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Contents

Developing Global Leaders at the Crossroads of the Americas®

VOLUME XIX, NUMBER 2

DEPARTMENTS:

2 From the Dean

3 At the Forefront
Focus on Brazil

4 Thought Leadership

Hospitals immune to shame; pursuing your goals; making money in real estate

7 Insights

Brexit; CEOs get more negative over time; the on-demand economy; EQ in finance; whisper ratings

11 Out in Front

Anuj Mehrotra leads the School; new scholarships; marketing scholars storm New York; and more

16 Faculty News

18 In the News

Faculty experts on marijuana and BMI; Zika's impact on Miami Beach; tall, thin people's investments; and other timely topics

40 Events

Homecoming and other events

43 Alumni News

48 How I Did It

Fortune International Group's Edgardo Defortuna on selling Miami real estate internationally

FEATURES:

19 Raising Funds From the 'Crowd'

Alumni tap into the evolving world of rewards, donations and equity crowdfunding.

24 Navigating Compliance

It's a new era of personal accountability. What that means and how to prepare.

30 Corporate Social Responsibility

Research shows the right CSR programs can have measurable performance impact.

34 Business ForUM

Experts on cybersecurity, big data, tax rules and other financial topics.

38 A Lasting Legacy

A scholarship pays honor to a relationship born at the School.





Transitioning to Our New Century

SINCE TAKING ON MY new role leading the School of Business in July of this year, I've had the pleasure of deepening many existing relationships and fostering new ones. I have enjoyed meeting alumni and parents in New York, Boston, Philadelphia and other cities, and sharing our world-class faculty's expertise with companies around South Florida. I am energized by your support, goodwill and excitement. Without you, the School wouldn't be the well-positioned global institution it is today.

There is plenty more to be excited about. In the Roadmap to Our New Century, University President Julio Frenk outlined a number of initiatives, including attracting, retaining and rewarding outstanding faculty; interdisciplinary inquiry; creating a culture of belonging; working to become a hemispheric innovation hub; and educational innovation. These goals will sharpen the focuses the School already had.

I'm particularly proud of the way we have continued to build our talented faculty and research capabilities. This school year, 13 new faculty members joined the School, including one of the world's top marketing researchers, Chris Janiszewski (read more on page 16). We also have 14 new PhD students at the School, for 47 PhD students total.

The School has excellent leadership in place, including two new vice deans. Michael Tsiros, chair and professor of marketing, is now vice dean for faculty

affairs, and Arun Sharma, professor of marketing, became vice dean for graduate business programs and executive education. Ann Morales Olazábal (MBA '97) continues in her role as vice dean for undergraduate business programs. Other faculty members have also stepped up in new leadership roles. Marianna Makri, associate professor of strategy and entrepreneurship, is now director of the School's entrepreneurship programs. Doug Emery, a finance professor, became director of the School's Executive MBA for Artists & Athletes program. Management science faculty members Doug Lehmann and Daniel McGibney are leading our Master of Science in Business Analytics program. And Tallys Yunes, associate professor of management science, is now director of our Online Professional MBA program.

We seek the support of the entire School of Business community – alumni, donors, friends, staff, students, parents and faculty – in this journey. Please consider a gift of your time, talent or treasure; together, we have an opportunity to achieve our aspirations.

Finally, please share your thoughts about the School's future with me by contacting me through email or by phone. I look forward to listening.

Warm regards,
Anuj Mehrotra
amehrotra@bus.miami.edu

Mission Statement: To develop innovative ideas and principled leaders that transform global business and society.



VOLUME XIX | NUMBER 2 | FALL 2016

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Focus on Brazil

BY ROCHELLE BRODER-SINGER

THE SCHOOL BROUGHT TOGETHER students, faculty, staff and alumni with experts on Brazilian business and culture for “Focus on Brazil,” held Sept. 21 in Storer Auditorium at the School. The evening included a panel discussion of economic opportunities and political issues in the nation, along with a dinner buffet of Brazilian food provided by Giraffas Brazilian Grill, a capoeira dance performance by Monitora Rebelde Capoeira Cordão de Ouro Miami, a samba performance from Bateria Unidos Miami and batucada music from Paulo Gualano and Brazilian and Latin Sounds Co.

“We know that, today, all business is global,” said Anuj Mehrotra, the School’s interim dean, who noted that the School’s “Focus On” series looks at “the important differences and similarities that define business decisions and business opportunities.” Focus on Brazil, he added, was “an opportunity to celebrate our campus diversity, of which we are also proud.”

Tallys Yunes, an associate professor of management science at the School, moderated the panel discussion, which included several participants who flew in from Brazil for the event. Yunes, who is Brazilian, greeted the crowd in both English and Portuguese; when he asked how many audience members spoke Portuguese, a large number of hands went up.

The panelists discussed everything from business opportunities in the nation and the challenge of the Brazilian bureaucracy, to the post-impeachment political environment and what it’s like for a Brazilian company to enter the U.S. Just before the evening concluded with music and samba dancing (which audience members joined), Yunes noted what was perhaps the night’s biggest lesson: “There is opportunity in bad times, and I hope you learned that here today.”



More from the panel:
• Opportunities in Brazilian agriculture, financial services, health care and real estate
• The Brazilian bureaucracy challenge
bus.miami.edu/magazine/focusbrazil



Hospitals Immune to Public Shaming

THE OUTCRY OVER HUGE MARKUPS SOME HOSPITALS CHARGE PATIENTS DIDN'T LEAD ANY OF THEM TO CHANGE THEIR PRICING. BY TRACY SIMON

WIDESPREAD PUBLICITY that revealed the names of 20 Florida hospitals that mark up patient charges by more 1,000% above costs did not lead to lower charges. In fact, according to research by School faculty members, those hospitals continued to increase their charges after their names were publicized in research released nationally in mid-2015.

The Florida hospitals were among 50 U.S. hospitals that an earlier academic study had found to have the highest markup of charges – markups averaging more than 10 times their cost. Those findings received widespread media coverage and public scrutiny. The new study by School faculty, published in the *Journal of Health Care Finance*, compared the fees charged by those 20 Florida hospitals during the quarter one year before the media publicity to the fees charged during the same quarter

Florida's highest cost-to-charge hospitals ... all but one received low quality ratings.

following the publicity. The analysis found no evidence that the hospitals responded to the negative publicity with a reduction in charges. Rather, the study found, charges were significantly higher after the publicity than in previous quarters.

Three Department of Health Sector Management and Policy faculty members conducted the new research: Karoline Mortensen, an associate professor; Michael French, a professor; and Steve Ullmann, professor and chair of the department and director of the University's Center for Health Sector Management and Policy. Tianyan Hu at Florida International University also collaborated with them.

"As hospital charges continue to rise and the best answer to price transparency eludes policymakers and stakeholders, it is important to recognize that hospitals may not respond quickly to public exposure and these initiatives," Mortensen said. "Perhaps the way to move the needle on this issue must include regular, public, transparent hospital checkups over longer periods of time."

In addition to looking at charging behavior surrounding the 2015 report, the study analyzed other aspects of Florida's highest cost-to-charge hospitals and found:

- All are for-profits: The hospitals are geographically dispersed but belong to one of two for-profit health systems: 70% are part of the HCA health system, the largest health system in the state; 30% are affiliated with Community Health Systems. Only one is a nonprofit hospital. Hospital systems have generally been found to charge higher fees than hospitals not affiliated with a system, Mortensen says.
- All are in urban areas: All 20 hospitals with the highest average markups are affiliated with health systems located in urban areas.
- All but one received low quality ratings: Only one of the 20 hospitals received three or more quality stars in the Centers for Medicare and Medicaid Services ratings. Fifty-two percent of the other hospitals in the state received three or more stars. Mortensen notes that these ratings, which are derived from consumer-satisfaction reports, are somewhat controversial.
- All are high-charge hospitals overall: These hospitals are not only high charge-to-cost hospitals, but also high-charge hospitals in general.

"Patients might assume that paying more for hospital services at a higher markup indicates they would be getting better care," Mortensen said. "Our research indicates that is not necessarily the case."

Knowing Yourself Isn't Always Better

WHETHER OR NOT YOU'RE CONSCIOUS OF A GOAL CAN DRIVE SURPRISINGLY DIFFERENT CHOICES.

BY ERIC SCHOENIGER

HAVE ANY RESOLUTIONS for 2017? Maybe you want to eat better, or spend less, or become more productive. Sometimes such goals are conscious. Other times we aren't aware we have them. But which camp you fall into can make a big difference in how you pursue those goals. While one approach isn't clearly better than the other, those who are conscious of their goals are more likely to make an extreme choice – one that's either very much in line with their goal or totally contrary to it. Those with unconscious goals are less likely to make the most goal-consistent choice, and they're less likely to make a totally inconsistent choice.

That's according to recent research by Juliano Laran, a professor of marketing at the School, and Chris Janiszewski, holder of the School's Leonard M. Miller Chair of Marketing. The University of Cincinnati's Anthony Salerno (PhD '14) also contributed to the research, which appeared in the June 2016 edition of the *Journal of Marketing Research*.

When people pursue a goal, they usually have to make choices about how to achieve the goal. When they're conscious of the goal, they identify various ways of achieving it and assess the relative effectiveness of each alternative. For most people, this process helps them choose the best path. For others, it leads them to consider trade-offs and ultimately decide to pursue a different goal entirely.

When people aren't aware of a goal, on the other hand, they don't assess the effectiveness of various approaches. Instead, they unconsciously match up the goal with the available means of achieving it. As a result, they choose a way to achieve the goal, but not necessarily the best way.

The researchers determined these reactions by having subjects choose healthy food. First, they asked participants which of three foods they considered healthiest: a granola bar (which 75% said was healthiest), Sun Chips (18%) or potato chips (12%). Three months later, the researchers divided the subjects into two groups. People in the Conscious group were told to select a healthy snack from those same three options. People in the Unconscious group were given fast exposures to words, some of which were "healthy;" in a separate task, they were told to select any of the three snacks.

Those in the Conscious group most often selected the alternative they had said was healthiest: 65% of them chose the granola bar, while only 46% of the Unconscious group chose it. But, more people in the conscious group also chose the least-healthy food: 25% of them picked potato chips, versus only 12% of the Unconscious group.

Consider this real-world example: Let's say you go to a restaurant specifically to get dessert – consciously pursu-

ing the goal of eating dessert. Most people in this situation consider all the choices on the menu and select the most delicious one. Some, however, might begin to wonder whether dessert is a good idea at all, and instead order coffee. Alternatively, let's say you visit a restaurant with no intention of having dessert, but your dinner companion suggests it. That makes you an unconscious pursuer of the dessert goal. In this case, you agree to have dessert and make a quick selection. You achieve the goal, but you might not choose the most delicious item.

The Value of Each Approach

So, is one approach better than the other? "Each situation involves a different approach to decision-making, and each can be effective," Laran says. "The primary difference is that conscious goal pursuit tends to result in a more extreme choice" – either the most goal-consistent alternative (the most delicious dessert) or an alternative that's actually inconsistent with the goal (coffee).

"Being conscious of a goal allows you to be more adaptable, to think through outside-the-box alternatives," Janiszewski explains. "When you face a new situation or have to solve a problem, that can be the best approach."

But sometimes an unconscious approach is more effective. Janiszewski uses the example of taking medicine. "Your goal in taking medicine is to get healthy," he says. "If you're unconscious of that goal, you simply take the medicine. But if you're conscious of the goal, you might consider that you could have an adverse reaction." So you stop taking the medicine and get sicker – inconsistent with your original goal. "We need both approaches in different situations," Janiszewski concludes. "The challenge is knowing when to use the right one."



Timing vs. Selection

HOW REAL ESTATE FUND MANAGERS REALLY MAKE MONEY.

BY ROCHELLE BRODER-SINGER

THERE ARE TWO WAYS a manager can potentially create value in a commercial real estate investment fund: timing – knowing when to buy low and sell high on broad market portfolios – or selection – picking particularly good locations or types of property that outperform other categories.

But, research by Tobias Mühlhofer, research associate professor of finance at the School, says only one strategy really works. “The vast majority of value created by managers is actually in selection,” Mühlhofer says. “Timing creates no significant value.”

Mühlhofer and a colleague at Rice University came to these conclusions after examining the performance and transactions of both private equity funds and Real Estate Investment Trusts (REITs), representing about half of the institutional money invested in real estate equity.

Their research also found that funds that successfully used a selection strategy persistently outperformed other funds for a year, and in some cases, up to three. “A manager that outperformed his or her peers on the basis of selection will continue to do so,” Mühlhofer says. These findings of persistence, he adds, imply that an individual could invest money in a real estate fund that uses a selection strategy and performed well last year, and

expect to make money during the coming year.

Why do selection strategies work in real estate investment, while timing strategies don’t? “The commercial real estate market is simply too illiquid to be able to transact quickly enough to execute a timing strategy,” Mühlhofer says. He adds that the fund managers who found any success with timing strategies operated in more liquid markets, such as larger metro areas. Conversely, he notes, managers that focus on selection will tend to stay away from the more liquid markets, because they come with a “liquidity premium,” meaning that prices are higher because it’s easier to find buyers.

The research has been accepted for publication in the *Journal of Financial and Quantitative Analysis*.

INSPIRING DONORS



**Raymond G. Bauer,
BBA '58**

Raymond Bauer (shown here with his significant other, Eileen) made his first gift to the School of Business the year he graduated. “I’d had a wonderful experience, and it was a very minor, minor thing to give back something,” he says. “I don’t feel like I was just a number there. They took more of an interest in me as a person.”

Since then, Raymond has given to the School a total of 55 years – including 49 consecutive years. He is the School’s champion in total years of giving, and the School’s longest consecutive annual donor.

What has inspired Raymond to continue giving? “I have so many wonderful memories. There’s a feeling of camaraderie, and I really feel like I’m a member of the family,” he says. “I hope others share the pride and enthusiasm that I do. We can all share the same feeling together.”

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Brexit Briefing

THE U.K.'S MIAMI COUNSEL GENERAL SAYS IT'S 'NOT THE END OF GLOBALIZATION.' BY DOREEN HEMLOCK

THE UNITED KINGDOM is ending its membership in the European Union, but the nation remains committed to close ties with Europe, open markets and a strong role as a “global player,” the U.K.’s consul general in Miami, David Prodger, told an audience at the School in August. Brexit – as Britain’s departure from the EU is known – doesn’t signal isolationism for the world’s fifth-largest economy. Instead, it offers the U.K. an opportunity to become more globally competitive without the constraints of the 28-member EU, he said. “It is not the end of globalization,” Prodger said. “In many ways, it could be the next evolution of globalization.”

Many analysts fear Brexit will mean erosion of the U.K.’s edge as an international hub for finance as well as recession for the nation. But Prodger noted that the U.K. government quickly reorganized and has been working to allay concerns, and many analysts instead foresee a slowdown – not a recession – in what had been the fastest-growing economy among big industrialized nations since 2014. “There hasn’t been the apocalyptic, world-ending scenario that many predicted,” he said.

It’s become clear that Brexit won’t be sudden. To leave, the U.K. must invoke Article 250 of the EU treaty, something never before done. That, in turn, will trigger a two-year period for negotiating new accords and the exit, unless extensions are approved. To be reworked: some 80,000 pages of existing U.K.-EU agreements, including more than 50 free-trade accords. It’s a task so large it requires the U.K. to develop a detailed strategy first, Prodger said.

The nation also aims to smooth the transition in the coming years, Prodger noted. For example, the government created a Department of International Trade to renegotiate accords with the EU. It also pledged to reduce its own bureaucracy, empower small businesses and boost U.K. competitiveness, especially by promoting knowledge-based industries and innovation. “In fact, leaving the EU may speed up that [competitiveness push] to some degree,” Prodger told the crowd.

Prodger also shared some of his personal experience during the two-month campaign for a Brexit vote. It was “quite frustrating” for him, he said. He’d hoped for a “fact-based” discussion, but campaigning became “emotional,” especially over the subject of rising immigration to the U.K. Immigration was the driver behind many “Leave” votes, but was hardly addressed by the economics-focused “Remain” campaign, he said.

Florida, Prodger noted, has special reason to care about the U.K.’s future. It is the top country for foreign direct investment into the state, with some 43,000 people in Florida employed by U.K.-based firms. Nearly 1.5 million people from the U.K. visit Florida yearly, and some 400,000 U.K. citizens live in Florida.



Going Negative

THE LONGER THEY'RE IN THE POSITION, THE MORE NEGATIVE INFORMATION CEOs SHARE ON ANALYST CONFERENCE CALLS. BY PETER HAAPANIEMI

For CEOs, communication is a core skill, and each brings his or her own personal style to that task. But regardless of the individual in question, CEOs' communications tend to change over the course of their tenure. That's a key finding in a study conducted by Dhananjay Nanda, a professor of accounting at the School, and two assistant professors of accounting at the School, Khrystyna Bochkay and Roman Chychyla.

