

DIRECTOR'S MESSAGE: CHANGING PERCEPTIONS OF BRAZIL

by Robert Letovsky, Ph.D.

One of the great aspects about travel to new places is the way it alters perceptions and ideas we may have been holding on to for a long time, even as those perceptions no longer reflect reality. So it is for Brazil, where Dr. Paul Olsen and I led a group of MSA and undergraduate students during Spring Break. For most of us, Brazil conjures up images of Sugarloaf Mountain and the iconic statue of Jesus looking down on beautiful beaches. And yet, Brazil is today the world's sixth largest economy. The business press frequently refers to the "BRIC" countries (Brazil, Russia, India, China) as the economies of tomorrow. However, Brazilian businesspeople and government officials insist that Brazil, alone among the four BRIC economies, is not dependent either on exports or raw material exports to sustain its already robust growth. The country is poised to become even more of an economic powerhouse over the next ten years.

The extent of Brazil's economic dynamism and the multiple sources of its prosperity are what our group came to understand. After the "mandatory" inspection of Rio's famed Copacabana beach and a trip up to the iconic statue of Jesus on Corcovado, our group had a lengthy meeting at Petrobras, the state-owned oil company. The company has made massive discoveries of underwater oil and gas off Brazil's coastline in the past two years, and once developed Brazil will be one of the world's leading energy producers.

We then went on to Sao Paulo, stopping on the way for a plant tour at General Motors dos Brasil, a sprawling facility in the industrial city of San Jose dos Campos. Arriving in Sao Paulo in late afternoon by van was an incredible experience – the city of 29 million, one of the five largest cities in the world, has a skyline that can only be described as endless. In Sao Paulo, our group met with a number of companies, as well as with the Foreign and Commercial staff at the U.S. consulate and toured the booming Sao Paulo stock exchange. We also were given an outstanding presentation on Brazilian management style by the faculty at the University of Sao Paulo, where we were able to have lunch with a number of students in their English-language MBA program. One of our most memorable experiences was an afternoon spent at Meninos de Morumbi, a nonprofit group that works with poor children from the city's slums, encouraging them to get involved in music as an alternative to gang activity. We also had a wonderful dinner with two Saint Michael's College alums, Daniel Johnson '97, a resident of the city, and Jay Bellissimo '87 and his wife Kathleen, who have been posted to Sao Paulo by IBM.

Overall, we accomplished a lot in one week. Each one of us left with a completely new perception of what Brazil and its society are really about – precisely the kind of learning outcome a good trip should have.

ARE UNREGULATED FREE MARKETS REALLY SUCH A GOOD IDEA?

By Norm Walker

After I read Robert Letovsky's Chair's Message in our last newsletter, I asked for a chance to respond because many of the views he expressed were not at all consistent with my own. The deep recession that we and the rest of the world are struggling to get out of provides evidence that following a path of deregulation and unrestricted free markets that he strongly supports may not have been that smart. Of particular concern is our eager willingness to outsource jobs and production to other countries in order to reduce labor costs, without sufficient regard for the impact of those policies on individuals, communities and longterm national prosperity and security.

One of the odd arguments in his letter was that if Congress provided certain subsidies to businesses only if their products were made in the U.S.A., it was going to be difficult to find any eligible recipients because hardly anything was exclusively made in the U.S.A. I thought if providing subsidies funded by U.S. taxpayers only if those subsidies helped increase U.S. jobs was a problem, we should reconsider the wisdom of the policies that lead us to be in this situation rather than to criticize Congress for trying to do something that most people would find logical. It wasn't very long ago that Wal-Mart prominently advertised the "Made in the USA" logo in their stores. I admired that because I thought that would encourage shoppers to use their dollars wisely by supporting their local and national economy. Supporting local business seems like a reasonable way to help ensure that your shoppers could continue to afford to shop for the things your store sells. Wal-Mart now promotes a "Always Low Prices" tagline and regrettably have been a driving force behind the pressure to outsource production, so much so that

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MSA FACULTY AND STUDENTS AT THE UNIVERSITY OF SAO PAULO, FIA BUSINESS SCHOOL, POSING WITH STUDENTS IN THE FIA MBA PROGRAM.

