Find out:

What is in store for the West Michigan Economy for 2004

How the Commercial Real Estate market will perform in 2004

What the furniture industry can do to thrive in tough economic times

What the new innovative trends in education are

How local firms can utilize information technology to be more competitive

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In addition to being excellent teachers, Seidman School of Business faculty members are expected to engage in research activities. Since SSB has a regional commitment, some of that research focuses on issues relevant to West Michigan businesses and households. This issue of the Seidman Business Review, the ninth annual edition, highlights some of this regional research.

Several articles focus on the economy and what the recent downturn and ongoing recovery mean for the local economy. Two articles forecast the future. Dr. Hari Singh, editor of the Review, and Nancy Boese, Regional Director of the Seidman Small Business Technology Development Center (SBTDC), offer their economic forecast for 2004. Camille Perry, market research analyst at Grubb & Ellis/Paramount, presents the firm’s “Commercial Real Estate Outlook for 2004.”

The next two articles cover residual stock performance and the residential housing market. Dr. Gregg Dimkoff, Professor of Finance, provides his annual review of how stocks of regional firms performed in 2003 in his article, “West Michigan Stock Returns.”

The next article analyzes the residential real estate market in East Grand Rapids. Dr. Paul Thorsnes, Associate Professor of Economics, in his article “Housing Prices in East Grand Rapids,” applies the innovative hedonic pricing model technique to reveal how individual housing attributes contribute to the market value of houses in East Grand Rapids.

The next three articles cover strategy and innovative business practices. What strategies would help depressed furniture makers create sustained value? How have some West Michigan companies successfully implemented the innovative information technology known as Enterprise Resource Planning? How are regional family businesses using the Internet to improve results?

The last two articles focus on curriculum. One discusses the kinds of programs that have been successful in teaching entrepreneurship, and the other repeats the message that students pursuing professionally oriented curricula can be served best in the long run by also acquiring a liberal education.

Seidman faculty members have a wide array of expertise. If you could use assistance or advice in some area, I would like to invite you to scan the “Panel of Experts” on the inside back cover to see if we could help.

— John W. Reifel, Interim Dean
Seidman School of Business

**Seidman Business Review**

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West Michigan Economic Forecast 2004

Hari Singh, Ph.D., and Nancy Boese, M.B.A.¹
Seidman School of Business

• Business Confidence, employment, and sales are expected to increase modestly in 2004
• The Confidence Index, currently at 65% for the Grand Rapids economy, is projected at 71% for 2004
• In spite of painful structural adjustments, employment prospects will continue to build in 2004
• Sales growth is expected to grow at a tepid 2.6% for 2004
• 47% of the respondents expect a consistent robust growth rate of 4% after December 2004

Introduction

Our latest survey forecast for the Grand Rapids MSA (Kent, Ottawa, Muskegon, and Allegan counties) was conducted in November 2003. A survey was mailed to the CEOs of more than 600 organizations based on a representative sample. We tried to ensure that the sample represented different sectors of the regional economy and the geographical diversity of the region. Eventually, 102 organizations responded. The results of the survey need to be interpreted with caution because of the small sample size.

The data are presented in a histogram format to show the entire distribution of responses. A brief methodological note is in order. The employment, sales, and export numbers are higher in terms of their raw averages (when calculated without adjusting for outliers or responses above two standard deviations). Since the averages of a small sample are overtly influenced by extreme numbers, it is advisable to rely on the mean values generated without the outliers. Consequently, our discussion is based on the adjusted mean values. The histograms, however, depict the entire distribution of responses. Since individual responses varied significantly, the data should be interpreted with caution.

Confidence Index

A major goal of our survey is to historically track the overall business confidence of the Grand Rapids metropolitan area by a confidence index. Recall that this confidence index is scaled from zero percent (no confidence at all) to one hundred percent (complete confidence).

We need to place the current results in a larger historical context. During our surveys of the region for the last nine years, when the economy has been growing steadily, the confidence index has continued to depict a high level of confidence, generally above 80% for the private sector.

In the previous survey, the confidence index had risen modestly to 67% at the end of 2002 — amid widespread economic evidence that the economy was growing slowly. Prior to that, the September 11 terrorist attacks in 2001 and the subsequent disruption in airline and other services, and the related decline in consumer confidence had bruised business expectations. Ongoing corporate scandals, the uncertainty due to the war on terrorism, and weak job growth prospects have continued to depress expectations. The results this year indicate that business confidence of the private sector is still at a low level of 65% but is projected to grow to 71% during 2004.