This is the first research to examine how CEOs' communication evolves over time, Nanda says. The researchers analyzed the communication styles of 670 recently appointed CEOs, all of whom were hired into companies that were performing poorly, were hired from outside the company, were younger and lacked prior executive experience.

They tracked their earnings conference calls from 2006 to 2014. Such calls, says Nanda, "provide an ideal venue for examining communication styles, because they contain both the CEOs' prepared statements and their spontaneous responses to questions." Using textual analysis techniques, the researchers looked at two key communication qualities on the calls: future orientation and optimism.

The analysis showed that CEOs start out with fairly high levels of future orientation and optimism, but those decrease during the course of their tenure. Indeed, says Nanda, the decline in those types of communication is "steady, quarter after quarter after quarter, averaging 13% year over year." The researchers also found that the number of positive spoken words used by CEOs declines over time, while the number of negative words increases.

For comparison, the researchers also looked at the communication styles of other C-level executives, such as CFOs and COOs. Here, they found that styles did not change during the CEO's time on the job. "That led us to conclude that the relationship between CEO disclosure style and CEO tenure is really specific to the CEO," Nanda says.

Why do CEOs' communication styles change? It has nothing to do with the company's outlook. Rather, it happens because that change meets the needs of both the executive and the audience. "Investors and employees are a lot more interested in hearing about the future and optimism when there is greater uncertainty about the person at the top," Nanda explains. "This uncertainty decreases as the CEOs prove themselves on the job, so there is less demand for that information from them." The CEOs themselves, Nanda explains, begin their tenure with a high level of concern about how they are perceived. "They feel that talking about negative information is going to reflect badly on them," Nanda says. "But once they are established and secure in their position, they're much more willing to discuss negative information. It isn't going to adversely impact their careers as much."

These new, younger, less-experienced CEOs naturally contend with a fair amount of uncertainty among their listeners. The researchers found that these CEOs also tended to be more forthcoming about strategies and the future – and more optimistic – than CEOs in general.

Overall, says Nanda, "The way that CEOs disseminate information attracts a great deal of attention from investors, creditors, customers and employees. Our study provides important evidence about the motives behind their disclosures." Nanda recently presented the findings at the University of Chicago.

The On-Demand Economy

EVERYONE WANTS IN.

BY ROCHELLE BRODER-SINGER

THE U.S. ON-DEMAND ECONOMY is flourishing, attracting significant spending from consumers of all ages and income brackets, according to a recent study from A. Parsu Parasuraman, the School's James W. MacLamore Chair in Marketing, and Charles Colby, principal, chief methodologist and founder of Rockbridge Associates.

The researchers defined the on-demand economy as companies that use technology to immediately provide consumers with goods and services. They included companies such as eBay, Etsy, Uber and Airbnb. The data comes from the National Technology Readiness Survey, which has tracked technology behaviors and beliefs in the U.S. since 1999. It was featured in the *Harvard Business Review* in April.

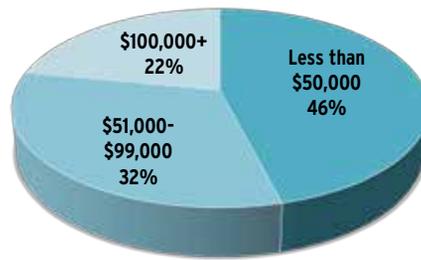
Total Annual On-Demand Economy Spending in the U.S.: \$57.2 billion

- Online marketplaces (such as eBay and Etsy): \$36 billion
- Transportation (such as Uber and Lyft): \$5.6 billion
- Food/grocery delivery: \$4.6 billion
- Other services (such as home, beauty and health): \$8.1 billion

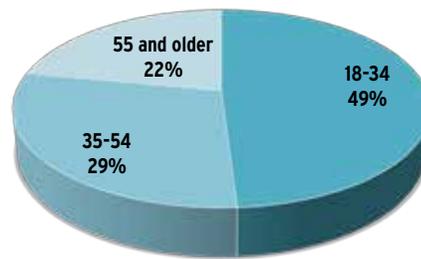
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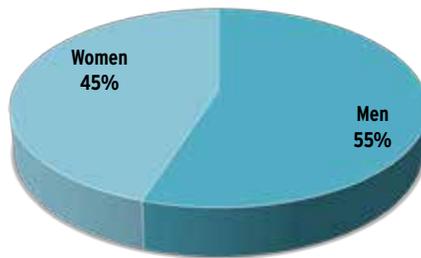
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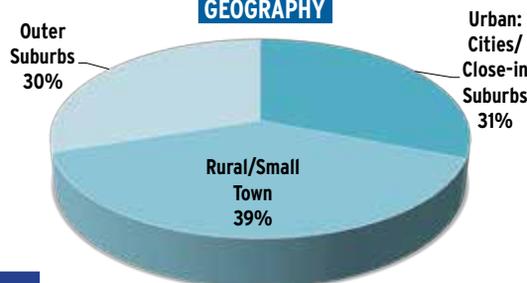
AGE



GENDER



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Getting Ahead in Finance

WHY EQ MAY MATTER MORE THAN IQ.

Building a career in finance takes more than math skills. Getting ahead also requires emotional intelligence, an ability to work in teams and a passion for financial work. Those were some insights from two top executives, who spoke to the School's undergraduate and graduate students at a forum hosted by Finance Professor Andrea Heuson in October.

"Make sure that you are chasing a passion, because you want to be okay with the hours you put in," said Alice S. Vilma, executive director on the multicultural client strategy team at Morgan Stanley, who cautioned students they'll be asked "to work really, really, really hard in this industry."

With stock prices and other data easily obtainable online, people working in finance must offer clients something extra, such as insights into why stock prices are changing or innovations to process data. And, while math skills are essential in the industry, people skills also are vital, said Frances Aldrich Sevilla-Sacasa (AB '77), CEO of Banco Itau International and a former interim dean of the School of Business. Many finance projects require work in teams, so the most successful people in the industry find ways to get along with others and to develop their emotional quotient (EQ). Vilma added that, to succeed in finance, "EQ is probably more important than IQ."

The event was organized by the undergraduate student organization Women in Business.

MORE PHOTOS AND INSIGHTS FROM THE EVENT:
bus.miami.edu/magazine



Web Poll:
 Have you ever used Uber, Lyft or a similar ride service?

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Drowning Out “Whisper Ratings”

COULD A CREDIT RATINGS TRUST HELP MAKE FINANCIAL MARKETS SAFER?

BY ROCHELLE BRODER-SINGER

WHEN A FIRM WANTS TO ISSUE a security – say, a bond or a bunch of mortgages packed together – it hires a credit rating agency to review the underlying assets and give the security a credit rating. Investors use the rating to make decisions about whether, and how much, to invest. But issuers often quietly shop around, getting unofficial, non-public “whisper ratings” from multiple credit rating agencies, and then hiring the agency that gives them the best ratings. Investors only hear about the final published rating.

Much academic literature has shown that this “issuer pays” model incentivizes ratings agencies – such as Fitch, Moody’s and Standard & Poor’s – to give inflated ratings, whether they’re deserved or not, says Indraneel Chakraborty, an assistant professor of finance at the School. Regulators and industry experts have also

been scrutinizing this apparent conflict of interest, since many asset-backed securities – rated as highly credit-worthy – defaulted during the financial crisis.

Chakraborty and collaborators at the University of Texas at Dallas have proposed a mechanism for rating securities more accurately, by eliminating the conflict of interest. They suggest introducing a second option for obtaining a rating, which would run alongside the current system. An issuer could opt to use an intermediary, a trust that would obtain a rating. The trust, Chakraborty explains, is simply a pass-through entity, with nothing at stake. It would select a ratings agency and pay the agency, which would then issue its public assessment. The fee structure would change, with a portion of the rating agency’s fee outcome-contingent, paid only if its ratings prove to be accurate

over time. So, if an agency rates a security as highly credit-worthy, but many such issuances end up going into default, the ratings agency won’t get its full fee.

Sophisticated investors will be more likely to purchase a security if they know they can trust its rating, Chakraborty says. The research shows that the cost of this additional layer of bureaucracy would likely be offset by such increased investor participation, plus the ability of issuers to price products higher when they have good ratings. “People are willing to pay a fee to see contractors rated by an independent agency,” Chakraborty says. “The sophisticated investor realizes the value in being rated by a third party.”

Chakraborty first presented this model and the related research at a Carnegie Mellon University conference. A Securities and Exchange Commission (SEC) member heard it and had Chakraborty present it to the SEC. He and his co-authors are currently working on a paper for publication.

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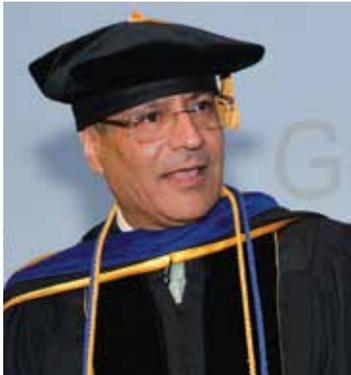
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Anuj Mehrotra Steps in to Lead School as Dean Search Gets Underway

BY ROCHELLE BRODER-SINGER



ANUJ MEHROTRA will serve as interim dean of the School of Business while the University conducts a search for a permanent dean following the departure of Eugene Anderson. He stepped down after his five-year term ended this summer. Mehrotra, a professor of management science who

had also been vice dean for graduate business programs and executive education at the School, took on his role July 1.

In announcing Mehrotra's appointment, University Executive Vice President and Provost Thomas J. LeBlanc noted Mehrotra's commitment to excellence and credited him with growing the School's graduate student enrollment. "During Anuj's tenure as vice dean, the school has diversified its portfolio of graduate programs with innovative experiential courses that include international immersion and consulting experiences for participants. These programs have helped to grow graduate student enrollment by 70% in the last five years," LeBlanc said.

Mehrotra, who joined the School's faculty in 1993, is the Leslie O. Barnes Scholar and professor of management science, and had been a vice dean since 2007. In that role, he oversaw all aspects of MBA, Executive MBA and specialized master's programs, including recruitment, admissions and advising. Previously, he served as the chair of the Department of Management Science.

"It was great working with my faculty and staff colleagues in my capacity as vice dean, and I look forward to working together in my role as interim dean," Mehrotra said. "Everyone's contributions and support will continue to be vital to our many initiatives here at the School."

A search committee, appointed by LeBlanc and University President Julio Frenk, has begun the work of finding a new dean. The search committee is chaired by Steve Altschuler, senior vice president and CEO of U Health, and includes School of Business faculty members, faculty members of other schools and an undergraduate student representative.

"The School of Business is well-positioned to continue its upward trajectory," Mehrotra said. "The next dean will have an unprecedented opportunity to further sharpen our strategy and vision as we work to realize the University's Roadmap to the Next Century."



Seeing Supply Chains Up Close

BY ROCHELLE BRODER-SINGER

TO TRULY UNDERSTAND the scale, scope and complexity of supply chain operations, students must visit warehouses and distribution facilities in person, says Hari Natarajan, an associate professor of operations and supply chain management in the School's Department of Management. Fortunately, South Florida is home to many such operations. As part of the School's course on supply chain modeling, students have visited shipping and logistics leaders such as Intcomex, a Doral-based technology manufacturer and distributor that serves 41 countries.

Those visits are supported by the Jeff and Tracy Brown Global Supply Chain Management Program, an endowed fund that helps support experiential learning for students planning careers in the field. It was started by Jeff Brown (BBA '81) and his wife, Tracy, who are parents of two School of Business alumni. They know firsthand how complex supply chain management is, as Jeff is vice chairman of Cherry Hill, New Jersey-based NFI Industries, a \$1.2 billion transportation, supply chain and logistics firm.

The Browns' program also helps fund interactive online simulation exercises that allow students to try their hand at managing global supply chains. In addition, some students have also received scholarships from the Brown Global Supply Chain Management Program to attend international immersion trips that have a supply chain focus – such as those to India, China, Brazil and Italy.

"Jeff and Tracy felt it was important for students to have experiential learning opportunities in the supply chain field, and this generous gift has had a major impact," said Anuj Mehrotra, the School's interim dean. "It allowed us to design and execute a course that deepens our students' understanding of the field. They learn so much more by being able to go beyond the classroom and truly see supply chain operations in practice."

Beefed Up Career Resources

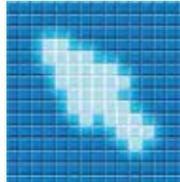
BY RICHARD WESTLUND (MBA '83)

LAST YEAR, THE SCHOOL BEGAN PUTTING MORE RESOURCES toward helping expand internship and employment opportunities for undergraduate students, while making it easier for companies to connect to these students. “Helping our students find jobs is critically important,” says Mark Shapiro, a lecturer and the School’s new director of undergraduate career resources. “In keeping with that goal, and together with the Toppel Career Center, we are providing students with career coaching, training and exposure to alumni and employers who are closely connected to the School.”

Shapiro collaborates with the University of Miami’s Toppel Career Center to supplement its services. “In concert with Toppel, I help our business students polish their skills, like writing an effective resume, learning how to interview and being able to network in the business community,” he explains. He also helps prospective employers connect with the right undergraduate students to consider for internships and jobs. “Many employers are looking for students with particular skill sets, interests and backgrounds,” he says. “With our personal knowledge of our students, often we can make it easier for them to find the right fit.”

The School’s efforts also aim to ensure that students are better prepared to interact with potential employers early in their academic careers. “It’s important to build those career skills throughout the four undergraduate years,” Shapiro says.

The undergraduate career initiative is supported by a gift from the Yingling family.



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The Spaghetti Challenge ▲

In photos from Business United Day, see how freshmen faced the challenge of building towers with nothing more than marshmallows, string and 10 raw spaghetti noodles.



“Colombians Are Tired of This”▲

Days before Colombian voters rejected a peace deal with FARC, the School brought together experts to discuss the agreement.

Meet Our 'Canes

Share the School's Hispanic Heritage Month celebration and hear from students, faculty and staff from Colombia, Mexico, Ecuador and Brazil - including Catalina Perez, a senior finance and entrepreneurship major, Olympian and member of the Colombian national women's fútbol team.

Professor Anita Cava at the Financial Times Latin America Healthcare & Life Sciences summit.



Do the Right Thing

FACULTY MEMBER SHARES LATEST TRENDS IN COMPLIANCE WITH COMPANIES DOING BUSINESS IN LATIN AMERICA.

ANITA CAVA, professor of business law and director of the School's Business Ethics Program, shared her expertise in compliance issues at two recent events.

In August, Cava was part of a roundtable at the third Latin American Pharmaceutical and Medical Device Compliance Congress in Panama. She touched on topics including changes needed in compliance training and tools for recruiting compliance professionals, as well as the shift to individual responsibility for compliance. "One of the most effective ways to combat corporate misconduct is by seeking accountability from the individuals who perpetuated the wrongdoing," Cava said. She also noted that a compliance officer must be "an agent of change."

In October, Cava, who is also co-director of UM Ethics Programs, gave the closing presentation at the Financial Times Latin America Healthcare & Life Sciences summit. Earlier that day, a federal judge had approved a \$15 billion settlement against Volkswagen over its emissions-cheating scandal. "Business sometimes simply views financial penalties as 'the cost of doing business,'" Cava told the audience in Miami. "But the cost of doing business has increased exponentially in this era of increased accountability."

Read more about compliance on page 24.

Helping First-Gen Citizens Study International Business

A UNIQUE, recently endowed scholarship will offer new opportunities to students who wish to study international business, while helping increase the School's diversity. Angel and Margie Gallinal created the Gallinal Family Endowed Scholarship, which will assist undergraduate School of Business students who are first-generation citizens and members of underrepresented minority groups. The students must plan to study international business.

Gallinal, a UM Citizens Board member and School of Business Visiting Committee member, has been a longtime School of Business donor. By establishing an endowed scholarship, he was able to ensure

business students will get the assistance they need in perpetuity.

"Mr. Gallinal has helped this special type of student for many years," says Nancy HULLIHEN, the School's executive director of alumni relations and development. "By converting his annual gift to an endowment, Mr. Gallinal can be ensured his interest in supporting these students will go on forever in his family's name."

Learn more about how a gift to the School of Business can make a difference in the lives of students: Contact the Office of Alumni Relations and Development at 305-284-4052 or businessalumni@miami.edu.

Bringing Business Skills to Public Health Professionals

THE SCHOOL IS CREATING a new certificate program aimed at training public health professionals in business fundamentals and skills, in partnership with the University's Miller School of Medicine and the de Beaumont Foundation, which provided a grant for the program.

The Building Expertise in Administration and Management Certificate Program for Public Health Professionals will be offered online, through an interactive, asynchronous platform. The partners will develop the program during the next year in collaboration with an advisory committee, including public health officials and leading public health advocacy organizations. Enrollment will begin in October 2017.

Studies have shown a direct link between business skills and success in the public health workforce. "These skills will continue to be fundamental for success as pressures increase on public sector budgets and new opportunities arise to partner with other sectors," says Edward L. Hunter, president and CEO of the de Beaumont Foundation. "We are thrilled at this opportunity to create an educational platform in partnership with the University of Miami."