Sigma Beta Delta (SBD) is the International Honor Society for Business, Management and Administration. To qualify for SBD, students must rank in the top 20 percent of their class and have completed approximately three-quarters of the program. Accepted students are chosen in early fall.

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|---------------------|-----------------------|
| MSA STUDENTS | SENIORS |
| Jason L. Crooks | Daniel J. Baginski |
| Nicole J. Dyhrman | Kelsey J. Dole |
| Shere M. Etter | Sarah J. Dudley |
| Barbara M. Iverson | Thomas J. Dunn |
| Aparna Nahar | Erika R. Fuglestad |
| Frank J. O'Connor | Katherine A. Gosselin |
| Ronald B. Redmond | Kerry B. Hill |
| Deborah J. Sabourin | Christopher R. Kopka |
| | Sara A. Longpre |
| FACULTY | Allison J. Marsh |
| Francis J. Farina | Amanda M. Maronis |
| Diane M. Lander | Megan E. Newell |
| | Casey P. Olander |
| HONORARY | Ashley A. Orens |
| Donald C. George | Jared J. Palardy |
| | Molly K. Salt |
| | Michael T. Troesch |

Congratulations to the following students who were inducted into Sigma Beta Delta on April 10, 2010

SIGMA BETA DELTA

a significant percent of the things they sell that were formerly made in the U.S.A. are now produced in China.

As you will see in my short bio in this newsletter, I am most proud of the contribution I have made to our students through the development of our "Ethical Issues in Business" course. At the beginning of that course we develop an understanding of key ethical values that are generally considered to have universal applicability so that when we discuss particular business cases we have a framework to evaluate the ethical soundness of decisions. I had the good fortune of spending a sabbatical as a Research Associate for the Josephson Institute of Ethics in Los Angeles, CA in 1994. The Institute is responsible for the national "Character Counts" initiative and promote six core values for ethical decision making. These are: Trustworthiness, Responsibility, Respect, Caring, Justice and Fairness and Civic Virtue. Of most relevance to business in a capitalistic system is trustworthiness; this encompasses honesty, integrity, loyalty and promise keeping. Business cannot function effectively without widespread adherence to this value. When those values are breached there are consequences, unfortunately when businesses violate these values many of the consequences are borne some time after the fact by downstream innocents who had no say in the decision. Yet when we lavishly reward the decision makers responsible for outsourcing jobs overseas and disregard the pain to the workers and communities impacted for the sake of saving a few pennies or dollars on a product from an important industry like tire manufacturing, we have embarked on a slippery slope. Aren't we seeing now that critics that warned that this was a race to the bottom may have been right? Are we surprised that jobs are scarce, that wages are stagnant or decreasing, that many college graduates are having a difficult time finding jobs that will justify the cost of their education? It seems that we collectively stand in violation of core ethical values by just watching and letting this happen, and are finding out now that the longterm implications were not well understood. If they were, only those at the very top would have said, "yeah let's do that."

Maybe a renewed focus on entrepreneurship, on finding productive activities that can't be outsourced and hopefully, on more fairly distributing the benefits of success, will pull us out of this mess, but until we gain a more stable footing I see no problem with smart regulation, smart import limitations, targeted incentives and a sincere emphasis on values based decisions that support the virtues of trustworthiness and other important principles. At this point unhindered capitalism as conducted over the recent past hasn't proven itself as the best system and continuing on the same path expecting a better result makes me wonder if we are paying attention.

OUTSOURCING RESPONSE

by Robert Letovsky, Ph.D.

One of the best things about working in a large department is the opportunity to present to students differing opinions on key issues. People of good faith can disagree on many fundamental questions of business practice and public policy. Each of us brings our own perspectives to the key business and public policy issues of today, based on our own professional experiences, research and ongoing contacts with the business community. So it is with the complex issue of outsourcing. My long-time colleague, Prof. Norm Walker, took issue with several points I made in our Fall/Winter newsletter ("Protectionism's Slippery Slope"). He asked for an opportunity to address those points he most disagreed with, and I'm delighted that he's done so in this edition.

