gables office as partner.

ARTHUR W. JASPER (BBA ’76) is a sales manager at Johnstone Supply in Springfield, Mass.

1980

BRUNO A. BARREIRO JR. (Alumn, Non-Grad ’86) won the 2012 election for Miami-Dade county commissioner, district 5.

ROBERT CHUDZINSKI (BBA ’90, MBA ’96) was named head coach of the National Football League’s Cleveland Browns.

MARY D. DAILEY (BBA ’84) represented the U.S. at the 2013 International Tennis Federation Seniors World Team Championships competition in Antalya, Turkey.

MANUEL DE ZARRAGA (BSCE ’82, MBA ’83), a member of the School’s Real Estate Programs Advisory Board, was named a top dealmaker of the year by the Daily Business Review.

RICHARD R. DIAZ (BBA ’82), general manager of dietary services for Springhill Medical Center, was honored as a statewide “Hospital Hero” by the Alabama Hospital Association.

JANETTE GARMIZO (BBA ’87) has been named senior vice president and compliance officer for Marquis Bank.

IAN PIERRE GOMES (MBA ’83) is the London-based head of advisory/markets for KPMG Lower Gulf.

ALEXANDER A. MENDEZ (BBA ’89, MBA ’96) was promoted to executive vice president of operations and chief financial officer of Mount Sinai Medical Center in Miami Beach.

PATRICIA MENENDEZ-CAMBO (BBA ’86) was named a top dealmaker of the year by the Daily Business Review.

Change Leader

PATRICIA MENENDEZ-CAMBO, BBA ’86, CHAIR, GLOBAL PRACTICE GROUP, CO-CHAIR, GLOBAL ENERGY & INFRASTRUCTURE PRACTICE, GREENBERG TRAURIG, MIAMI

Whether the role of law is to lead change or to follow it is an age-old question. Whatever the textbook answer may be, Patricia Menéndez-Cambo, an attorney who focuses on cross-border transactions, would argue that the increasing globalization of business has put the law squarely in the driver’s seat.

For example, Menéndez-Cambo, while still a law student, observed how Poland began modifying its foreign investment laws to eliminate barriers to private ownership. Her interest stemmed from her undergraduate economics training at the School of Business, which had focused on Eastern Europe. “Poland used the law as a way to advertise that they were looking for investment,” she says. “When the Iron Curtain fell, Poland was one of the first countries to become involved in foreign transactions. Changing the law was not enough; they used the law as a tool.”

Menéndez-Cambo is often the one wielding that tool today. As chair of the Global Practice Group and co-chair of the Global Energy & Infrastructure Practice at the international law firm of Greenberg Traurig, she works on mergers and acquisitions, joint ventures, corporate governance, capital markets, and general corporate and securities law matters. In that role, she has been lead counsel on numerous first-time cross-border transactions. “I am involved in many transactions that are direct foreign investments,” she says. “Some are in emerging markets, and you can see how direct investment benefits local markets: new businesses, job creation and new products that change the social and economic landscape.”

Greenberg Traurig is as global as its clients are, and Menéndez-Cambo has racked up more than her share of airline miles traveling throughout the world to make transactions happen. Like many frequently traveling businesspeople, she believes there is no substitute for face-to-face contact. “The Internet and video conferencing have helped significantly from an implementation perspective,” she says, “but there is still something that comes from being in a meeting and understanding the culture of the country in which you are doing a transaction. You can’t replace the interaction that you get from being there in person.”

Still, it challenges Menéndez-Cambo, who is married with four children, to achieve a work-life balance. She credits her team at Greenberg Traurig with helping her find that balance. “It would be impossible to do what I do without them,” she says. “Many went to UM, so we share a commitment to excellence and a commitment to adventure.”

—Robert S. Benchley

COUNSEL CULTURE
Patricia Menéndez-Cambo travels the world as an attorney for Greenberg Traurig.
Finding His Role

PAUL NICHOLAS, MBA ’94, ACTOR AND DIRECTOR, NEW YORK CITY

He’s a former businessman, but despite an acting history that begins at the age of 10, he hasn’t played one on TV. Although his mother is an actress — she played Lady Macbeth alongside his young Macduff in his debut — Miami native Paul Nicholas was discouraged from pursuing the actor’s life. “My grandparents, who helped raise me, said it wasn’t a real job,” he says.