Estate Gift Funds New Scholarship

A generous estate gift is helping School of Business students with financial need. The \$4.6 million gift created the Edward J. and Ruth A. Irwin Business Endowed Scholarship, established specifically to assist undergraduate business students with financial need. During his lifetime, Edward Irwin (BBA '52) made a \$10 gift to the School of Business every year for a decade. His estate plan included a gift to the School for an endowed scholarship, but only after his wife had also passed away. The School received the generous gift last year, and established the endowed *continued on page 14*



The Goldstein-Milo Marketing Scholars' New York trip included a visit to PepsiCo, hosted by Manos Spanos (MBA '99) (back row, center).

Marketing Scholars Storm New York

BY ROCHELLE BRODER-SINGER

TWO GIFTS TO THE SCHOOL and several alumni who have been generous with their time helped elevate this year's undergraduate marketing student trip to New York City. During three packed days, 12 Goldstein-Milo Marketing Scholars – sophomore and junior marketing majors selected through a competitive application process – visited some of the world's top companies. They met with marketing and human resources executives at corporations including Citi, PepsiCo, ad agency Edelman, Global Brands Group, Horizon Media, Buzz-Back Market Research and Nielsen.

“The goal of the trip is to give our most outstanding marketing students an opportunity to meet with the most outstanding marketing companies,” explains Jeffrey Weinstock, the marketing lecturer at the School who runs the program. “The meetings are very focused on internships and full-time job opportunities.”

Richard Combs at the University's Toppel Career Center arranges most of the site visits. He gets help from School of Business alumni, including Citi's Bill Fisse (MBA '76, BBA '75), managing director of human

resources, campus recruiting and program management strategy; Jackie Birnbaum (BBA '12), Citi's head of university relations; and Horizon Media CEO Bill Koenigsberg (BBA '77). This year, the students visited two new companies – PepsiCo, at the invitation of Emmanouil (Manos) Spanos (MBA '99), senior director of global beverage group marketing for Mountain Dew and energy drinks, and Global Brands Group, thanks to Jason Rabin (BBA '92), president of North America and global chief marketing officer.

At PepsiCo, Spanos discussed Mountain Dew's content schedule and how the company deals with marketing and branding – including working with non-mainstream sports such as skateboarding and drone racing. “Their motto is ‘Performance with Purpose,’ and it's the way they market,” says Maxine Gimbel, a junior Goldstein-Milo Scholar.

At Global Brands Group, which designs shoes, clothing and accessories for a variety of well-known brands, students met with Rabin, the company's executive vice president of marketing, its head of human re-

sources and a panel of marketing and branding executives. “They spoke to us about consumer marketing and how the company aims to walk in customers' shoes – and attract and engage them accordingly,” Gimbel says. “One of the most interesting things about this stop was getting to see new clothing and accessories lines for brands such as Kate Spade, Calvin Klein, Under Armour and so much more.”

Students were particularly moved by their meetings with fellow 'Canes. “The highlight of the trip for me was meeting so many incredible University of Miami alumni,” says junior Emily Bajalia. “It was so inspiring for me to hear each of their perspectives and receive advice from executives at these phenomenal companies.”

This year, two separate supporters funded the trip. Michael Goldstein, parent of a School of Business student, funded the majority of the gift, and has committed the same support for next year's trip. Goldstein, who majored in marketing himself, felt it was a great experiential learning opportunity for the students and wanted to fund it. Robert Milo (BBA '65) and Amelia “Amy” Milo (BBA '65) contributed significantly to this year's trip. The spouses, who met at the School and founded a marketing firm, live in the greater New York City area.

“The Goldstein-Milo gifts allowed us to lay the foundation for the trip going forward,” Weinstock says.

Estate Gift *continued from page 13*

scholarship fund this year.

“The Irwins are leaving an enduring legacy in keeping with President Frenk's roadmap initiative of Access to Excellence,” says Nancy Hullahen, the School's executive director of alumni relations and development. “They will be remembered for helping us reach the goal of meeting 100% of demonstrated financial need for admitted students by 2026.”

Building Teams With Peer Leaders

BY RICHARD WESTLUND (MBA '83)

WHEN FRESHMEN enter the School of Business, a team of undergraduate leaders helps to jump-start their college careers - as they have done for the past 25 years. Team leaders in the core freshman class that focuses on global business, cultural diversity and team-building skills meet their mentees at orientation, and the relationship continues through the freshman year. "While other schools have peer advisors, [our program] is unique because it is part of a formal class," says EllenMarie McPhillip, assistant dean for undergraduate business education. "Each peer mentor leads a specific group of students, helping them organize their thinking and start to develop leadership skills."

The course, known as FIRST Step (Freshmen Integrity, Responsibility and Success through Teamwork), focuses heavily on working as part of a diverse team. "Our university attracts top U.S. and international students with a wide range of backgrounds," McPhillip says. "We recognize the importance of welcoming them to our school's student community and providing them with role models for success at the U." During the course, a sophomore, junior or senior peer mentor leads a team of eight to 10 freshmen as they complete a project. The team leaders are selected for their strong academic records, leadership skills, campus-wide involvement and commitment to mentoring business students.

"When I was a freshman, I thought it was great that the School trusted an upperclass student to be our team's mentor," says senior Samantha Chatkin, who is 2016-17 president of the program. "Leading this effort has helped me build relationships and leadership skills, while giving back to our School."

Upperclass students have been mentoring freshmen at the School since 1991, in a program launched by Jeanne M. Batridge, now director of advising. For 17 years, Karen Donno, senior advisor, led the program, which became an integral part of the core freshman course in 2008. The initiative is now guided by Mark Shapiro, business law lecturer and director of undergraduate career resources. While the program and its connection to the core freshman course have changed through the years, the peer-to-peer mentoring concept has remained consistent.



Diving Deep Into Finance, Business Law and More

BY ROCHELLE BRODER-SINGER

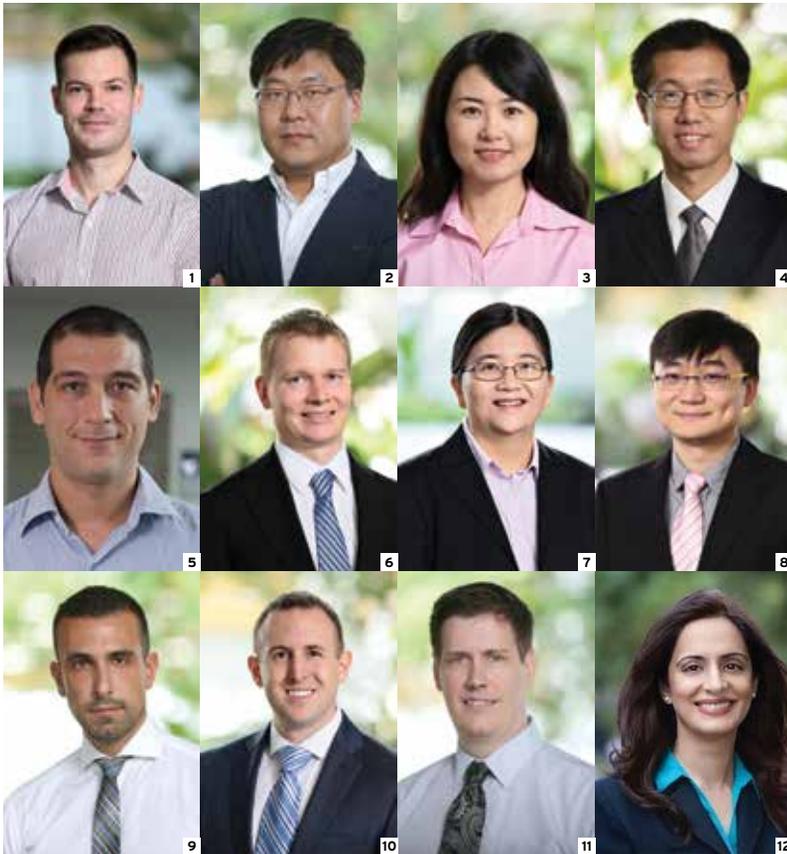
A VARIETY OF UNDERGRADUATE COURSES launched last year and this year are expanding students' learning options. Students now have access to five new finance electives, a course exploring business law on film and Spanish-language versions of two additional courses.

Finance has become the most popular undergraduate major in the School of Business, largely because students see job opportunities in the field. To offer students more opportunities to gather specialized, in-depth finance knowledge, last year the School added five new finance electives for undergraduates - many of which are typically offered only at the graduate level. The courses cover behavioral finance, mergers and acquisitions, financial planning and wealth management, trading and financial markets, private equity and venture capital, and alternative investments.

Business Law on Film, taught by Ann Olazábal, vice dean for undergraduate business education and professor of business law, will be offered during the summer intersession. It will examine the legal and social aspects of business regulation through the lens of popular and award-winning movies.

The School has offered a Spanish-language section of the core Introduction to Business Law course since 2014. This year, it began offering a Spanish-language section of Fundamentals of Business Technology & Innovation, which is also a core business curriculum course, as well as a Spanish section of Doing Business in Latin America. All three courses use the same curriculum and English-language textbooks as the sections taught in English. "These courses arose in part out of our efforts to pull our international students into the conversation immediately," Olazábal explains. "They can really succeed in these courses without having to process the information twice." The Spanish-language sections also allow the School to experiment with new learning methodologies - part of University President Julio Frenk's "Roadmap to Our New Century."

Although mainly native speakers have enrolled in the Spanish-language sections so far, students in the School's Global Business Studies program (an undergraduate double major that integrates a functional business education with region-specific international expertise and cross-cultural competencies) are required to take one of the core courses in Spanish.



New Faculty Members Grow the School's Capabilities

Accounting

1 ANDREW MCMARTIN joined the School as an assistant professor of accounting after earning his PhD from Texas A&M University. Prior to entering the PhD program, McMartin worked with Ernst & Young in its Silicon Valley office.

Economics

2 KYUNGMIN (TEDDY) KIM joined the School as an associate professor of economics. He had been an assistant professor of economics at the University of Iowa since 2010 and was an assistant professor at Hong Kong University of Science and Technology from 2009 to 2010. Kim earned his PhD from the University of Pennsylvania, where he received the Best Dissertation prize in Economics. He was also awarded the Korea America Economic Association Young Scholar Award in January 2016.

3 RONG HAI joined the School from the Becker Friedman Institute for Research in Economics and the Center for the Economics of Human Development at the University of Chicago, where

she had been a postdoctoral scholar since 2013. A new assistant professor of economics, Hai earned her PhD from the University of Pennsylvania, where she received the International Economic Review Fellowship and PEW Presidential Prize Fellowship.

4 CHUNZAN WU joined the School as an assistant professor of economics after earning his PhD from the University of Pennsylvania. There, he won the Joel Popkin Graduate Student Teaching Prize in Economics and the Lawrence Robbins Prize in Economics.

Finance

5 GENNARO BERNILE returned to the School as an associate professor of finance from the Lee Kong Chian School of Business at Singapore Management University. Bernile was a School of Business faculty member from 2010 to 2013, and a U.S. Securities and Exchange Commission visiting scholar between 2008 and 2010. He earned his PhD from the University of Rochester's William E. Simon Graduate School of Business.

6 VILLE RANTALA joined the School as an assistant professor of finance after earning his PhD from Aalto University School of Business in Finland. He had previously worked in the Finnish prime minister's office.

Management

7 NAN YANG, a new professor of management, joined the School from the Olin Business School at Washington University, where she had been an assistant professor of operations and manufacturing management since 2010. Before that, she served on the faculty of Cornell University's Johnson Graduate School of Management from 2006 until 2010. Yang earned her PhD from Columbia University.

Management Science

8 WILL WEI SUN, who was a research scientist with Yahoo Labs' advertising science team, joined the School as an assistant professor of management science. Sun earned his PhD in statistics from Purdue University, where he was a member of the Big Data Theory Group.

9 CHRISTOS ZACHARIAS, who had been a research assistant professor and visiting assistant professor at the School since 2014, became an assistant professor of management science. Zacharias earned his PhD from New York University.

10 DOUG LEHMANN joined the School as an assistant professor of professional practice in management science. He recently earned his PhD from the University of Michigan, where he worked with the Kidney Epidemiology and Cost Center and the Statistical Analysis of Biomedical and Educational Research Group (SABER).

11 DANIEL MCGIBNEY also joined the School as an assistant

professor of professional practice in management science. Previously, he was a visiting assistant professor at the College of William and Mary. McGibney, who earned his PhD from Washington University, also worked as an operations research analyst at Scott Air Force Base in Illinois.

Marketing

UZMA KHAN joined the School as an associate professor of marketing. Prior to that, she was an associate professor of marketing at Stanford University. Khan has consulted for clients in the airline, education and high-tech industries. She earned her PhD in marketing from Yale University.

Arun Sharma Heading Graduate Business

THE SCHOOL OF BUSINESS named Arun Sharma, a professor of marketing, its vice dean for graduate business programs and executive education. Sharma, whose appointment was effective Aug. 1, fills the position vacated when Anuj Mehrotra stepped down to serve as interim dean of the School.

Sharma now oversees the School's MBA and other master's degree programs, custom and open enrollment executive education programs, and graduate student career services.

"Arun has extensive experience with our graduate and executive education programs, as well as deep knowledge of business education and dedication to the School's success," Mehrotra said when he announced the appointment.

"I am delighted to lead our graduate business and executive education programs, which have seen significant growth and recognition in recent years," Sharma said. "I look forward to working with the School's leadership team, our professional staff and our friends in the community to build upon these successes."

Sharma, who joined the School of Business in 1987, has previously served as vice dean of strategic initiatives and chair of the Department of Marketing.

Top Marketing Researcher Fills Endowed Chair

CHRIS JANISZEWSKI, who joined the School's marketing department earlier this year, is the new holder of the Leonard M. Miller Chair of Business. The endowed chair was established by a gift to the School from the Miller family, including Stuart A. Miller (JD '82), a past chair of the University's board of trustees.

This endowed chair allowed the School to recruit Janiszewski, who is one of the world's top marketing researchers and the most published scholar in the history of the *Journal of Consumer Research* (the field's top behavioral research journal). "As University President Julio Frenk has said, 'A great university has great faculty,'" says Anuj Mehrotra, the School's interim dean. "Endowed chairs are one of the most important ways to attract and retain the most talented faculty – who tend to attract the best students, be thought leaders in their fields and produce cutting-edge research."

The Leonard M. Miller Chair of Business has already had a lasting affect on the School by facilitating Janiszewski's recruitment, Mehrotra notes. By supporting world-class business education and research, he adds, "The Miller family is using the School as a vehicle through which to make a sustained impact in an area they care about."

FACULTY awards & honors

A paper co-authored by **HENRIK CRONQVIST**, a professor of finance at the School, won the Best Paper Award in the Finance Stream at the annual conference of the Accounting and Finance Association of Australia and New Zealand. It was titled "Languages and Corporate Savings Behavior."

The Southern Economic Association awarded the 2016 Georgescu-Roegen Prize to **MICHAEL T. FRENCH**, professor of health sector management and policy at the School, and **PHILIP K. ROBINS**, professor of economics. The award, which recognizes the authors of the best academic article published in the *Southern Economic Journal*, was for "Tattoos and Labor Market Earnings: Is There a Link in the Ink?"

A new study ranked **YADONG LUO**, the School's Emery Findley Distinguished Chair and professor of management, as the world's No. 2 business scholar in the management field. The study, by professors from Finland's Hanken School of Economics and University of Vaasa, also places Luo No. 6 among all business school faculty worldwide. The rankings are based on a new metric that evaluates the value of top-ranked publications across disciplines.



New Faculty Director for Entrepreneurship

Marianna Makri, associate professor of strategy and entrepreneurship in the Department of Management, is the new faculty director for entrepreneurship for this academic year. She leads the School's entrepreneurship initiatives, including overseeing the annual University of Miami Business Plan Competition, hosted by the School. "Dr. Makri has extensive experience in family business and innovation management," says Anuj Mehrotra, the School's interim dean. "She is an ideal person to build on the successes in this important strategic area for the School."

Faculty Share Their Expertise

Washington Post - 10/20/16

An article about research by health sector management and policy professors Karoline Mortensen, Steve Ullmann and Michael French found that 20 Florida hospitals named among the nation's highest for price markups did not reduce their prices as a result of the publicity about those high markups. Mortensen pointed out:

“There’s nothing stopping them. They’re not being held accountable to anyone.”

Agence France-Presse - 10/20/16

In an article about the pros and cons of the Affordable Care Act (ACA), Steve Ullmann, chair and professor of health sector management and policy, explained that ACA exchange insurance premiums are going up, in part, because those who have signed up “tend to be people over 35 or over 45 and are more prone to illness.”

Wealth Management - 10/14/16

An article covered research by finance professors George Korniotis and Alok Kumar, which found tall and thin people are more likely to invest in stocks and take risks than shorter and overweight people. Korniotis noted that: “The environmental feedback one receives due to physical attributes shapes people and

affects their portfolio decisions.”