There were, however, several points in Prof. Walker's response which I feel compelled to respond to. Firstly, I did state that "Buy American" laws were problematic because many products today – ranging from cars to computers to advanced industrial machinery – are global composites, with parts made in a number of countries. I did not state, however, that "hardly anything" is made in the U.S.A. In fact, while globalization has changed what is produced in the United States, it has not decreased America's share of global manufacturing output to any significant degree. In 1995, American factories produced 22.4% of global manufacturing output. Ten years later, after significant outsourcing by thousands of U.S. firms, American manufacturers still accounted for 21.1% of worldwide manufacturing. Factory jobs in America have declined over the past 40 years, but this reflects increasing automation and productivity at U.S. factories. A similar thing occurred with agriculture, where farming went from occupying almost half of all jobs in America in the late 19th century to less than one job in 50 by 2002. What has changed, due to globalization, is what is made in America. While countries in Asia have increasingly become the workshops for textiles, apparel and consumer electronics, American factories have shifted to higher value added machinery, transportation equipment, and medical devices. Meanwhile, exports have become increasingly important for American manufacturers. The latest U.S. government statistics in fact show increased employment in manufacturing. As I noted in my Fall article, "Buy American" laws invite retaliation by foreign governments, threatening precisely the manufacturing jobs Prof. Walker is concerned with.

Prof. Walker also discusses the ethics of outsourcing. This is a crucial perspective – and one to which he brings a lot of background. That said, I can't help but wonder why he didn't discuss the ethical responsibility of managers to maximize shareholders' wealth – something greatly assisted by the cost-cutting globalization has offered to

ALUMNI NEWS

Sally Kienny M'99, is the public relations and accounting manager at Marketing Partners in Burlington. Marketing Partners helps local businesses, non-profits and public agencies reach their goals through effective communications.

CANDIDACY REQUIREMENT

Have you met the requirements for candidacy?

After admission to the MSA program, but prior to the completion of 12 credits, students must complete the following requirements and apply for candidacy:

1) Students may show proficiency in writing by satisfactorily completing:

GSA 515 Effective Written Communication

2) Students may show proficiency in quantitative skills by satisfactorily completing:

GSA 496 Business Quantitative Tools and Statistics

-OR-

A skills assessment in Business Quantitative Tools and Statistics. The assessment should be scheduled with the program director.

3) Students must submit personal goals from Section B of the Portfolio Requirement.

Questions?

Please contact Dr. Paul Olsen at polsen@smcvt.edu

thousands of American firms. Keep in mind that many American firms are owned not by a wealthy elite but by institutional investors – pension and mutual funds which invest the retirement savings of millions of working Americans, including the faculty and staff of Saint Michael's College. Similarly, public officials have an ethical responsibility to see to it that taxpayers get the most for every dollar of public purchases. As I pointed out in my Fall article, "Buy American" provisions, by resulting in inflated costs for many key components of infrastructure projects, short change millions of taxpayers and result in fewer workers being hired for construction and maintenance.

I agree with Prof. Walker that the job market right now is difficult, but the overwhelming consensus among business and economics professionals and academicians is that the current downturn reflects the bursting of both the housing and the financial speculative bubbles not the outsourcing of manufacturing jobs. This isn't to minimize the pain which outsourcing has inflicted on some groups

FACULTY PROFILE: NORM WALKER



Professor Norm Walker has been teaching Advanced Accounting and a variety of other accounting and finance courses at Saint Michael's College since 1984. About 20 years ago, Professor Walker and Edward Mahoney, professor of Religious Studies, were jointly responsible for developing the Ethical Issues in Business course which is still being offered today. "This has been a very well received elective and probably my best contribution to our students thus far based on the feedback provided by the student evaluations. Many students consider this to be one of their favorite courses," says Professor Walker.

After graduating from St. Peter's College in 1969, Professor Walker earned an MBA from New York University through their part-time evening program while working for Arthur Young (now called Ernst & Young) as an auditor. He continued working for Arthur Young after he returned from serving in the U.S. Army.