Despite an inner thespian voice, Nicholas enrolled as a full-time MBA student at the School, concentrating in finance, marketing and international business. He parlayed that into a position in international banking. “I was acting on the side,” he says, “and eventually said to myself, that’s what I really want to do.”

Nicholas moved to New York, envisioning becoming an instant star. After a couple of years, however, he was still just another aspiring actor in The Big Apple. “I realized I needed some training,” he says. In 2001, Nicholas accepted an acting fellowship at the Shakespeare Theatre Company in Washington, D.C., which led to a Master of Fine Arts degree from The George Washington University’s Academy for Classical Acting.

He moved back to New York, where he has since landed various TV, film and stage roles. Beginning in 2005, Nicholas has appeared numerous times in NBC’s “Law & Order” series, most recently in the recurring part of attorney Linden Delroy, a public defender on “Law & Order: SVU.” He’s also directed several stage productions, including “Yellowman,” for Henley Street Theater in Richmond, Va., and “The Water Children,” at New York’s Theater 54 at Shelter Studios, which received favorable reviews in The New York Times and Backstage. This fall, Nicholas will direct “Hamlet” for The MIT Shakespeare Ensemble in Boston.

While he may not have business at the forefront of his life, Nicholas values his MBA skills. “This is a business with tremendous ups and downs, emotionally and financially,” he says. “You have to know how to manage your finances, debt and budget, or you can get in trouble. Plus, in times when I’ve had to find other work, having ‘MBA’ on my résumé helps.”

—Bob Woods

EDWARD A. MORTON (MBA ’82) was named as one of five new members to Florida’s state university governing board.

JOHN R. O’CONNOR (BBA ’84) was promoted to the rank of major general in the U.S. Army.

MICHAEL S. ROSEN (MBA ’84) is a senior vice president in new business development at Forest City Science + Technology Group in Lake Forest, Ill. He resides in Skokie, Ill.

ROBERTO W. TRIGUEROS (BBA ’83) joined the Pediatric Brain Tumor Foundation in 2008 as a national ride manager.

HOLLY WIEDMAN (MBA ’80) was named executive vice president of the Metro Orlando Economic Commission. She had been executive vice president of the Miami-Dade Beacon Council.

1990s

CHRIS A. APONE (BBA ’99, MBA ’01) was named a top dealmaker of the year by the Daily Business Review.

FRANCES CASTELLI SENTI (MBA ’97) is area general manager for Bayview Center for Mental Health in North Miami Beach.

MARIO M. CRISTOBAL (BBA ’93, MALS ’99) was hired as the offensive line coach and assistant head coach at the University of Alabama.

FRANK DIAZ (BBA ’98) was appointed to the Housing Finance Authority of Miami-Dade County.

PATRICK J. DWYER (MBA ’93) is a Merrill Lynch private wealth advisor named to Barron’s “America’s Top 100 Advisors” list. This is his sixth appearance on the list.

PETER J. GOLDBEIN (MBA ’97), a financial-services veteran, was appointed chairman of the board of directors of Staffing 360.

ERICK GONZALES (BBA ’97) was promoted to senior manager of marketing for Hyundai Capital America, the captive finance arm for both Hyundai Motors and Kia Motors.

ERIC R. GROFFMAN (BBA ’99) was named a top dealmaker of the year by the Daily Business Review.
DAVID E. IVY JR. (MBA ’95) was recently promoted to marketing director of Brazil for The Sherwin-Williams Company. He is based in that country, and is responsible for architectural, industrial and aerosol ranges.

PAUL NICHOLAS (MBA ’94) has been playing the role of public defender Linden Delroy in the NBC show “Law and Order: SVU.” This is his eighth season.

ILKKA J. OJALA (BBA ’91) was named a top dealmaker of the year by the Daily Business Review.

J.D. PATTERSON (MPA ’98) was promoted to police director for Miami-Dade County.

LEE ANNE PERKINS (BBA ’92) has opened her own law firm, L.A. Perkins Law Firm PLLC, in Boca Raton.