South Florida Business Journal - 9/21/16

Michael French, a professor of health sector management and policy, discussed his research that found women who use marijuana daily have a body mass index (BMI) that is about 3.1% lower than women non-users, and that men who use marijuana daily have a BMI that is about 2.7% lower than male non-users. French pointed out:

“Our findings run counter to popular belief, which associates marijuana use with laziness and increased appetite.”

Capital Financiero - 9/5/16

Panama’s national weekly business newspaper included a question and answer article with Anita Cava, a professor of business law and director of the School’s Business Ethics Program, including a discussion of Brazil’s Clean Companies Act. “Everyone is waiting to see how it will be applied and enforced,” she noted.

Univision - 8/25/16

Steve Ullmann, chair and professor of health sector management and policy, discussed the high price of prescription drugs in the U.S., explaining that even people with health insurance are paying more because of higher insurance deductibles.

Miami Herald - 8/21/16

Arun Sharma, professor of marketing and vice dean for graduate business programs, shared his

insights into the potential affect of Zika virus on Miami Beach’s economy. It will likely not have a significant impact, he said:

“If you’re young and carefree, this may not make much of a difference. That’s sort of the South Beach crowd.”

Sirius Satellite Radio - 8/15/16

Indraneel Chakraborty, an assistant professor of finance, appeared on “Knowledge@Wharton” to discuss his research that found increasing U.S. taxes on households making more than \$52,000 per year (middle income) hurts the economy, while decreasing taxes for those below that level increases work and consumption demand, leading to economic growth.

The Wall Street Journal - 8/8/16

An article featured research by Alok Kumar, finance department chair and Gabelli Asset Management Professor of Finance, which found that whether an investor’s favored political party is in power impacts his or her investment decisions. The article noted that:

“If their favorite ends up in the Oval Office, they will tend to be more confident about the market and take on more portfolio risk.”

Sirius Satellite Radio - 8/3/16

During a “Marketing Matters” interview, Claudia Townsend, an assistant professor of marketing, discussed her research that found marketing claims placed on product packages are more believable to shoppers than those made in advertisements.

Vida y Éxito - 8/1/16

In an article about innovation in large and regional companies, published in the Central American business and lifestyle magazine, Joseph Ganitzky, research professor of management and director of the Center for International Business Education and Research, discussed the importance of consistent and sustainable business strategies.

Aljazeera America - 6/27/16

In a segment about the expansion of PortMiami, Hari Natarajan, an associate professor of management, discussed the regional economic impact of the port’s ability to accommodate larger ships:

“It creates new opportunities, it creates new jobs, it creates new businesses, so there’s a tremendous spillover effect.”

WLRN Radio and Health News Florida - 6/1/16

Karoline Mortensen, an associate professor of health sector management and policy, discussed research in which she found that the Affordable Care Act has significantly reduced out-of-pocket behavioral health care costs for adults aged 19 to 25.



Links to these articles, plus more school faculty in the news: bus.miami.edu/inthenews



Raising Funds From the 'Crowd'

School of Business alumni have found different ways to tap into the evolving world of online funding. By Bob Woods

ANGELICA SWEETING (BBA '09) toyed with other options before using it to start her doll-making business. Jordan Barrocas (MBA '11) had no beef tapping it to become one of three jerky boys. Jason Keasler (MBA '16) and his partners flocked to it to introduce their mobile app game. Herwig Konings (BBA '15) harnessed it to extend his entrepreneurial reach.

"It" is crowdfunding, the general term for raising money online from large numbers of people. It's a relatively small, but fast-growing, phenomenon that began rocking the investment industry in recent years. A 2015 report by Massolution estimated that the total dollars raised through crowdfunding skyrocketed from \$880 million in 2010 to \$34 billion five years later. It defined crowdfunding as peer-to-peer lending (also known as marketplace lending), reward- and donation-based crowdfunding, and equity crowdfunding.

Jordan Barrocas (MBA '11) and his partner used the money they raised on Kickstarter to make sure Three Jerks Jerky stood above the crowd.

Although peer-to-peer lending actually represents the largest portion of the funds raised in crowdfunding, reward- and donation-based funding are the most familiar. On sites such as Kickstarter and Indiegogo, individuals and groups set up crowdfunding campaigns for everything from starting small businesses, to creating and manufacturing novel products, to raising money for charitable causes or producing creative works (films, music, etc.). Backers provide funding in exchange for non-monetary rewards, such as products, T-shirts or recognition.

A third type of crowdfunding is equity-based crowdfunding, spawned after Congress passed the JOBS (Jumpstart Our Business Startups) Act of 2012. It allows almost anyone, not just accredited investors, to buy ownership in private companies, real estate and other assets. Even the University of Miami launched a crowdfunding site where alumni can contribute to campus projects and groups.

Crowdfunding has been a disrupter, shaking up how the world gets businesses off the ground, donates to individuals and charities, and invests in markets. Following are the stories of how School of Business alumni have gotten in with the crowdfunding crowd.

JERK STORY

Back in 2013, Jordan Barrocas and his best friend, Daniel Fogelson, “were hanging out and started talking about jerky,” Barrocas says. “We decided it all kind of sucked.” Ultimately they declared, “Let’s just make our own.”

They experimented with various cuts of beef before picking an out-of-the-ordinary winner, filet mignon. That’s when they decided to start Three Jerks Jerky, a company that markets a distinct, premium variety of that meaty snack. “We could have bootstrapped it,” Barrocas says, using the entrepreneurial term for self-funding a startup. Instead, they opted to try to raise \$20,000 on Kickstarter. “It was a way to get lots of exposure and to access an audience we couldn’t have reached otherwise,” he explains.

The strategy paid off. They hit their goal in less than a week. Within a month they had \$45,663 from 641 backers, each rewarded with first-batch samples. After paying Kickstarter’s standard 5% fee, plus payment-processing fees ranging between 3% and 5%, the duo was in the jerky business, contracting production to Rastelli Foods Group.

The third jerk in Three Jerks came later, when Barrocas went on “Shark Tank,” the ABC series on which contestants pitch business ideas to investors. Investor Daymond John pledged \$100,000 for a 15% stake in Three Jerks Jerky and billing on its name. With 2016 sales estimated at \$5 million, the products are selling well online and in stores.



FIRE-BREATHING AIRPLANES?

When Jason Keasler, Thomas Byrd (MBA '16) and Joe Rjeili (MSECE '04) pitched the judges at the University of Miami’s 2016 Business Plan Competition, hosted by the School of Business, their strategy for Alula Aerospace did not include dragons. But since winning the \$10,000 grand prize in the graduate category, those mythical winged creatures have literally come into play.

Alula is a real-time aircraft flight-tracking system that modernizes black-box technology. During a brainstorming session about how to get the company off the ground, Keasler quipped, “Can we gamify our system?” Byrd, who’d been binge-watching HBO’s drama “Game of Thrones,” shot back, “What if we used dragons?”

That became the genesis for VarDragons, the threesome’s smartphone game that blends virtual and augmented reality. Basically, a player views airborne planes through a phone’s camera lens, and the aircraft magically morph into illustrated dragons, which they must “capture” and unleash in battles against other players.

“After getting quotes from game developers and other contractors, we debated how to fund VarDragons quickly,” Keasler says. Reluctant to burn through Alula’s limited coffers, the three agreed to try Kickstarter, “where lots of games have successfully gained backers,” Keasler notes. The VarDragons website went live in August to explain the game and its connection to Alula. Once the company has 5,000 email subscribers through the website, they’ll launch on Kickstarter, where they plan to set a \$100,000 goal. “The conditions-based launch strategy is designed to increase our probability of reaching our campaign goal,” Keasler explains.

The crowd-contributed money will fund VarDragons – and indirectly Alula – as the designated licensor of the game’s technology. If Alula needs another infusion, the trio may turn to equity-based crowdfunding. “As entrepreneurs, we solve problems any way we can, so we don’t rule out anything,” Keasler says.

NATURALLY PERFECT SOLUTION

Angelica Sweeting and her husband, Jason, didn't know quite what to do when their 4-year-old daughter announced that she wanted long, blond hair like a Barbie doll's. The African-American couple assured the little girl that her curly black hair was beautiful, but that didn't end the matter. "We wanted to create a solution," Sweeting says, recalling the 2014 episode.

The solution is Naturally Perfect Dolls, a line of 18-inch vinyl dolls with dark complexions, wide noses, full lips and hair like Sweeting's daughter's. "We saw how important visual representation is for young girls to cultivate a positive self-image as it relates to beauty," Sweeting explains.

To finance the venture, she launched a Kickstarter campaign in May 2015, aiming to raise \$25,000. "Within 48 hours, we met that goal," she says. *Cosmopolitan*, BuzzFeed, and other media picked up on the feel-good story, and "after 30 days, we ended up with nearly \$85,000." Sweeting was overwhelmed by strangers' generosity, but also by the amount of work required before and after the campaign. She quit her job, then spent four months researching the doll market, producing the prototype, blitzing her social media network and emailing "bloggers, influencers and anyone possibly interested in our product." The key to a successful campaign, she learned, is generating pre-launch awareness.

Another daunting task was delivering the dolls promised to her backers, the quid pro quo developed by Kickstarter and other rewards-based crowdfunding platforms. "We underestimated how much work and money it would take to produce, ship and deliver the dolls," Sweeting says.

Naturally Perfect now offers four different dolls – all exemplifying girls of color and priced at \$85 each. It is on track to generate \$500,000 in

online-only sales during 2016, with plans to expand into retail stores. Despite the significant effort it required, "I'm a 100% advocate of crowdfunding," Sweeting says. "It gives people, no matter who or where you are, a chance to start a business."

Opposite page: Jason Keasler, Thomas Byrd (MBA '16) and Joe Rjeili (MSECE '04) plan to launch a Kickstarter campaign with a \$100,000 goal. Below: Angelica Sweeting (BBA '09) financed Naturally Perfect Dolls with nearly \$85,000 raised on Kickstarter.





DUE DILIGENCE IN CROWDFUNDING

Herwig Konings (BBA '15) can be considered an early adopter of crowdfunding. It's an outgrowth of his self-avowed entrepreneurial zeal, which he claims dates back to "working for venture-backed companies in Manhattan at 14 years old." As a School of Business student, he joined The Launch Pad – the campus entity that supports entrepreneurship among students, faculty and staff – where he caught the crowdfunding bug.

Today Konings is the CEO of InvestReady, an online service he co-founded in Miami in 2013, soon after passage of the JOBS Act. The company verifies the financial status of accredited investors and facilitates their transactions on equity crowdfunding platforms. Accredited investors are individuals who have earned at least \$200,000 for two consecutive years, or \$300,000 for couples, or have a minimum net worth of \$1 million, excluding a primary residence.

"The problem we saw was the amount of legwork required to verify an individual according to Securities and Exchange Commission (SEC) guidelines," he says of the government-mandated due diligence process. "We work with the IRS, pull credit reports and give you a certificate – an SEC-compliant digital pass you can use with any [crowdfunding] platform and be ready to invest right away."

Konings may be a disciple of equity crowdfunding, but he readily points out the inherent risk-vs.-reward nature of investing in new companies. "Nearly 90% of startups fail," he says. "That's why the SEC put limits on individual investors and began with accredited ones."

As of May 16, 2016, however, the SEC began allowing non-accredited individuals to invest through equity crowdfunding, but still within limits. According to the SEC, "if either your annual income or your net worth is less than \$100,000, then during any 12-month period you can invest up to the greater of either \$2,000 or 5% of the lesser of your annual income or net worth."

"You won't be able to risk unlimited amounts of money or all of your portfolio," Konings says, adding that InvestReady is preparing to offer verification for non-accredited investors. "You can dabble by putting that \$2,000 into multiple startups, versus all of it into one."

DEMOCRATIZING CAPITAL ACCESS

The passage of the JOBS Act allows a broader group of people – beyond high-net-worth individuals – to purchase debt and equity in private companies and real estate. With, that many new online portals (platforms) – where these investment opportunities are posted and purchases are transacted – have been created.

For Jordan Fishfeld (JD/MBA '12), this opened up a new entrepreneurial world. As the current treasurer of the Crowdfunding Professional Association, he has been active in making securities-based crowdfunding more mainstream. Not only has he diversified his personal portfolio through equity crowdfunding, separately, he's the co-founder and CEO of Chicago-based CFX Markets, a secondary trading platform for these assets, and past CEO of PeerRealty, a platform specializing in commercial real estate investing.

"We work with accredited investors," Fishfeld says. "But I am excited about the growth in Reg CF and Reg A+, two of the most recent additions to the crowdfunding world that allow investment by non-accredited investors, with some limitations."

Fishfeld's online services include the requisite vetting of individuals before expediting their investments. He reports that, industry-wide, there's been minimal fraud to date. Equity crowdfunding makes capital available "to non-traditional entrepreneurs who wouldn't find financing sources outside of Silicon Valley or New York," Fishfeld adds, "and it's increased minority- and women-owned ventures by substantial numbers, democratizing access to capital and opportunities." 

Opposite page: Herwig Konings (BBA '15) co-founded investor verification firm InvestReady. Above: Jordan Fishfeld (JD/MBA '12) is active in securities-based crowd funding.



AFFINITY GIVING

Become a 'Canes Crowdfunder With CaneFunder

Affinity giving is used within the education field to refer to the tradition of regularly requesting donations from alumni. Actually, it's crowdfunding in the analog domain - and the University of Miami has brought it into the digital domain with CaneFunder, its three-year-old crowdfunding platform. "It's a strategy to get alumni engaged in supporting the University in a different form and fashion," explains Michael

D'Eugenio, the University's senior director of direct marketing.

CaneFunder lets alumni, and anyone else, give money to specific campus organizations and projects. For example, the debate team raised nearly \$9,000 to fund a scholarship program. The Frost School of Music's Band of the Hour ran a scholarship campaign that netted more than \$52,000, a sum an alumnus matched dollar-for-dollar.

CaneFunder is one of a growing number of college-based crowdfunding platforms across the country. "Our provost, Thomas LeBlanc, wanted to give faculty, staff and students the tools to fund projects on their own and not completely rely on the university," D'Eugenio says. His office receives 30 to 40 applications a year from UM's 11 schools and centers. "We pick the top one from each," he explains. Campaigns are backed

up by direct mail, email, social media and phone-calling programs.

Every CaneFunder campaign so far has been successful, D'Eugenio notes. And, about 46% of those who've contributed are new donors. With plans to upgrade CaneFunder's technology infrastructure, "this is going to be the future of things to come," D'Eugenio says.



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Navigating Compliance



It's a new era of personal accountability when it comes to corporate wrongdoing - which means that you need to understand compliance, no matter what your position, and no matter how small or large your company.

By Lauren Comander

When news broke in September that, in order to meet sales goals, thousands of Wells Fargo employees had opened bogus accounts for millions of Americans, proponents of holding individuals accountable for corporate wrongdoing wondered whether this might be a test case. Last year, U.S. Deputy Attorney General Sally Quillian Yates released a memo announcing that federal prosecutors would be focusing on culpable individuals personally, possibly putting them criminally on the hook for a company's wrongdoing. The so-called "Yates Memo" sent shockwaves of concern through corporate America. Up until then, the penalty for not complying with laws such as the Foreign Corrupt Practices Act and Sarbanes-Oxley had been fines, generally for the company. Some companies even considered these fines - albeit increasingly large ones - merely "the cost of doing business."

Enter Wells Fargo and the shocking allegations that employees, succumbing to internal pressure, created unauthorized accounts on behalf of clueless customers. This case, explains Anita Cava, director of the Business Ethics Program, professor of business law at the School and compliance expert, perfectly illustrates the friction in corporate America between the drive for profits and the requirements to operate within legal norms. Compliance - conforming to laws, rules and regulations, and being able to prove that the company has done so - "is really in the

crosshairs of trying to mediate between those tensions," she says.

Cava's opinion is that Wells Fargo executives may have some explaining to do, even though it is always difficult to prove the required criminal intent. "Wells Fargo settled charges of fraud and is now dealing with criminal charges of identity theft in California," Cava says. "If I'm them, I'm getting concerned about personal liability."

The bank initially responded by firing about 5,300 employees but not one senior manager, although Carrie Tolsted, who headed the division accused of creating the fake accounts, left the company ahead of her scheduled "retirement" and agreed not to exercise certain stock options. As former employees came forward claiming they had been dismissed for complaining to the company ethics line, anger grew over the lack of accountability at the top. Regulators leveled a \$185 million fine, and congressional hearings ensued. Sen. Elizabeth Warren, long a proponent of Wall Street regulation, grabbed headlines with her takedown of Wells Fargo Chief Executive John Stumpf. "This is about accountability," Warren said. "You should resign. You should give back the money that you took while this scam was going on, and you should be criminally investigated." Ultimately, Stumpf "retired" with no mention of the scandal, walking away with an estimated \$130 million.

While it is too soon to tell what, if any, criminal charges will come from this investigation, one thing is clear: “Personal accountability is the new watchword in our scrutiny of corporate behavior,” says Cava, who teaches in the School’s compliance programs. “People need to be careful. Every company needs to worry about compliance.” That includes small companies, because hot-button compliance concerns, ranging from cybersecurity to sexual harassment, can occur regardless of company size.