Professor Walker's interest in teaching developed while trying to improve his public speaking skills. He took the Dale Carnegie course and then taught at Rutgers University for five years at both the New Brunswick and Newark, NJ locations. Prior to coming to Saint Michael's, Professor Walker lead seminars at the Arthur Young training campus in Reston, VA and taught other evening courses at St. Elizabeth's College in Convent Station, NJ.

When asked what brought Norm to Saint Michael's College he stated, "My interest in Saint Michael's came when I discovered how beautiful Vermont was after visiting the state on a couple of Christmas ski holidays. I also had a good friend who graduated from Saint Michael's. Good luck and happenstance lead to getting the job when it turned out that my friend had been the college roommate of David LaMarche, Chair of the Business Department. When I met Dave, I knew that Saint Michael's was going to be a good fit for me."

of workers. That said, data shows that outsourcing has created more jobs in the U.S. than it's eliminated, while helping consumers – particularly those on fixed or lower incomes – afford more and higher quality goods.

Complex issues like globalization and outsourcing invite differences of opinion. I'm glad that Prof. Walker took the time to outline some of the differences between his positions on this issue and mine. The best way our students can develop the intellectual flexibility they'll need to succeed in the highly competitive marketplace of the future is by critically examining a range of views, and then developing their own interpretations and perspectives.

COMPLETING YOUR MSA DEGREE

BY PAUL OLSEN, Ed.D., SPHR

As you know, the MSA program will be phased out in 2012. This requires you to be purposeful when deciding which classes to register for in the next few years. While Robert Letovsky and I are available to meet with you to plan out your degree completion plan, I wanted to provide a few things to think about as you move forward:

1) Our proposed course schedule through 2012 is on our web site at www.smcvt.edu/graduate. Use it as you plan your courses.

2) The fall 2010 Ethical Issues in Human Resource Management (GSA 591) satisfies the core Management & Ethics (GSA 545) requirement or serves as an elective course. Similarly, our summer 2010 Health Care Ethics course satisfies GSA 545.

3) The Qualifying course requirements (Management, Economics, Accounting, Marketing, and Statistics) may be waived by applying for Advanced Standing in any of these courses in recognition of recent graduate or undergraduate course work completed with a minimum of B-. Students who waive two-to-five qualifying courses must complete 37 credits to graduate. If you waive one qualifying course, your degree requirements are 40 credits.

4) Up to six transfer credits from another accredited graduate institution with a "B" grade or better and not older than five years old may be applied toward your MSA degree.

5) Students may take up to six elective credits in the other Saint Michael's graduate programs: Education, Clinical Psychology, Teaching English as a Second Language, or Theology.

6) Some coursework may be completed on an Independent Study basis. You must have the approval of a faculty sponsor and Robert or me. Working with your faculty supervisor, you will need to provide course objectives, topics, and an evaluation mechanism. The IS form must be signed and submitted to us along with a registration form.

7) While we anticipate offering courses through May 2012, our expectation is not that every student will necessarily graduate by this date. Some students may elect to transfer courses or complete courses on an Independent Study basis after spring 2012.

I hope these thoughts help with your degree completion plan. Please contact me at 802.654.2661 or polsen@smcvt.edu if you have questions.

SUMMER 2010 COURSE OFFERINGS

Classes begin the week of May 17 and end by August 13. Registration confirmations will include specific classroom locations.

- *(Q) GSA 492 Application of Economic Theory (3cr.)**
- (E) GSA 528 Executive Decision Making (3cr.)**
- (E) GSA 546 Comparative Management and International Business (3cr.)**
- (E) GSA 563 Sales Promotion and Advertising (3cr.) (Web-based)**
- (C/E) GSA 591 Special Topics: Health Care Ethics (3cr.)**
- (E) GSA 598 Thesis Seminar (3cr.)**
- (E) GSA 686 Independent Study (1-3cr.)**

**Last scheduled offering of this course.*

Questions? Please contact Diana Hoppe at dhoppe@smcvt.edu

View an MSA class in action! www.smcvt.edu/msa