LINDA RIGNEY VERPLANK (MBA ’97, MS ’97) was promoted to senior vice president, global partnership director for Kantar Health. She relocated to Madrid in this commercial development role for southern Europe.

RICK J. SAGESSE (BBA ’98) is the owner of Naples-based Think Outside the Diamond, which helps kids and adults with baseball and softball skills. He is also a success coach for companies.

SAHIL SRIVASTAVA (MBA ’95) was appointed vice president of business development and sales at Hooper Holmes, a risk-assessment services firm.

JUSTIN R. STEINMARK (BBA ’99) was promoted to special counsel with the law firm of Stroock & Stroock & Lavan.

CHRIS VAN BERKEL (BBA ’94) is a senior executive in Accenture’s Federal Client Services group in Reston, Va.

JOY WEBB SMITH (BBA ’90) is the director of Homestead-based Agero.

BRENDA K. YESTER (BBA ’90), Carnival Cruise Line’s SVP of revenue management, received the Nancy J. Strom Spirit Award for helping grant the wishes of nearly 5,000 sick children during her nine years on the board of Make-A-Wish Southern Florida.

High-Energy Finance

ROBERTO MORENO, BBA ’08, MANAGING DIRECTOR-EUROPE, ZUMBA FITNESS, LONDON

In 2007, Roberto Moreno was a 22-year-old UM junior when he got a call from Alberto Aghion, who was looking for accounting help at his startup, Zumba Fitness. Moreno wasn’t especially interested, since he was working at a prestigious tax and audit firm at the time. But Aghion was from Bogota, Colombia, as was Moreno, who had moved to the U.S. at age 14. “Because Alberto and I grew up in the same community, and Zumba sounded interesting, I met with him,” Moreno says.

Aghion was COO of Zumba Fitness, and Alberto Perlman, CEO of the Hallandale Beach-based company, explained its potential as a high-energy, dance-based fitness business. “I was hesitant, because it was a small company with four employees,” Moreno says. Nevertheless, he adds, “I fell in love with the idea, and I became the fifth person at Zumba [Fitness].”

Moreno spent the next several months putting the books in order, along with finishing school. As the company’s CFO, he not only oversaw financial matters, but also took an active interest in broader business issues — which only made sense, he says. “When you handle the money in a company, you know the company. Everything goes across your desk,” he says. “Also, I’m an entrepreneur at heart, and I wanted to look for ways to grow the business.”

Moreno came up with the idea of offering a Zumba Fitness clothing line tied into the classes. In November 2007, Zumba Fitness put a few hundred items up for sale on its website — and quickly sold them all. Moreno credits Melanie Canevero, the apparel department’s first employee, for the line’s vision. He focused on building a clothing business from the ground up, sourcing products, pricing items and staying late to pack orders for shipment. The clothing was a huge hit, he says, and last year the company sold some 4 million items.

Today, Zumba Fitness is a high-profile brand with 250 employees; classes in more than 185 countries; and a growing lineup of products, including hugely successful video games and DVDs. And it was named Inc. magazine’s company of the year in 2012.

With Zumba Fitness’s expanding international presence, Moreno took on a new role earlier this year as managing director of European operations and head of international business development. He now divides his time between the company’s Florida headquarters and its London office.

Looking ahead, Moreno says he wants to be part of a continued growth story: “We now have 14 million people taking Zumba classes, and we want to get to 100 million. That is a high goal — but if you don’t set high goals, you don’t get where you want to go.”

—Peter Haapaniemi
BRADFORD J. Ames (BBA ’07) is now the chief financial officer of Banyan Finance in Delray Beach.

BRANDON BERNARDO (BBA ’08) was named vice president of Roll-N-Lock Corporation in Pompano Beach.

DANA DOMBEY (BBA ’09) recently graduated from Harvard Law School.

KENNETH S. DORSEY (BBA ’02) was promoted to quarterbacks coach of the National Football League’s Carolina Panthers.

PEDRO FABREGAS (MSPM ’08), a member of the School’s Board of Overseers, was named a top 25 executive by Hispanic Business.com.