Concern about failing to hold individuals personally accountable for corporate wrongdoing dates back to the financial crisis. When documentary filmmaker Charles Ferguson took the stage in 2011 to accept his Oscar for “Inside Job,” he said to thunderous applause: “I must start by pointing out that three years after our horrific financial crisis caused by massive fraud, not a single financial executive has gone to jail, and that’s wrong.”

Says Cava: “That refrain has echoed over the last five years, and that conversation has become a strong selling point for government enforcement



actions now.” In 2015, the Federal Reserve System barred six bankers from the industry, twice the number it barred during 2014. In 2013, the Fed didn’t bar anyone. In a recent televised interview on CNBC, Daniel Tarullo, a Federal Reserve governor who leads many of the central bank’s regulatory oversight efforts on Wall Street, said, “There is a need, I think, for focus on individuals as well as the fines put on the institutions.”

With possible criminal convictions on the table, and governments around the world leveling increasingly higher fines for violating laws and regulations, companies of all sizes need to

build up their compliance programs, ensure that every employee understands the regulatory and legal rules of their work, plus regularly update and strongly enforce the compliance programs they create.

“There was a concern that a lot of businesses were simply deciding it was cheaper to not comply and run the risk of fines or enforcement procedures,” says Mark Shapiro, a business law lecturer at the School who teaches courses on risk and compliance. “With criminal exposure, that’s a lot less likely to happen. Businesses are creating their own infrastructure to make sure their employees are aware of the rules, are doing what they’re supposed to be doing and understand what the requirements are.” Part of that is because companies that have strong compliance programs in place can look for “cooperation credit” under federal sentencing guidelines to mitigate their exposure. The Yates Memo, however, added a requirement that in order to get credit, companies must disclose to the government everyone involved in the wrongdoing. “That’s super difficult for everyone concerned,” Cava says. “Someone is going to get made the sacrificial lamb. Personal accountability – it’s all very new.”

ENFORCEMENT INCREASES

The laws enacted to regulate the behavior of businesses date back

LAW & ETHICS

The Seven Pillars of Compliance

- | | | | |
|--|--|--|---|
| <p>For an effective compliance program, a company must:</p> <ul style="list-style-type: none"> • Establish standards and procedures, to be followed by employees, that are reasonably capable of reducing the prospect of criminal conduct (in essence, policies for self-policing) | <ul style="list-style-type: none"> • Hire specific high-level personnel to oversee compliance – people with substantial control over the organization or a substantial role in making policy within the organization • Take due care not to grant substantial discretionary authority to those with a propensity for illegal conduct | <ul style="list-style-type: none"> • Effectively communicate compliance standards and procedures within the company • Take reasonable steps to achieve compliance, including having active auditing, monitoring and reporting mechanisms | <ul style="list-style-type: none"> • Consistently enforce compliance policies by taking appropriate disciplinary measures • Take reasonable steps to respond appropriately to misconduct if it occurs and to prevent the recurrence of misconduct |
|--|--|--|---|

decades. Consider the 1977 Foreign Corrupt Practices Act (FCPA), which prohibits American companies operating internationally from bribing public officials to secure contracts. Under the FCPA, even if an employee's actions are legal in the country in which they take place, the company is still breaking U.S. law, and can face both civil and criminal penalties. However, the FCPA was not only amended to allow "grease payments" to expedite an already-signed contract, but also simply not enforced. In the 1990s, the Federal Sentencing Guidelines for Organizations (FSGO) added the idea of giving credit to a company accused of wrongdoing if it had an effective ethics program in place. The FSGO outlines the "Seven Pillars of

Compliance," the basic requirements companies need to meet to receive "cooperation credit."

In 2008, Siemens, the German engineering giant, agreed to pay a record \$800 million to American authorities to settle charges that it routinely used bribes and slush funds to secure public works projects around the globe. Large multinational companies took note and began expanding their compliance programs and training.

Then, around the time of Ferguson's Oscar acceptance speech in 2011, other countries began seeking ways to wrestle bribery and corruption issues into line. The United Kingdom passed the UK Bribery Act, a law that goes further than the FCPA by prohibiting bribes to both private and public officials. Latin American countries passed their own laws.

"Having the statute doesn't mean it's enforced, but it shows increasing concern with the huge cost of corruption to the fabric of society," Cava says.

Putting compliance programs in place and meeting regulatory requirements is costly as well, especially for smaller companies, Shapiro notes. It's a problem, he says, for which there is little recourse. Big or small, domestic or international, health care or food service – no company can escape the long arm of compliance. "Every business has its own risk profile," Shapiro explains. "Multinational corporations are the ones that have the most exposure, but this applies to small businesses just as much as it does big businesses."

NAVIGATING A MURKY PATH

Health care and banking are two mammoth industries that must contend with a myriad of compliance laws. In countries where health care is nationalized, every doctor, hospital administrator and nurse is a public official subject to the FCPA – meaning that a pharmaceutical rep who brings

lunch and a seminar to a doctor's office there may be breaking U.S. law.

Wells Fargo probably broke the law when it opened accounts without customers' authorization, and it's easy to understand that a gift or cash payment to a public official is an illegal bribe. But, says Cava, "a lot of times compliance doesn't have such a clear area of misconduct." For instance, what if a company needs to hire a subcontractor to help it install its software at a foreign ministry? Can it hire a company owned by the sister-in-law of the deputy minister? What if that company is the best qualified for the job? What if, in order to win a government contract in a foreign nation, a company hires a local lobbying firm? Does it violate the FCPA to pay that firm a bonus if it gets the contract? The answers to these questions are complex and require careful monitoring.

Another difficult area of compliance involves U.S. companies hiring the adult children of high-ranking public officials in their foreign offices. These so-called "princelings" often happen to be among the most well-educated, qualified job candidates in locales where companies are eager to find top employees. But through a compliance lens, hiring a "princeling" could be "something of value" to their important parent, a public official, and therefore a possible violation of the FCPA. Back in the U.S., there's no similar law prohibiting companies from hiring the children of public officials.

Cava is about to publish a law review article on the "princeling" conundrum, which has become a focus of U.S. Department of Justice enforcement. "When Congress drafted the FCPA, it likely intended to prohibit bribing public officials with money and expensive gifts, but the notion of value has come to include luxury trips and even the perceived favor of hiring a family member," Cava explains. "U.S.

IN THE FIELD

High Risk, High Opportunity: The Compliance Officer's Job

While lawyers head many compliance departments, other staffers often just have an interest in law, management or accounting. Compliance officers look for patterns and red flags by working with big data, metrics and computer programs. They develop policies, and they keep an eye on employees. Advantages include relatively high salaries and access to C-level executives. "It's an exciting entry-level job, and the opportunities are endless," says Mark Shapiro, a business law lecturer at the School who teaches risk and compliance classes. "You have to be a jack of all trades. But it's not for everybody. You have to be detail-oriented. You have to like rules and

getting people to follow rules. You have to have really good people skills, because a lot of times, you have to convince businesses to comply with the rules that get in the way of their day-to-day mission. You have to say no to people a lot."

Compliance officers also need to be able to handle a fair amount of stress. "This is not a risk-free job," Shapiro notes. "Your failure, depending on the severity of the failure and the degree of due diligence to assure compliance, can lead to real personal exposure. You are responsible for all these people, yet you have no ability to control them other than through policies and procedures." -LC



companies would like to be able to hire the best and the brightest in developing countries, but they have to be very careful in how they select those people. The process must be transparent and consistent in order to survive government scrutiny. Otherwise, the employment offer might be viewed as an improper offer of something of value to that educated person's well-placed parent."

Hiring officials' family members has proven a particular problem for foreign banks in places like China, where social connections often are more important than business experience. JP Morgan Chase once had a formal program called "Sons and Daughters," which facilitated hiring the children of China's elite. One internal document even linked the hires to "revenue" the bank obtained from companies or government organizations run by their parents.

Federal agencies have been investigating those hiring practices for the past three years. The bank settled with federal prosecutors and the Security and Exchange Commission (SEC), avoiding criminal charges, paying roughly \$264 million in fines and securing a rare nonprosecution agreement, although the Justice Department's investigation is still ongoing.

JP Morgan Chase wasn't the first bank cited for violating the FCPA with its overseas hiring practices, although cracking down on big banks

for violating the FCPA is a relatively new phenomenon. Last year, Bank of New York Mellon agreed to pay \$14.8 million to the SEC to settle similar accusations. Interestingly, it appears that no individual employees will be criminally charged in either case.

The SEC may be just getting started on its "princeling" hiring investigations. Banks including HSBC and Deutsche Bank have disclosed ongoing investigations into their hiring practices, and it's expected that regulators will focus additional attention there now that they have settled with JP Morgan Chase.

COMPLIANCE AND ETHICS

Though it's true that detecting and preventing wrongdoing depends on the type of business and its particular risks, every company needs a framework for a system of compliance thinking. Asking employees to memorize a list of rules and regulations won't really do the job – they need a solid system of principles to guide them, says Imelda Alvarez, Novartis' regional integrity and compliance officer for Latin America and Canada. She is an alumna of the School's Latin American Health Care Compliance Certificate Program and on the program's advisory board. "Compliance and ethics are two different concepts, but they live together," she explains. "There is a lot of discussion worldwide about what is

better: principles only or rules only. I think it's a mix."

Rules outline what is unacceptable in an organization. For example, in the heavily regulated pharmaceutical industry, there are specific rules governing how employees interact with health care professionals. "Either talk about educational programs or talk legitimately in accordance with the rules about products," Alvarez says. "That's it. Compliance in this environment is clear and evolving." But, she adds, echoing Cava, compliance isn't always so clear. A majority of the time, when dilemmas crop up, employees are guided not by rules, but by principles. "Ethics allows us to think about what is the right thing to do even beyond what is regulated," Alvarez says. "It's a different standard, and it's very subjective: What is expected by patients, by society and by new generations like millennials and the e-generation from us?"

Novartis has specific rules for specific situations, and also offers its employees guidance through its code of conduct, posted on its website for all to peruse. Employees are told that when they have doubts about to how to conduct themselves, they should ask themselves a set of questions: Would their conduct allow the company to maintain the trust of its stakeholders? Would they be comfortable if their conduct appeared in the media? Would their family and friends think their conduct was ethical? "It may be that there are no regulations, but at the end of the day, these questions are really helpful," Alvarez says.

Compliance experts agree that companies need strong policies and procedures to communicate the legal requirements, clear protocols for employee expectations, and mechanisms to monitor adherence. Many businesses conduct

data-driven audits, building software to flag instances that warrant further investigation. But the real goal of any company should be to create a culture in which employees do the right thing, Alvarez says. “One of the biggest challenges for compliance professionals is that we need to embed our culture to do the right thing when nobody is looking at you,” she adds. “That, together with the reputation built with patients, doctors and society, is really the actual metric for compliance program effectiveness.”

Such a culture is particularly important because laws and regulations are continually evolving. Companies must plan for the future, even as the very definition of what is and what is not acceptable – both in terms of rules and principles – is constantly changing. Cava says companies must continuously evaluate and update their practices. “They can’t be stashed on a shelf and just rolled out year after year,” she says. “In order to show the government that you’re making a legitimate effort to detect and prevent wrongdoing, you have to make sure you’re doing it better and better. You get credit for trying new things and using new strategies. After this thing with Wells Fargo, you might have a component of compliance that says, ‘If goals include breaking the law, don’t do it.’ Some things just have to be said.” **U**

Editor’s Note: Imelda Alvarez’s comments reflect her personal opinions and not those of Novartis.

IN THE CLASSROOM

The School's Compliance Programs



As the demand for entry-level compliance jobs explodes, the School of Business is preparing students for careers in the field. Six years ago, the School, led by Anita Cava, director of the Business Ethics Program and professor of business law, worked with Johnson & Johnson to create the Latin American Health Care Compliance Certificate Program. The three-day executive education program, initially funded by Johnson & Johnson, was the brainchild of Clivetty Martinez, who was then with J&J and is now the vice president of global compliance and chief privacy officer at health care products company Perrigo. “I had 28 employees throughout Latin America; I needed to find a forum where they could get education on Latin American compliance laws and regulations. Other

multinational companies in the industry were also looking for similar continuing education opportunities for their employees. At the time, no such forum existed,” Martinez recalls. After putting together criteria for selecting the best university partner for creating such a program, she interviewed 10 schools. “From my first visit, I could tell the UM School of Business was willing to dedicate the resources to the development of a program that could be repeated over and over again, and I’m extremely proud of what it has become,” Martinez says. In 2014, Cava worked with Martinez and Imelda Alvarez, Novartis’ regional integrity and compliance officer for Latin America and Canada, to create a Compliance Boot Camp for undergraduates – helping to fill a void in entry-level compliance

education. Believed to be the only such option in the country, the four-day, no-cost and no-credit, program teaches students the pillars of compliance theory and practice, and it has grown to cover both the health care and financial industries. Now funded by an anonymous donor, the boot camp will expand this year to include graduate students.

To prepare even more students for the burgeoning field, this fall the School launched the Art and Science of Corporate Compliance, an undergraduate course that proved so popular it garnered a waitlist. Mark Shapiro, a business law lecturer at the School who teaches in the compliance certificate program, crafted and teaches the course. He also teaches a module for the capstone MBA class on compliance and how it impacts the decision-making of executives and businesses.

Michael Scher, a former compliance officer who is a senior editor of the FCPA blog, co-taught the first two boot camps and wrote about it for the blog. His post piqued the interest of Bruno Grandguillotte, vice president and chief compliance officer at

Miami-based technology supplier Ingram Micro. Grandguillotte and Cava teamed up to convene a meeting of compliance officers from large companies at the School of Business. The resulting Compliance Office Network now meets regularly to share best practices and hear from guest speakers. And, Shapiro’s undergraduate course includes a class project that puts the students face-to-face with the compliance officers who attend the luncheons, so the students can network and learn about their jobs.

In January 2017, the School will host the American Society of International Lawyers’ Anti-Corruption Law Interest Group semiannual conference, bringing together academics and compliance practitioners from around the world. Co-sponsored by the Wharton School of the University of Pennsylvania, the University of Richmond School of Law and Bentley University, the theme is “Controlling Corruption: Possibilities, Practical Suggestions & Best Practices.” Topics will range from the UK Bribery Act to data-driven compliance. – LC



Defining Success in Corporate Responsibility

ILLUSTRATION: TRACI DABERKO

Research shows that the right kind of corporate social responsibility is linked to governance and financial performance in a “virtuous cycle.” By Richard Westlund

WITH BENEFITS that include attracting millennial talent, stronger workplace focus and an uptick in brand value, corporate social responsibility (CSR) is more than just a business trend or company buzzword; it’s quickly becoming an integral part of today’s corporate climate.

“Having healthy, strong communities creates a better environment for business success,” says Maria Alonso (BSIE ’86), corporate social responsibility market manager for Miami at Bank of America. “Through the years, I’ve seen growing interest in social responsibility. Back in the 1980s, I took a marketing course that ultimately influenced my career, but there were no CSR courses at that time, as it was still an emerging field.”

Today, the School offers a social responsibility track in its entrepreneurship program, and many courses in accounting, finance, marketing, management, ethics and other fields include CSR case studies and examples. These offerings are evolving with the field. “We will continue to see an emphasis on social responsibility initiatives,” Alonso says. “South Florida is an excellent location to launch new programs because of the high level of diversity from a demographic, as much as socioeconomic, perspective.”

As the *Financial Times* acknowledges, CSR “is a concept with many definitions and practices.” At its heart, though, it’s about business practices that deliver economic, social and environmental benefits for internal and external stakeholders, well beyond a company’s shareholders.

WEIGHING INTERNAL AND EXTERNAL EFFECTS

Several faculty members at the School have studied the various impacts of social responsibility and corporate governance programs. Their research shows that social responsibility values and programs can have a profound effect on a company.

Internally, for instance, a commitment to CSR can help in recruiting fresh talent, engaging current employees, increasing diversity in the workforce and improving operational performance. Management Professor Linda L. Neider notes that the 2015 “Cone Communications Millennial CSR Study” found that some millennials are more interested in working for organizations actively engaged in corporate citizenship programs, and they may even accept less compensation when working for such organizations. “Given that millennials make up a significant percentage of the global human capital market, competing for the most qualified ones may mean developing a portfolio of CSR programs,” Neider says.

Cecily D. Cooper, associate professor of management at the School, has also found a strong connection between social responsibility values and positive employment practices. “Successful organizations strive to build trust with their managers and rank-and-file employees,” she says. “That’s a far more effective approach to improving performance than trying to lead through fear and intimidation.”

Organizations that are committed to building employee trust can achieve

solid gains in engagement and productivity, according to Cooper, who co-authored “Making Things Happen Through Challenging Goals: Leader Proactivity, Trust, and Business-Unit Performance,” a 2013 study published in the *Journal of Applied Psychology*. When CSR initiatives increase this trust, employees do their jobs better. “If employees trust their direct supervisors and senior leadership, they are better able to focus on their work,” Cooper says. “When they don’t trust leadership, they spend time and energy looking over their shoulder and mitigating risk.” For example, they may spend extra time documenting their accomplishments for fear of getting laid off.