![Confidence Index Graph]

¹ Hari Singh is Chair of the Economics Department. Nancy Boese is the Regional Director of The Small Business & Technology Development Center (SBTDC). We were aided by invaluable research support from Mark Boncher and Mary Thomas, graduate research assistants at SBTDC.
In a broad context, these results are similar to what we obtained last year: somewhat pessimistic about the current situation but pragmatically optimistic about the future. We continue to base our analysis on the forecasts made by the private sector. The government and nonprofit sector is slightly more optimistic this year than the private sector.

Observing the fluctuation of the index over the last nine years, we know it is sensitive to business expectations and the national business cycle. The regional and national economies have picked up in the second half of 2003. The aggressive reduction of interest rates by the Federal Reserve Bank, the federal tax cuts, and increased outlays in federal government expenditures have laid the foundations for faster economic growth.

Consumer and business confidence have been improving as reflected in the rising trend in the stock market. Manufacturing has been slow to recover, but the manufacturing index (reported by the Institute of Supply Management) for December 2003 has risen to 66.2 (an index above 50 indicates expansion). In line with the national business cycle, the West Michigan economy has consolidated over the significant downturn and is poised to grow at a faster pace in 2004.

**Employment**

Amid the well-publicized layoffs by major corporations in the West Michigan area, the respondents did not expect any significant employment growth for 2003. Figure 2 indicates projected employment growth for 2004. Overall, the projected growth in employment for 2004 (after adjusting for extreme responses or outliers) is projected at 2.1%, with considerable variation across organizations and sectors. This employment projection seems quite optimistic.

It is important to place this expectation in the context of the business cycle and ongoing structural changes in the economy. Employment prospects that occur during the normal expansion process of a business cycle are presently moderated by two significant structural changes in the economy. First, the spurt in productivity growth is good news for long-term business sustainability but bad news for employment in the short run. Second, besides the outsourcing of manufacturing jobs that has been going on for a long time, there is a new trend of service sector jobs migrating offshore. A projection by Forrester Research, a consulting group, estimates that 3.3 million jobs may be outsourced abroad by 2015. In the short term, these structural changes are, no doubt, painful. Both the rise in productivity and increased outsourcing activity imply that the employment prospects will not improve dramatically in the next year in spite of stronger economic growth.

However, as basic-skill jobs move offshore, existing national resources will ultimately shift to jobs that create more economic value. An analysis by McKinsey indicates that one dollar of cost shifted offshore brings a net benefit of about $1.13 to the United States. These benefits arise because of increased exports, repatriation of profits, and the freeing up of resources that can be used in more productive ventures. These trends also indicate that innovation in high tech manufacturing and specialized service jobs will continue to be the engine for future economic growth and create a foundation for new job opportunities. In order to capitalize on these new job opportunities in high tech manufacturing, health, bio-technology, and education sectors, significant resources will have to be devoted to job training.

The West Michigan economy is in the midst of experiencing these structural changes. Job opportunities in manufacturing and the government sector will be limited; but growth in health, construction, education, and specialized service sectors will provide new job opportunities.

Since employment is a laggard indicator, some job losses will continue even as the recovery process consolidates. Although the unemployment rate for the Grand Rapids MSA is higher than the national average, it dropped from 7.2% in October to 6.8% in November 2003. The total number of workers employed in the area has increased marginally, from 569,925 in January 2003 to 579,182 in November 2003. Employment opportunities are likely to pick up in 2004. A projected employment growth between 1% and 2% is pragmatically optimistic. Employment prospects will improve but a dramatic turnaround is unlikely. The modest growth in employment will mask considerable variation in job opportunities across different industries.
Sales
Sales projections made by respondents for last year were around 1.8%. Sales over the holiday season have held up quite well. An average sales growth of 2.62% expected for 2004 (Figure 3) after discounting outliers is consistent with the moderate rise in the confidence index and job opportunities in the Grand Rapids area. In times of robust economic growth, sales have grown at an annual rate of 5%. The expectations of our respondents indicate that it may take some time before this higher trend growth rate is achieved. Note that our sales numbers refer to the nominal sales of all goods/services produced in the West Michigan economy.