Justin Gaither (BBA ’08) co-founded RoomSurf.com, a social network that helps students find potential roommates, and TextSurf.com, a textbook price-comparison website, with fellow School alumnus Dan Thibodeau (BBA ’08).

Victoria N. Garza (BBA ’01) has been hired by the Austin Business Journal to report on government, legal and transportation issues affecting that Texas city.

DENISE GRIMSLY (MBA ’03) won election to the Florida Senate, District 21, in 2012.

Ali Jaffer (BBA ’09) is marketing director for Jaffer Medical Group in Hollywood.

Matthew H. Kustel (BBA ’09) has taken a position as the economic officer in the U.S. Embassy Vientiane in Laos.

Sze Liu (EMBA ’04) is the CEO and founder of Miami Beach-based BS2 Creative Marketing & Design and co-founder of Wiredin Women.

Daniel Manimbo (BBA ’09) recently became a certified public accountant in the state of Florida and has been with Kapila and Company for one year as a forensic accountant, performing bankruptcy and fraud analyses.

Timothy M. Malinovsky (MBA ’07) is a sales analyst at Ste Michelle Wine Estates in Orlando.

Patrick E. Murphy (BBA ’06) was elected to the U.S. House of Representatives, Florida District 18, in 2012.

Adam P. Parmenter (BBA ’02), who is associate director of alumni relations and men’s basketball head coach at Mercy College in Dobbs Ferry, NY, received the 2013 Rising Star Award at the Council for Advancement and Support of Education District II Conference in Pittsburgh.

Hema A. Persad (BBA ’04) joined the Carlson Fields in Tampa as an associate.

Louis R. Pizano (MBA ’08) has held the C. Gillon Ward Endowed Chair in the Division of Burns at the UM Miller School of Medicine since May 2012.

Marcelo Sequence (MBA ’03) is the manager of recruitment and talent acquisition for HBO Latin America.

Adam Spector (MBA ’08, JD ’08) founded The Coral Restoration Foundation, which has worked to get nearly 30,000 coral replanted. He also began his own start-up called Virture, which focuses on social identity.

Christopher Swift-Perez (BBA ’09) recently graduated from Harvard Law School.

Dan Thibodeau (BBA ’08) co-founded RoomSurf.com, a social network that helps students find potential roommates, and TextSurf.com, a textbook price-comparison website, with fellow School alumnus Justin Gaither (BBA ’08).

Jonathan Vilma (BBA ’04) is one of four co-owners of Brother Jimmy’s BBQ, a restaurant in Mary Brickell Village. All of the owners are UM alumni.

Oscar Gonzalez (MBA ’11) was recently named vice president of HSBC Private Bank International.

Christopher D. Poore (BBA ’12) and Ronald J. Rick (BBA ’12) opened the 46th College Hunks Hauling Junk franchise this past December in Miami.

Melissa A. Saietta (MBA ’11) started the company Beyond Yoga, which will hold yoga retreats in Italy this summer.

Pilar Urrego (MBA ’11) joined HSBC Bank USA as senior vice president and area manager for Florida. She had been with Merrill Lynch.

Songfong T. Wang (JD ’09, MBA ’10) co-founded the firm Yang & Wang, an intellectual property firm which recently was awarded the U.S. Congressional Certificate of Recognition.
Although he came to UM planning to be a physician, Pete Piechoski (BBA '76) quickly transferred to the School of Business. Today, he is senior vice president and chief financial officer of Peter Kiewit Sons’, an $11.5 billion construction, engineering, infrastructure and mining company based in Omaha, Neb. How he got there, though, is kind of a long story. It started back in 1984, when Piechoski, just back from a stint in Asia for Abbott Laboratories, connected with Tanner Companies LLC, a small private firm with about $500 million in revenue.

**From CFO to District Controller and Back Again**

By Pete Piechoski, BBA ’76
TANNER HIRED ME as the accounting manager. It was a third-generation, family-owned business with 18 people running the company and no one in charge. They were trying to sell the company, but they didn’t have a good accounting system and the books didn’t balance, so they needed someone to turn things around.