An environment of trust can also increase the level of risk-taking and reciprocity from employees, Cooper adds. When employees trust management, they are more likely to embrace proposed changes and other management initiatives because they believe that management has their best interests at heart. This trust cycle can have a particularly big impact on research and development companies, which launch high-risk projects in hopes of achieving a business breakthrough. “Employees need to trust that management will support them, even when they fail,” Cooper says.

There’s also a link between trust and external CSR practices, because employees often identify with their organizations. Externally focused initiatives can add value to a company’s brand and enhance its reputation among key stakeholders, while addressing the environment, social conditions, education, health or other challenging issues. “There is a virtuous cycle that links CSR, governance and performance,” says Dhananjay (DJ) Nanda, a professor of accounting at

the School. “A company that values diversity, provides generous benefits and has good employee relations tends to produce high-quality products and services. Happier, engaged employees are a key to higher performance.” And, Cooper notes, poor CSR practices can have the opposite effect. “When your company is accused of violating ethical principles, you may feel shame or embarrassment,” she says. “At the very least, you will lose trust in your employer, stop identifying with your brand on an emotional level, and become less engaged.”

However, Neider cautions that it can be difficult to make generalizations about the impact of CSR on performance. “There are many types of initiatives that come under the heading of CSR programs,” she says. “For example, numerous organizations give to nonprofit organizations in their communities, but do such initiatives directly impact financial performance metrics? Probably not, although such company donations certainly lead to goodwill and may lead to employee engagement.”

When it comes to performance, Neider says CSR initiatives tied closely to the organization’s strategic orientation are more likely to increase bottom-line results. For example, Unilever’s Project Shakti in India involved training and utilizing more than 60,000 women from small villages to sell its products door-to-door. “Such an initiative significantly increased the income levels of the women and their families, while at the same time generated millions in extra sales revenue for the organization,” she says.

APPLYING THE LESSONS

As a real-world practitioner, Bank of America’s Alonso has learned some important lessons about creating social responsibility programs that can truly impact a company. First of all, programs must be authentic and reflect the organization’s values and ideals. “Writing a check or organizing a volunteer event is



just the start,” she says. “Social responsibility needs to be embedded into the DNA of the organization.”

Alonso says a CSR program should draw on an organization’s specialized knowledge, skills and areas of strength. For example, financial literacy and helping people develop better money habits is one of Bank of America’s areas of emphasis. A hospital system might focus on improving children’s health or a law firm might offer pro bono legal services to underserved communities.

In addition, “collaboration is one of the keys to making an impact,” Alonso

says. “Partner with other organizations that share your goals and values in order to generate better and sustainable results.”

Finally, Alonso says a company should have a commitment to giving back, regardless of market conditions or financial performance. “I would argue that in bad times, your CSR programs are even more important and valuable,” she says. “That’s how to demonstrate your values and engagement to all the stakeholders that matter: your employees, clients, shareholders and the broader community.”

Companies Run By CEOs With Daughters Have Higher CSR Ratings

Henrik Cronqvist, professor of finance at the School, matched up the CSR ratings of S&P 500 companies with information about the offspring of their chief executive officers. The research focused on 379 CEOs – 96.3% of them male – who had a collective total of almost 1,000 children. Controlling for other factors, companies run by executives with daughters rated higher than companies led by CEOs without daughters on the measures of diversity, employee relations and environmental stewardship tracked by the CSR research and analytics group KLD from 1992 to 2012.

“We’ve always known that parents influence their children. It’s clear now that the reverse is also true,” Cronqvist says. **“Children can change the way their parents**

think and act – not just at home but also at work.”

Overall, Cronqvist and his co-author found that the companies led by a male CEO with a daughter had an 11.9% higher CSR rating than those led by CEOs without a daughter. They also looked at the impact of a CEO having a son and found there were no significant impacts. The effect of a daughter on a CEO was even greater if the daughter was the CEO’s firstborn.

“We found that male CEOs with a daughter have a stronger attachment to society at large and the well-being of stakeholders other than their shareholders,” Cronqvist says. “The most significant impact has to do with CSR issues related to diversity. Women, minorities and the disabled tend to fare better at firms with CEOs who

have daughters. We also saw a smaller, but still meaningful, link with the provision of more socially responsible products and services. And, having daughters coincided with spending significantly more net income on CSR than the median.”

While the number of female CEOs in the researchers’ sample – 14 out of the 379 executives – was too small to draw solid conclusions, Cronqvist notes that, “the companies they led did have much stronger CSR ratings in every KLD-tracked category – not only diversity, employee relations, environment and product, but also human rights and community. In fact, he says. “We suspect that a CEO’s own gender matters even more than the gender of his or her children.” –RW

Companies That Invest in CSR Are Better Governed

In his studies, Dhananjay (DJ) Nanda, professor of accounting, has found that companies that have invested in CSR turn out to be better governed than those that do not. “There is an emphasis on social responsibility that flows from the shareholders to the board of directors to management,” he says. Therefore, potential shareholders, analysts and employees should pay close attention to a company’s CSR rating. **“Having a low rating should be a red flag in regard to performance issues as well,”** Nanda says.

Last year, Nanda and co-authors – including alumnus John Barrios (PhD ’15, MPA ’10) of the University of Chicago-Booth School of Business – took a close

look at whether CEOs or the board of directors are the actual source of responsibility for CSR programs. They found that boards are stronger drivers of CSR than top executives.

The research examined 1,111 publicly listed U.S. companies at which CEOs were forced out after poor financial performance; those companies’ CSR ratings were also examined. Nanda and his co-researchers uncovered an interesting fact: Firms with higher CSR rankings were more likely to dismiss their CEOs due to poor financial performance. In contrast, companies with low CSR rankings were less likely to fire their CEOs.

They also found that the

CSR score under the previous CEO was associated with the likelihood that the new CEO’s position would turn over due to poor financial performance, further confirming that CSR performance is a firm-level feature rather than subject to managerial discretion. “We also learned that company CSR ratings did not significantly change after a CEO’s departure,” Nanda adds. “That suggests that shareholders and the board of directors drive CSR more than managers.” Nanda and Barrios’ study, “Is Corporate Social Responsibility an Agency Problem? Evidence from CEO Turnovers,” was published on the website Social Science Research Network. –RW

Does CSR News Affect Stock Performance?

Vamsi K. Kanuri, assistant professor of marketing at the School, has studied the impact of CSR-related news stories – both positive and negative – on shareholders. While “good news” can lead to better returns, that’s not always the case.

“Investors generally care more about the internal aspects of CSR, such as labor and diversity issues, than the external side,” Kanuri says. “They tend to discount negative news about irresponsible CSR acts related to environment issues or cheap overseas labor, as that might improve the company’s bottom line.”

Kanuri co-wrote a 2013 study on the topic, published in the *Journal of Business Research*. It analyzed **more than 1,000 stakeholder-positive corporate social events and found that nearly half resulted in a short-term negative return.**

On the other hand, stakeholder-negative corporate social events sometimes led to positive returns. “The results reflect whether investors believe a corporate social event is revenue-enhancing or an opportunity cost,” Kanuri says. “So even if an outside stakeholder group views a firm event in a negative light, investors may not feel the same way.”

In 2016, Kanuri revisited these issues in another study he co-authored. He looked at investor reaction to same-day news of both socially responsible and socially irresponsible activities. In general, he found that positive CSR activities counteracted the negative ones. “The findings point to the importance of building up goodwill among investors,” Kanuri says. “Organizations then have a buffer if something bad happens in future. But a major crisis can quickly wash all that goodwill away.” The second study, “Investor Reactions to Concurrent Positive and Negative Stakeholder News,” was published in the *Journal of Business Ethics*. –RW 

CSR in Transitional Economies

Corporate social responsibility plays a particular role in transitional economies. Yadong Luo, the School’s Emery M. Findley Jr. Distinguished Chair and professor of management, has been studying CSR for more than a decade. Several years ago, he collaborated with two other researchers to study 300 firms operating in China. Their findings were published in the *Journal of Business Ethics* in a 2013 article, “Moral Degradation, Business Ethics and Corporate Social Responsibility in a Transitional Economy.”

“Our analysis found that **engagement in CSR practices results in higher corporate legitimacy and competitive advantage** [for these Chinese companies],” Luo says. “We also found that the firms’ adherence to ethical business codes leads to higher corporate legitimacy.”

Luo noted that China is just one of many transitional economies whose economic progress can be attributed to market-oriented reforms, heightened competition in deregulated sectors and successful utilization of foreign direct investment. “However, transitional economies also display rampant moral degradation or demoralization from the weakening or loss of traditional moral and ethical structures,” he says. “In such environments, having high ethics and CSR programs can lead to stronger business performance as well.” –RW





Business ForUM

Noted Experts Discuss Cybersecurity, Big Data, Tax Rules and Other Financial Topics By Richard Westlund

The worldwide economic outlook, cybersecurity threats, changing tax rules and big data were among the financial topics discussed at the University of Miami Business ForUM, presented by the School's Department of Accounting on June 17 at the University's Shalala Student Center. * Sundaresh Ramnath, chair and professor of accounting at the School, welcomed more than 200 business executives, entrepreneurs and accounting professionals to the day-long conference. The event's Diamond Sponsor was Royal Caribbean International and its Gold Sponsors were Alvarez & Marsal, Crowe Horwath, Deloitte, EY, KPMG and PricewaterhouseCoopers (PwC). Silver Sponsors were BDO, Berkowitz Pollack Brant, Coral Gables Trust, Grant Thornton, Kaufman Rossin, MasTec, Ryder System and Vizcaino Zomerfeld LLP.



Big Data: Making Marketing and Cybersecurity More Efficient

EVERYTHING from consumer marketing and political campaigns to fraud detection and crime prevention can be more effective with the use of big data – combining a growing volume of digital information with powerful analytic tools. Organizations are combining information from public records, private databases, smartphones and sensors to advance business goals, said Khrystyna Bochkay, an assistant professor of accounting at the School. But they must be careful to meet confidentiality requirements and protect consumer privacy.

“Big data was invaluable in helping President Obama develop his messages in 2008 and 2012,” said Andrew Marcus, president and CEO of M1 Data & Analytics. “Today, big data plays a growing role in insurance, finance and health care, as well as consumer marketing.”

Indeed, BankUnited uses big data tools for monitoring customer accounts to detect anomalies that indicate potential fraud, said Scott Norton, executive vice president and chief auditor at the Florida-based bank. Big data tools also help BankUnited in its race to keep up with hackers. “Hackers have gotten more creative, breaking into small business’ digital files and monitoring email traffic of the CEO or CFO. Then, they try to emulate that email to request a wire transfer payment to ‘vendor’ with a new address,” he

explained. “Our analytic tools can flag those kinds of wire transfers so the owner can be contacted before the funds are released.”

Those tools are also crucial in anti-money laundering programs and banking “stress tests,” said Jeffrey Sopshin, a partner in EY LLP’s Business Risk Advisory service. “Sophisticated models that draw from various data warehouses can screen for potentially suspicious transactions,” he said. “We can also leverage big data tools to model how well a bank’s loans and investments would perform in different credit markets. Of course, big data can only go so far. You still need to look at the model and your assumptions to see if the results appear to be reliable.”

Sopshin also offered another caution to businesses that want to house their data in the cloud. If they operate in an industry that is regulated by the U.S. or European Union, laws may require them to keep the information in a particular state or federal jurisdiction.

U.S. Economic Outlook

HOUSING PRODUCTION and consumer spending are helping to drive the U.S. economy forward this year, said Patrick K. Barron (BBA ’75), retired first vice president and chief operating officer of the Federal Reserve Bank of Atlanta, in his presentation on the national and global economy.

Opposite page: Sundaresh Ramnath, chair and professor of accounting at the School. **This page, left-right:** Andrew Marcus, Scott Norton, Jeffrey Sopshin, Khrystyna Bochkay and Patrick K. Barron (BBA ’75).

At the time, Barron noted that wage growth was improving and inflation was not a threat, so he expected a modest rate hike by the Federal Reserve later this year. “But political uncertainty and our tax laws are dampening the U.S. economic outlook,” said Barron, who is chairman of the School’s Board of Overseers. “We need to put aside our political differences and create an economic climate that brings companies back onshore rather than pushing them out. We also need tax incentives for people to hire and invest here. With those kinds of changes, we can get the U.S. economy back on track with an annual growth rate of 3% to 3.5%.” Subsequent slowing employment growth led to caution at the Fed, which had not raised interest rates as of publication.

Analyzing leading global economies, Barron said Latin America’s overall performance had been relatively weak, with the exception of Mexico, which has a positive outlook for 2016. “China’s economy is resilient, Japan is steady and India has the world’s fastest-growing large economy with steadily increasing trade with the U.S.” Barron said.

Barron added that, around the world, strong education programs will be necessary to prepare millennials for high-wage jobs. “With the graying of America and slower immigration, there are fewer new workers entering the labor force,” he said. “We must make the most of that talent through education and training.”



Left-right: Jose Gordo (AB '94), Paul Munter and Daniel Quezada (BBA '97, MBA '01). Marcel Maier (BBA '90), John D'Arpino (BBA '89, MSTX '91) and Leo Chomiak (MSTX '86).

Managing New Accounting Standards

TODAY'S FINANCIAL REPORTING environment is changing more dramatically than usual, according to Paul Munter, senior partner in KPMG's Audit Quality and Professional Practice Group, and a former professor and chair of accounting at the School. The Financial Accounting Standards Board (FASB) – which develops generally accepted accounting principles (GAAP) for financial reporting – is implementing new standards in areas like recognizing income, consolidation of financial statements, loan accounting and treatment of commercial leases.

For instance, a new FASB standard scheduled to go into effect in 2018 will recognize revenue when a company transfers control of a good or service – an expectation-based model that might or might not align with cash payments, Munter said. “That’s a major difference from the traditional standard of recognizing revenue when it is earned and realized,” he added. “It would make it difficult for capital providers to understand a company’s current financial position, particularly when compared with its past performance.”

New FASB standards may also soon affect property leasing versus buying decisions, noted Daniel Quezada (BBA '97, MBA '01), senior business analytics manager for Walmart US Dry Grocery. “While we probably will do more leasing, business considerations rather than accounting treatments will remain the major driver,” he said. “However, there needs to be good integration between the controllership

and the operational executives. In my experience, issues with lease accounting tend to result from losing touch with the business – particularly when relationships with real estate developers evolve over the years.”

In addition to keeping both accounting and operations up-to-date and in communication about new standards, private and public companies also need to educate their investor bases, said Jose Gordo (AB '94), chief financial officer of Magic-Jack VocalTec Ltd. “Let them know that you’re not changing the business model, even if the reported results are different,” he explained.

UM's Florida 50 Index

Seth Levine (BBA '83, MPA '85, MBA '89), a lecturer in the School's accounting department, discussed the University of Miami Florida 50 Index (UMIAMIFL), developed in partnership with S&P Dow Jones. The index tracks the weighted performance of about 50 leading Florida-based public companies. “We would like to turn [the index] into an exchange-traded fund (ETF) one day, giving investors an opportunity to gain exposure to these companies,” Levine noted. Michael Mell, director of custom indices at S&P Dow Jones Indices, noted that the index is an innovative approach to measuring a portion of the economy. “No other university has come up with a concept like this,” he said.

Because seven of the top 10 companies on the index are based in Miami-Dade, Broward and Palm Beach counties, the index provides a “decent barometer” for the region's economy, according to Mell. (Follow the index at umiamifl.com.)

Integrating Tax Planning and Operations

CORPORATE TAXES are one of the hot topics in today's public policy debates. Some people feel U.S. companies pay too little in taxes, while corporate leaders often feel they pay too much, compared to other jurisdictions. “Tax planning is crucial to any company,” said John D'Arpino (BBA '89, MSTX '91), vice president for mergers and acquisitions, tax structuring and planning at Sheridan Healthcare, a privately held entity. “Our company is active in 48 states, so we have to look at those tax rates, along with employment taxes and income taxes. So, you have to plan ahead and help your accounting team address these challenges.”

Sheridan has also done quite a bit of planning related to rules regarding disclosure and documentation of inter-company debt. “This is a huge issue in our tax planning, as we have about 330 domestic entities,” D'Arpino said. “Fortunately, we have a proactive CFO who brought us into the process at an early stage, rather than looking at tax as an afterthought.”

While D'Arpino would like to see some tax policy reforms, he believes that U.S. companies would benefit even more from more consistent application of existing federal and state rules. “It would be nice if the Internal Revenue Service would step in with rulings on major health care issues,” he said. “One example is payroll taxes for physicians who are salaried employees, versus those who are considered independent contractors.”



Other participants in the tax panel, which was moderated by Leo Chomiak (MSTX '86), an international tax partner at Grant Thornton LLP, said that the federal government needs to reduce corporate tax rates to levels comparable with other countries in the developed world. "Our national tax rate of 35% is much higher than countries like the United Kingdom, which is only 20%," said Marcel Maier (BBA '90), vice president, tax at The GEO Group, a Boca Raton-based operator of correctional facilities. The GEO Group reorganized as a U.S. real estate investment trust (REIT) in 2013.

"Many U.S. companies also have to pay state income taxes," Maier added.

One way companies may see their tax burdens reduced is through "inversion transactions," in which a foreign company acquires a U.S. company and moves its headquarters to a lower-tax jurisdiction. But such structures don't always benefit a company, Maier noted. "That adds another layer of complexity to an already complicated business," he said. "Some of our companies are fully taxable while others are not. We have to deal with 50 sets of state tax rules, and we have foreign operations as well, so we have to be very careful in doing our tax planning."

Turning The GEO Group into a REIT did ensure that its real estate business is no longer subject to tax, Maier said. But that hasn't stopped the company from looking at other ways to reduce the taxes it pays. "We spend a lot of time looking at sales and use taxes, property taxes and employment taxes," he said. "Effective tax planning is all about the details – looking at the financial data and understanding the implications."



Left-right: Audience members during the sessions. Taryn Powell Aguas, Carlos Goris and Lauren Szwach.

Cybersecurity: Why Companies Should Be Very Scared

LAST YEAR, companies and institutions reported more than 100,000 cybersecurity incidents, including 3,141 confirmed data breaches, according to Verizon's "2016 Data Breach Investigations Report." With that statistic in mind, Daniel A. Medina, director of Berkeley Research Group, moderated a panel on cybersecurity.

"Cybersecurity is the FBI's third priority, along with criminal cases and national security investigations," said Lauren Szwach, a Miami-based special agent with the FBI. "If a data breach occurs, we want to track the criminals and help mitigate the consequences." Fellow Miami-based agent Carlos Goris noted that the FBI has seen enormous growth of the "dark web" – websites that sell illegal goods and services, and can only be accessed with special decryption tools. The dark web is where hackers sell the personal information they've illegally obtained. Hackers also might obtain company information, or prevent a company from accessing its own information, and ask for payment to return it safely. "They might send an email with malware that will lock up a database and ask for a ransom to release that information," Goris explained.

On a national security level, hackers want military and business secrets, added Szwach. "Some countries hire full-time hackers whose only goal is to penetrate our coun-

try's networks," she said. "Companies need to have the security tools and procedures in place to protect their information. If trade secrets are stolen, the entire business could go down the drain."

Cautioning that one in four companies will face a data breach in the next few years, Taryn Powell Aguas, president of cyber risk services at Deloitte Advisory, noted a breach can result in both direct and intangible costs. Cyber insurance typically covers only the direct costs, such as credit monitoring, notifying individuals and regulatory judgments. "There can be very serious costs below the surface, such as the impact on your brand and the disruption to your operations," Aguas said. "So, you have to be vigilant in monitoring threats, respond quickly and mitigate the impact as quickly as possible."

Art Ehuan, managing director, cybersecurity at Alvarez & Marsal Taxand LLC, said criminal groups are relentless in seeking out vulnerabilities in a network. "Recently, we worked with a chief technical officer who designed his own system and believed it was secure," he said. "The CTO was very surprised when we showed him the malware the hackers had already installed on his network." While companies should have technology tools in place to protect information, they also must take other actions, Ehuan noted. A cybersecurity program must include limiting physical access to computers, mandating strong passwords and educating employees. **U**



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including longer stories:
bus.miami.edu/businessForum

A Lasting Legacy

Even after the donors' passing, a scholarship pays honor to a relationship born at the School of Business. By Doreen Hemlock

The estate of a couple who met in a School of Business accounting class – where she was the professor and he the student – has helped dozens of accounting students complete their degrees. The Eloise Kimmelman Scholarship in Accounting, established by the late David Kimmelman (BBA '49) in memory of his wife, Eloise, has been providing scholarships to accounting majors at the School since 2007. Last year alone, it provided roughly \$200,000 to two dozen students, says Jan A. Yelen, trustee of the Kimmelman Foundation and Trust.

Receiving a Kimmelman Scholarship in 2014 helped Mari Pape (MAcc '14, BSBA '14) cut down on the amount of student loans she took out to complete her master's in accounting. "For me, it meant there was a huge load off my shoulders," Pape says of the Kimmelman funds and other grants that the School helped her obtain. "The chair of the accounting department took it upon himself to get us [accounting majors] as much money as possible." Pape is now an internal auditor for Miami-Dade County. She's passed her CPA exam and now is studying to become a certified fraud examiner.

Jan Yelen, a trustee of the Kimmelman Foundation and Trust, with a photo of the late Eloise Kimmelman, who taught accounting at the School.



The 23-year-old already is giving back to the School, grateful for the support from the Kimmelmans and others. “Because of all the scholarships I got, I’ve become a donor to the Accelerated Master of Accounting program,” Pape explains. She’s also joined the School of Business Mentor Program to work with an accounting major.

Steven Pita (MAcc ’15, BSBA ’15), a member of the third generation in a family of accountants, finds the Kimmelman Scholarship still inspires him. Receiving the scholarship, which is based partly on academic merit, “helped me validate the work I was putting into school,” he says. “It showed me it’s worth going the extra mile. And it’s motivation to continue what you’re doing not only in school, but going forward.” Pita now works for Ernst & Young in assurance services. He quickly passed his CPA exam, thanks to the review course in the accelerated master’s program, he said. And he aims to give back to the school in the future. “You realize somebody went out of their way to help someone they don’t even know at all,” he says of the scholarship. “That’s something I really value – that they were generous to us. I would definitely consider funding a scholarship going forward.”

David Kimmelman funded the scholarship in his wife’s memory with \$2 million. The former Eloise Moxley was a professor of accounting at the School, and one of the few women teaching in the field in the 1940s. David Kimmelman served in World War II and did military training on Miami Beach. After the war, he returned to sunny South Florida to study and met Eloise in an accounting class she was teaching. Kimmelman always said he couldn’t have attended college without federal government grants through the GI Bill. “He appreciated that a scholarship changed his life,” says Yelen, whose family was

close friends with the Kimmelmans for decades and lived near them in South Florida. “He wanted to be able to give back to other kids and, hopefully, change their lives for the better.”

Yelen represents the Kimmelman estate at the School, is actively involved with many scholarship recipients and attends the School’s events for donors and recipients every year. “I love to hear where they’re going and where they’re coming from,” Yelen says. “In many cases, they are the first in their families to go to college.”

Miaoxuan Chen (MAcc ’15, BSBA ’15) wasn’t the first in her family to attend college, but the daughter of Chinese entrepreneurs was the first to study at a U.S. university. She was eager to learn about global business in an American city with warm weather. Yet, studying in a land far from home in a language that was not her own was tough. She hoped to honor her parents and their support. Receiving a Kimmelman Scholarship for her academic performance did just that. “They felt very happy,” says Chen, who now works for a solar energy company in California.

For Joshua S. Weiner (MAcc ’15, BBA ’15), the Kimmelman Scholarship he received in his final semester helped pay some school expenses and offered a financial cushion for his move to Boston to work in auditing at Ernst & Young. He might otherwise have needed loans to start in a new city after graduation. Weiner says he felt “flattered, honored and humbled” to receive the scholarship, and enthused by the story of the Kimmelmans’ romance and their dedication to accounting students. “I feel an obligation to pay it forward and give back to UM,” says Weiner, “so other students can have the opportunity I was afforded.” 



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Featured Events

ALUMNI EVENT: BOSTON

Oct. 26

1 Dan Passacantilli (BBA '99). **2** Dean Anuj Mehrotra with Josh Cohen (AB '96). **3** Hanna Burnman with Garin Murphy (BBA '09).

ALUMNI EVENT: TAMPA

Oct. 15

4 Mariseli Vega-Perez (BBA '02); Sheryl Alonso, academic director of the School's Johnson A. Edsomwan Leadership Institute; and Betsy Earle (MBA '06).

ALUMNI EVENT: NEW YORK

Oct. 5

5 Event host Michael Levine (far right), who is a parent of School of Business student Andrew Levine (far left), with Rachel Wankoff (BBA '15) and Matthew Kline (BBA '15). **6** Arielle Duperval (BBA '12) and Clarissa Carlucci (BBA '12).



MENTOR ORIENTATION & DINNER

Sept. 29

1 Jose Lamela (BBA '86) talked about being a mentor in the School's program. **2** Student Katherine Archer with mentors Steve Schaefer (BS '80, MBA '86) and Danny Carvajal (BBA '08).

UM BIG DATA CONFERENCE

Sept. 21

3 Big Data Conference attendee Mitsu Ogihara; panelist Isi Sudit, founder of TROVE Predictive Data Science; and co-organizer Joseph Johnson, an associate professor of marketing at the School. The School co-hosted the conference with the University of Miami Center for Computational Science. **4** Attendees included Mari Pape (BSBA '14, MAcc '14), Matthew Pape (MBA '86), Marilyn Pape (BSIE '15), Marina Blanco-Pape (BARCH '81, MSME '87) and panelist Samuel H. Johnson, Ryder System's vice president of global marketing.

UPS CORPORATE EVENT

Aug. 25

5 School faculty and staff met with alumni at UPS, where Zoey Chen, assistant professor of marketing at the School, discussed professional communication styles at the company's Women's Leadership Development Lunch n' Learn. Dean Anuj Mehrotra, Chen and other staff also toured the company's Miami International Airport facility with alumni.



Alumni Weekend and Homecoming Nov. 3-6, 2016

The weekend included a parade, the annual School of Business cook-out, several special receptions, and – of course – football!

1 Jonathan Fichman (MBA '06), Nancy Pastroff (MED '66) and Edward Lasoff (MED '72, PHD '81). **2** Gonzalo Palenzuela (BBA '91), Sebastian the Ibis and Carla Palenzuela. **3** Barbara Pruitt; Nancy Hullihen, the School's executive director of alumni relations and development; Sebastian the Ibis; Amy Agramonte; and Marianela Hernandez (BBA '83, MBA '85, MS '86). **4** Daniel McGibney, assistant professor of professional practice in management science, with School of Business graduate students Jada Campbell, Carmen Bazan, Raymundo Aguilar and Pedro Martinez. **5** Chrystie Gonzalez del Valle (far right) and small friends. **6** Students led the School of Business delegation in the homecoming parade, with Dean Anuj Mehrotra riding with a balloon sword.





Bringing Wings to the World

LARRY KRUGUER, BA '87, MBA '92
PRESIDENT-INTERNATIONAL, WINGSTOP, DALLAS
BY KIRA LEWIS

GROWING A SMALL COMPANY is different work from keeping a large company growing, and Larry Kruguer has been able to do both during his career. “I see myself as this hybrid,” says Kruguer, who joined chicken-wing restaurant chain Wingstop in 2015, just before its IPO. He had spent the better part of the last decade in multiple international leadership positions at Wendy’s restaurants. “I’ve always had an entrepreneurial streak in me,” he says. “It’s a different skill set: the ability to grab an early-stage concept and mold it, adapt it to the market and then help grow it.”

Kruguer, whose degrees are in international finance and marketing, joined Wingstop because he relished the opportunity to work at what he describes as a younger and more dynamic company. “Compared to being at a bigger company like Wendy’s, it is a bit more entrepreneurial, a combination of both worlds,” he says of the 914-location Wingstop, where he is leading an aggressive plan to expand internationally. When Kruguer took on the role at Wingstop, it had 45 franchised restaurants in six countries outside the

NOT WINGING IT
A brand needs the right menu, restaurant design and service to successfully integrate into a new international market while keeping its core DNA, says Wingstop’s Larry Kruguer.

U.S. It now has franchisee commitments for another 300-plus international locations. Kruguer believes that the international market could be as big as – if not bigger than – the company’s domestic market. After all, chicken is the most-consumed protein in the world.

The challenge, Kruguer says, is keeping the DNA of the core brand while also adapting it to each international market. He identifies three crucial elements a brand needs to successfully integrate into a new culture: menu, restaurant design and service. “Look at your product,” he says. “How is it differentiated and relevant for a given market?”

Kruguer also says a company should select its target expansion countries for the right reasons. For instance, companies often make the error of trying to expand into markets such as China simply because of their size – rather than because the market will be a good fit. Kruguer emphasizes the importance of carefully considering market growth, saturation levels, potential customers’ disposable income and whether there is a pool of qualified management personnel to pull from within the country. “We’ve set our vision on a few precise locations,” he says of Wingstop. “It’s not about planting our flag across a lot of countries. We want to grow at a good, reasonable pace without going crazy.”

A calculated approach, however, doesn’t mean a slow one, Kruguer stresses. “You don’t have time to establish a brand internationally like you used to, because our world moves much more rapidly,” he says. One of the keys to quickly establishing a brand in a new country is the internet, in particular, social media. “It’s a way for companies to get their name out quickly and with less cost,” he says. “You can communicate why you are relevant and why people should try you. The faster you can do that, the better your chance of success.”

class notes

1950s

RICHARD H. PLAGER (BBA '52, AB '51) retired to Naples after a long career in law enforcement. He spent 37 years with the Miami-Dade Police Department, where he was captain; eight years as the police chief in Sanibel; and 24 years in the military. He also was a CPA.

BETSY DERISO POPE (BBA '54) received an honorary PhD in public service from Georgia Southwestern State University. **RET. COL. MARTIN ROSEN (BBA '54)** received the Lifetime Achievement Award from Employer Support of the Guard and Reserve, a Department of Defense agency. A financial advisor, Rosen is vice president at Ameriprise Financial in Miami.

1960s

PAUL BERNARD ALTMAN (BBA '69), a Barbados realtor, was named Knight Bachelor in the Queen’s New Year Honours, for service to the preservation of historic buildings and real estate development.

VERN EMERSON (BBA '65) retired from his job at Cheshire Cemetery in Massachusetts.

KEN VAN DURAND (MBA '69, BBA '66) retired as vice president of promotion, BNA Entertainment at Sony Music.

1970s

ARTHUR BAITZ III (BBA '74), chairman and CEO of Zero Float International, was accepted into the Society of Accredited Marine Surveyors as a surveyor associate.

STEVEN GINSBURG (JD '76, BBA '73) serves on three American Bar Association committees: Business Torts and Unfair Competition, Class Actions and Derivative Suits, and Pretrial Practice and Discovery. **VAN MAYROS (MBA '77, BBA '75)** is co-founder and president of IgniteD2K, which delivers marketing and sales insights to companies based on big data.

BRUCE P. MCMORAN (JD '76, BBA '71) was selected as one of three finalists for the

New Jersey 2016 Attorney of the Year award for successfully arguing before the New Jersey Supreme Court that the state law protecting whistleblowers applies to an employee whose essential function is to act as one.

HORTENSIA SAMPEDRO (BBA '72) is now an adjunct professor at Florida International University's Honors College and a consultant at GH Growth Advisors.

HUGH WIEDMAN (MBA '79, BS '77) was appointed chief financial officer of Lloyd Jones Capital; he also sits on the firm's investment committee.

1980s

CHRISTOPHER APONE (MBA '01, BBA '99) was appointed managing director of commercial mortgage company Berkadia's South Florida office.

KATHERINE BUTKEVICH (BBA '83) was appointed CEO of Professional Diversity Network, a developer and operator of online employment networks.

DAVID COOK (MBA '96, AB '89) is chief human resources officer for TriHealth in greater Cincinnati.

CHARLES J. FOSCHINI (JD '97, MBA '88, BA '87) was named senior managing director and Florida co-leader of Berkadia commercial mortgage company.

KATHLEEN GRACE (BBA '89), managing director of United Capital Financial Life Management, wrote *Prince Not So Charming – Cinderella's Guide to Financial Independence*. She also was recognized as one of the top 25 most influential business women in South Florida.

ROLV HEGGENHOUGEN (BBA '81) released nextminuteapp, which rapidly connects consumers with service providers.

CASEY HOBAN (BBA '87), co-founder of Connecticut-based Miami Bay Beverage Company, plans to expand the company down the East Coast and into Virginia with \$2.5 million in funding.

ROBIN GEROFKY KAPTAN (JD '85, BBA '82) was appointed a division chair by the American Bar Association's Section of International Law. She is a senior foreign counsel for Duan and Duan, a Chinese law firm in Shanghai.



Freebee Is Buzzing

KRIS KIMBALL, BBA '09, JASON SPIEGEL, BBA '09
AND MATT FRIEDMANN, BBA '09
FOUNDERS, FREEBEE, MIAMI
BY KAREN-JANINE COHEN

IT HAS OFTEN BEEN SAID that there's no such thing as a free ride. Jason Spiegel, Kris Kimball and Matt Friedmann beg to differ, and took this challenge head-on when they founded Freebee in 2012. The company offers free short-distance transportation in custom electric vehicles, shuttling tourists and locals around high-density areas of Miami. Revenue is generated through advertising placement on its vehicles, and business has been growing steadily every year. Freebee is profitable and expanding, and the partners are very excited for the future of the business.