On my first day, I reported to the controller’s office, and he asked me, “Who are you?” After explaining that I was the new accounting manager, he said, “I didn’t hire any accounting manager,” and made a few phone calls. After a while, he said, “I guess they hired you. Let me take you back to your office and give you some time to settle in, and we’ll get back together later.”

The controller led me outside into a trailer; it was an open room with no furniture and a phone in the center of the room on a long cord. “Make yourself comfortable,” he told me. “Meet your staff. We’ll meet back up in a couple hours and go to lunch.”

An hour later, the IT manager visited me and told me to cancel my calls. After a while, he said, “I guess they hired you. Let me take you back to your office and give you some time to settle in, and we’ll get back together later.”

That was a point when I could’ve left. But I told myself that I was already there, and that even though this company needed a lot of work, I knew I could add at least some value. Plus, it’s a lot easier to look good in chaos, so I ended up staying.

That was 1984, and I was 30 years old. In less than three months, I became a CFO in charge of accounting, IT, treasury, banking, insurance, planning and analysis, HR, mergers and acquisitions.

A good part of what I did was get Tanner to stop doing certain things. The company used an in-house software product for the general ledger, but there were too many changes made on a daily basis. During the end-of-year audit, the books wouldn’t balance, so they would do one-legged journal entries — credits or debits without corresponding entries. As a result, whenever there was a transaction, it wouldn’t post to the ledger correctly, and they were getting low-balled on offers for the company.

I was asked to fix the system so that it would be easier to do the one-legged journal entries, and I asked, “In what universe would we want to do that?”

We did away with those entries and cleaned up our processes, and, in 1987, we were sold to Ashland Oil in Lexington, Ky., which had departments for all of that. I was beginning to work my way out of a job when the president of one of Ashland’s five districts asked me to be a district controller.

At this point, I was a full-charge CFO for a $500 million company and had a chip on my shoulder, and I was looking at that as a step down in my career. As a controller, I would only be in charge of cost accounting for about 25 plants. I would be putting together cost reports — I wouldn’t really have any balance sheet responsibility.

Then I thought, “I’ve never done cost accounting.” I had only been a corporate guy and never a line guy, and there’s a big difference. The line positions are the ones who actually make the money in the field. So I decided to take the job, and I was out with the moneymakers: They have great jobs, and they add value.

As a CFO, you’re in the home office meeting with bankers and accountants. No one there is actually making the money, but you have better visibility to the customers, and you feel like you’re adding value to the company. I learned that if you provide the line guys with the tools to make more money and help them do their jobs better, they feel valued, and you form a special camaraderie.

In 1995, Ashland sold Tanner to Peter Kiewit. In 1999, Peter Kiewit asked me to move to its headquarters in Omaha. They asked if I’d like to come back and run their internal audit department. The CFO was retiring, and although they wouldn’t just give me the job, they wanted me to compete for it.

This would be my third gig in internal audit. I’d been a CFO, I’d been a line guy for 10 years, and I wasn’t sure who I was up against, but I was willing to compete. There were only two competitors: One guy had home office experience and no operational experience in field; the other guy had all operational experience but never spent time in the home office. I was a CPA and MBA, I had done all the financial CFO stuff and I’d also done very high-level field accounting and related well to operational people.

Nine months later, they made me the CFO. I had to deal with the SEC and the IRS; if you’re strictly a field guy, that’s a whole other world to you. Luckily, I had a good balance of both sides, and I think that was the key.

If you’re going to take steps down and around, make sure it’s something that will broaden your experience or allow you to work with a really great leader. Look at who you’re going to work for and look at their leadership skills and personality.

As a CFO, I handle banking, insurance, treasury and strategic planning, so many areas report to me. If I just ran up the straight line from account manager to CFO instead of taking those steps down, I may not have learned much of anything about any of those things, and I definitely wouldn’t be the leader I am today.

—As told to Rob Sobalcarro

For more, including how Piechoski ended up at the School of Business and what he learned from working overseas:

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THE LEADER OF CHAMPIONS.

KIM STONE, UM MBA 2003
EXECUTIVE VICE PRESIDENT, MIAMI HEAT
GENERAL MANAGER, AMERICAN AIRLINES ARENA

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