Freebee's 30+ "green" vehicles serve Miami's Brickell, Downtown, Wynwood, Midtown and Design District neighborhoods, as well as Miami Beach and Hallandale. Similar to Uber, customers order rides on-demand through the "Ride Freebee" mobile app, or they can flag down any passing Freebee vehicle. The cars are easy to spot, as each Freebee is emblazoned with a client's brand, including backlit advertising panels. Freebee's employed drivers often offer riders

MOVING MARKETING

Freebee founders Kris Kimball, Matt Friedmann and Jason Spiegel in one of the company's electric vehicles, which is advertising Bacardi.

local recommendations and product samples from their advertisers. "We are a marketing company, utilizing free transportation as our advertising platform," Spiegel says. The 42-employee company's stable of high-profile clients includes brands such as Bacardi, Capital One, Pepsi, Goya and Anheuser-Busch.

Freebee's founders are all from the Philadelphia area, but didn't meet until they were students at the University. However, the idea for Freebee didn't come together until several years after the trio graduated. Friedmann took a job with Royal Caribbean, while Spiegel and Kimball worked in phone sales, but they were constantly brainstorming about how to build their own company.

"We went through several ideas. We asked ourselves, 'What would be something fun that would serve the well-being of the community?'" Kimball says. Kimball, Spiegel and Friedmann have invested their life savings into the company and have chosen not to take on an investor to date, as the company is profitable. Just recently, Miami-Dade County awarded Freebee a \$175,000 economic grant.

As Freebee grew, Kimball and Spiegel started a printing and creative design division, Beefree Media, and recycled all Beefree profits into more vehicles and technology development. Now, through the data collected via its app, Freebee knows which restaurants and clubs are trending – and suggests these "Places to Bee" to riders.

The trio credits their School of Business education with giving them entrepreneurial tools and undergirding their tenacity. Friedmann says Ian J. Scharf, a lecturer in the School's marketing department, was particularly inspiring, saying: "He taught us about marketing ourselves and balancing our work-life priorities." Kimball adds, "What we learned at UM gave us the confidence to get out there and schedule our first meeting. From there, we were off and running."

Producing a Broadway Smash

MIKE BOSNER, BBA '07

PRODUCER, GFI PRODUCTIONS, NEW YORK CITY

BY KAREN-JANINE COHEN

IN A FEW SHORT YEARS, Mike Bosner has gone from School of Business student to producer of the Broadway smash and Tony Award-winning “Beautiful, the Carole King Musical.” His trajectory was set, however, before his freshman year, when he was picked for an internship in the production office of the Municipal Theatre Association of St. Louis, known as the Muni. He was hooked.

“I was in a meeting and the producer was overseeing the meeting with the entire business staff,” Bosner says. “I never thought about marketing, rules, regulations and contracts. I remember being flabbergasted with this whole world.” At that moment, Bosner set a clear and focused goal: to be a producer. Once at the School, Bosner approached Paul K. Sugrue, who was then dean, and shared his ambition. Sugrue, Bosner recalls, said, “Go talk to the theater people.”

Vincent Cardinal, at that time chair of the University’s Department of Theatre Arts, warmly welcomed Bosner, overseeing the thespian side of his education (script analysis, acting and directing classes) while involving him in back-of-the-house processes. At the same time, Bosner took the standard business curriculum. “I ended up designing a program to do business and theater,” he explains.

During summers, Bosner returned to St. Louis, where he worked closely with Paul Blake, Muni’s contracted executive producer out of New York. Bosner was offered a full-time job with Blake during his junior year, when he was four credits shy of graduation. With the blessings of Sugrue and Cardinal, he worked in New York as associate producer with Blake for Muni. Then,

“a little show came out of the blue, a Carole King show,” he says. Bosner earned his remaining credits at New York’s Baruch College.

After more than seven years of working together, Bosner moved from being Blake’s associate producer to a full partner. They are a unique pair. Blake has the institutional memory and long experience on the creative side. Bosner adds the financial, contract and business infrastructure. They recently brought on Ian Wells (BBA '09) to help grow the business.

The payoff is clear. The show is now on national tour, in production in London’s West End and will open in Australia next year; it’s also still on Broadway. Bosner and Blake are now planning for other venues around the world.

Ironically, Bosner initially planned a career in international business; he thought foregoing it in favor of following his dream of producing was a radical turn. Now, he says, international business is at the center of his professional life.

PRODUCTION VALUED

“Beautiful,” which Mike Bosner produced, was nominated for seven Tony awards in 2015, and won two.



JEFFREY I. SHULMAN (MBA '84), vice president of real estate banking at Regions Bank, was named president of the board of trustees of the Arthur I. Meyer Jewish Academy in Palm Beach Gardens.

RICK TONKINSON (MPA '85, MBA '84) was honored, along with his wife, Margarita, with the Philanthropic Award at the 25th Anniversary Gala of the City of Coral Gables Community Foundation.

1990s

CHRISTOPHER AIRD (JD '04, MBA '00, BBA '98), a Miami shareholder at Carlton Fields, will serve as the 2016 fellow on the Leadership Council on Legal Diversity.

MERCEDES ARÁOZ (MA '91) became second vice president of Peru; she had been the nation’s finance and economics minister since December 2009.

ANDREW DICKSON (MBA '94) became chief underwriting officer for treaty, Latin America, at Odyssey Reinsurance Company.

DANY GARCIA-RIENZI (BBA '92), UM Alumni Association past-president, was featured in *Forbes*, speaking about her business successes.

DANIKA MENDRYGAL (BBA '99) launched Mendrygal Law in Dallas, after 12 years representing nonprofits and tax-exempt clients at a large law firm.

MARK PINGER (BBA '96), an Olympic medalist in swimming, was appointed general manager of swimwear and equipment for Arena North America.

ILANA ROSEN (BBA '96) is chief operating officer of clothing performance brand EleVen by Venus Williams.

DAVID RUDY (BBA '95) created and produced a Doritos TV commercial that was among three finalists competing to air during the 2016 Super Bowl.

DAVID SCHROFFER (MBA '95), CEO of cybersecurity company AnchorID, published *Digital Habits*, a book with simple tips to avoid sophisticated cyberattacks.

ALEXANDER D. SEVILLA (MBA '97, BBA '94), who guided the University of Florida’s MBA program at the Hough Graduate School of Business, was named associate dean and director of UF’s Heavener School of Business.



The Business of Health Care

POST-ELECTION



FRIDAY, MARCH 3, 2017 | UNIVERSITY OF MIAMI

The **2016 U.S. election** and anticipated policy outcomes will significantly impact the health care industry, over the next four years and beyond.

On **FRIDAY, MARCH 3, 2017**, as the new administration takes shape in Washington, the Center for Health Sector Management and Policy at the University of Miami School of Business Administration will host ***The Business of Health Care Post-Election***.

The conference will be an unparalleled opportunity to exchange ideas on the impact of the anticipated change in health care policy on the business community.

SPEAKERS INCLUDE:



Julio Frenk, MD,
President, University of Miami



James L. Madara, MD,
Executive Vice President and CEO, American Medical Association



Richard Pollack,
President and CEO, American Hospital Association



Kathleen Sebelius,
Former U.S. Secretary of Health and Human Services



Donna E. Shalala,
Former U.S. Secretary of Health and Human Services and Former President, University of Miami

Joseph Fifer, President and CEO, Healthcare Financial Management Association

Halee Fischer-Wright, MD,
President and CEO, Medical Group Management Association

Marilyn Tavenner, President and CEO, America's Health Insurance Plans

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HAL J. WEBB (BBA '92) joined Bilzin Sumberg as a partner in the Tax & Estate Planning Group and head of international private client services.

2000s

ROLANDO AEDO (MBA '06), executive vice president and chief marketing officer of the Greater Miami Convention & Visitors Bureau, was inducted into Miami Dade College's Alumni Hall of Fame.

KIMBERLY ARGUELLO (MBA '07) joined FitzRoy Investment Advisors in Miami as its investment advisory manager.

MIKE BOSNER (BBA '07), a Broadway producer, saw his show, "Beautiful: The Carole King Musical," earn a Tony nomination for Best Musical. (Read more on page 45.)

MORGAN CANTRELL (BBA '08) was promoted to managing director of BrightTALK, a San Francisco-based marketing and product education company.

PATRICK DWYER (MBA '03), Merrill Lynch managing director, was named No. 5 on *Forbes'* "America's Top Wealth Advisors" list. For the past two years, he's also been named *Barron's* No. 1 advisor in Florida and listed on the *Financial Times'* Top 400 Financial Advisors list.

CHRIS FERRITER (BBA '09), SPENCER KRAMER (BBA '09) AND SCOTT LATIMAR (BBA '09) founded promotional products company SoBe Promos, which *Inc.* ranked as the 448th fastest-growing private company in the U.S.

KOURTNEY RATLIFF GIBSON (BBA '03) was named president of Loop Capital Markets, a full-service investment bank, brokerage and advisory firm.

MATTHEW J. MCGUANE (JD/MBA '10, BBA '06) joined law firm Levine Kellogg Lehman Schneider + Grossman as an associate, focused on complex commercial litigation.

BRANDON A. OKPALOBI (BBA '05) was named one of Miami's first BMe Leaders, black men chosen for their community service and their ability to inspire. He will receive a \$10,000 grant for his nonprofit Dibia Athletic Development. He also was recently named a Miami Fellow by the Miami Foundation.

GERALD RATIGAN (BBA '02) was promoted to senior vice president - finance and chief accounting officer for MoneyOnMobile, a publicly traded mobile payment company with operations in India.

ALEJANDRO (ALEX) ROMILLO (MIS '01) was named president and CEO of Miami-based Health

Choice Network, a collaboration of community and mental health centers.

ESTHER M. SANTOS (BBA '00) is co-founder and COO of Palaroundapp.com, a swiping app for private networks that helps improve brand loyalty.

PIA C. VALDIVIA (MBA '04) was appointed vice president and chief financial officer of the Salzburg Global Seminar, based out of Washington, DC.

2010s

PEDRO AST (BBA '13), a former University of Miami tennis player, released Bvddy, an app that lets athletes search for a partner for a sport of their choice. It raised \$1.5 million in its first round of funding.

RICK BAGEL (MBA '11) is developing Wetrock Farm, a subdivision with a working farm in Raleigh-Durham, North Carolina. He successfully fundraised by teaming up with Jordan Fishfeld (JD, MBA '12), who launched PeerRealty, a real estate crowdfunding website. (Read more on page 23.)

CHAD BRICK (MBA '13) received the Chief Financial Officer Award of Excellence from the U.S. Coast Guard. The budget officer for the Seventh District also received an award from the International Society of Military Comptrollers.

AMANDA HARDING (MBA '11) recently published children's book *Moochie Moochie Moo Moo*. She also runs The Vak Shack.

LAURA R. FALCONE (BBA '15, BSC '15), Joseph Picozzi (BSC '15) and current student Jerome Compton III won second place for comedy for student-produced films from the Television Academy Foundation for their short film *I Want to Beat Up Clark Peters*. The film, which won first place in the 'Canes Film Festival, was produced with support from the University's School of Communications.

DANNY MARTOE (MBA '14) was named president of talent representation at CSE Talent. He will split his time between Miami and Atlanta.

SELENA S. SMITH (MBA '13) was elected to the Royal Palm Beach Village Council.

LAURYN C. WILLIAMS (BBA '04), an Olympic gold medalist, launched a virtual financial planning company, Worth Winning - Financial Coaching for Professional Athletes and Young Professionals Under 40.

IN MEMORIAM

HILLELENE S. LUSTIG (BBA '55), a past president of the University of Miami School of Business Alumni Association, died Jan. 7. One of the first female

CPAs in the state, Lustig practiced accounting for more than 53 years. She and her late husband, Edward, established the Hillelene Lustig Endowed Scholarship to assist women majoring in accounting. **MAGGIE ALVAREZ**, who joined the School of Business Department of Accounting as a lecturer and program manager in January 2013, passed away Oct. 12. Maggie touched many students' lives and provided invaluable help with their academic and career choices. Her passing is a great loss to the School and our students.

UPCOMING EVENTS

DECEMBER 2016
 Dec. 9: Behavioral Finance Industry Leaders Conference
 Dec. 15: Fall Commencement Reception

JANUARY 2017
 Jan. 18: We Are One U - Palm Beach, featuring President Julio Frenk

FEBRUARY 2017
 Feb. 1: Cobb Leadership Lecture
 Feb. 26: UM Ethics Bowl

MARCH 2017
 March 3: The Business of Health Care Post-Election
 March 23: Johnson A. Edosomwan Leadership Institute Lecture
 March 30: Business Plan Competition Finale and Awards
 Women's Leadership Conference

MAY 2017
 May 11: Graduate Commencement and Reception
 May 12: Undergraduate Commencement and Reception
 Business ForUM and Accounting CPE Conference

More details on these and other events:
bus.miami.edu/events

PHOTO: LOREM IPSUM PLURIBUS CARPE

[HOW I DID IT]

Getting Close to Distant Customers

BY EDGARDO DEFORTUNA

COURTESY LA RIOJA ALTA

Edgardo Defortuna (MBA '82) is founder, president and CEO of Miami-based Fortune International Group, a real estate brokerage, marketing and development firm. Fortune has more than 1,000 agents in locations across Florida, plus offices in Argentina, Brazil, Uruguay and Mexico. During three decades, Defortuna has grown the company into a multi-billion-dollar firm and helped transform South Florida into a global real estate market. Fortune has developed condominium projects including Jade Beach and Le Meridien Sunny Isles Beach, and has led sales on developments including Hyde Hotel and Residences Hollywood and SLS Lux.

MY MOVE TO THE U.S. from my home in Argentina was not really something that I planned, but I'm happy to say that it worked out well for me.

I came to Miami in 1980 to accompany my sister, who had completed medical school and was moving to Florida for an internship. She convinced me to go with her for three months and enroll in the University of Miami's English as a second language classes. I agreed, but made it clear that I would soon return to Argentina. That was more than 35 years ago, and people there are still waiting for me to come back.

I then enrolled in the MBA program at the School of Business. While I was in school, I began working on the side, managing some of the Miami real estate that friends and family in Argentina had bought as investments. There was really no one taking care of those properties, so I started handling rentals and maintenance for those absentee landlords.

I quickly realized that very few brokers were focusing on the needs of Latin American investors who had properties here in the U.S. The brokers tended to take a generic approach, just working to make the sale rather than understanding the specific needs of Latin American buyers. So I thought that there was an opportunity for me to focus on that niche – and that hunch was right.

Shortly after earning my MBA, I launched Fortune as a property-management company, and soon got my real estate license and expanded into sales. A decade or so later, the company

also began representing developers in Miami, helping them to reach Latin American clients. We eventually took that model to Europe and other regions, as Miami real estate became increasingly attractive to global customers. Then, in the late 1990s, we took all that experience and began developing our own projects, focusing on the luxury condominium market.

There have been many factors behind our success. Certainly, having a good team is critical. So, too, is the ability to adjust to the ups and downs of the market. Real estate is supposed to be all about "location, location, location," but really, it's about "timing, timing, timing." However, a critical strategy for us has been a relentless focus on understanding customer needs, and using that understanding to grow the business. My wife, who is very involved in the company's sales and development operations, plays a huge role in this process. That's the kind of thing that people often know but don't put into action.

At times, our customer focus has led to some innovative approaches. For example, Latin American real estate buyers would typically come to Miami and look for a broker, and then end up going through a process that could be very confusing for someone coming from another country. So, early on in my work with the Latin American market, I decided that instead of waiting for potential clients to arrive in Miami, I would meet them where they live. I started going to South American cities and giving seminars about Miami real

estate. Later, I brought along attorneys and bankers to help explain the details of how Latin American investors could finance and purchase property in Miami. We also started working with local brokers in various countries who could connect us with potential customers.

All of a sudden, we had a very effective program reaching customers who either had U.S. properties that needed to be managed or who wanted to buy or sell properties. We were able to establish and maintain relationships with people in those areas. And it paid off in a big way; we became known as specialists in reaching Latin American buyers and, eventually, buyers around the globe.

Our knowledge of the customer also led to a critical turning point for the business. In managing properties and working with clients, we were in touch with real estate clients on a day-to-day basis and learned a lot about what people wanted. We would pass that knowledge on to the developers we represented, but often, they weren't interested. We had a wealth of information about buyers' preferences and needs. So we thought, "Let's leverage that asset. Why don't we just start doing some development ourselves?" I raised some capital, and my wife and I put together a great development team. We added development to our business, which became very successful.

One other thing we've learned about knowing customers: You have to remember that they change, and the world changes. Today, for example, we are starting to find that Turkey is a good market for buyers of high-end Miami real estate – something that no one would have foreseen just a few years ago. But I always say that when one door closes, a window opens somewhere else around the world. You have to keep watching the market, and be ready to adapt. Overall, I really feel that the world is in love with Miami, and we in real estate are the beneficiaries of this magical attraction that keeps getting stronger with the passage of time. **U**

– As told to Peter Haapaniemi



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