Export Growth
From respondents who export their output, the expected growth of exports generally averaged higher than 5% in the late 1990s. However, one feature of the present slowdown is that it has been synchronized at the global level. In spite of the weaker dollar and better prospects for worldwide growth, the adjusted mean export growth rate of 6.8% projected for 2004 is quite optimistic (Figure 4). It is not surprising that expectations for growth in exports are volatile and uncertain. Since the expected growth of exports is based on a sample of only 69 responses, it should be viewed with caution.

A significant number of respondents (47%) expect a consistent growth rate of 4% to be achieved after December 2004, indicating that there is considerable underlying pessimism about the good times returning soon. Barring any unforeseen negative shock and given the ultimate impact of the interest rate reductions, the federal tax cuts and increased federal expenditures, an annual growth of 4% in national GDP for 2004 is a reasonable expectation, on the basis of what we know presently. As we have seen in 2003, there will be considerable variation in GDP growth in the quarterly estimates. This projected growth is certainly sustainable over the expansion phase of the business cycle. The West Michigan economy will follow this national trend.

Acknowledgments
We are very grateful to all the organizations that participated in the survey.
Experts agree we are on the road to recovery nationally, but how is West Michigan’s real estate market faring? In 2003, the Midwest saw manufacturing continue to downsize, causing still more increases in vacancy and unemployment. West Michigan was no exception; unemployment rates surpassed 8 percent, the highest in a decade. The industrial market, which had until recently been the strongest in the area, is now taking a back seat to the retail market. Although the area is starting to show signs of economic improvement, the industrial market may take several years to recover. The office market has remained rather stagnant with little or no increases in significant leasing. Optimism remains the key for 2004.

In the last ten years, the MSA (Metropolitan Statistical Area), which includes Grand Rapids, Grand Haven, Holland, and Muskegon, has literally exploded in growth. With this strong MSA (1.11 million people), an above-average median income, low cost of living, and young population, Grand Rapids remains a hot-bed for national retailers who appeal to the area for development opportunities, and that trend looks to continue into 2004.

As with most economic forces, real estate is cyclical in nature. The cycle, however, is compounded by the lagging relationships between supply and demand for existing space. This lag may explain why, at this point, the economy appears to have begun its resurgence, but the real estate recovery is still in its infancy. By using the real estate market cycle, (Figure A) we can determine the current market phase — Recovery, Expansion, Hyper-Supply or Recession — and where we expect each property type to gain strength or decline.

The retail market is currently in Phase II, just as it was in 2002. This Expansion Stage is likely to continue during 2004. New and expanding retail projects totaled over 1.8 million square feet in 2003, and an astounding 2.5 million square feet is expected in 2004—2005.

The five primary retail corridors (Alpine, 28th Street, and Rivertown in the Grand Rapids area, US-31 in Holland, and Sternberg Road in Muskegon) all have vacancy rates of less than 5%. The newest regional mall in Grand Rapids (Rivertown) is reportedly seeing average sales in excess of $400 per square foot. Major restaurants throughout the MSA, are also reporting very strong sales. The 28th Street SE corridor remains the strongest retail area, and several new national tenants will be added in 2004 including Old Navy, DSW, and Costco. Woodland Mall is considering expansion plans and Centerpointe Mall is nearly 100 percent occupied. Waterfall Shoppes at I-96 will add several tenants unique to the area. With the recent addition of Celebration Cinema, Meijer, and two stand-alone restaurants (Johnny Carino’s and Chili’s), the East Beltline corridor continues to expand. As the new South Beltline (M-6) nears completion, developers are showing high levels of interest in sites. Further west, on M-6, a grocery-anchored center is planned at Byron Center Avenue across from Metropolitan Hospital’s future 170-acre health complex. Numerous retail projects are under way south of Grand Rapids into Kalamazoo. Two additional Wal-Mart stores are planned, with several other recently completed projects totaling 842,000 square-feet.

Currently, retail rental rates are expected to remain steady in most areas, except for the 28th Street SE and Rivertown Parkway corridors where there will be slight increases. See the graph for a range of lease rates throughout West Michigan (Figure B).

The industrial market is in Phase I of the Market Cycle – Recovery. As a national leader in manufacturing, Grand Rapids has been particularly hit by this recession, especially in larger
warehouse/distribution facilities and manufacturing plants. West Michigan’s historically low vacancy rates have risen to 6.54%; however, a closer look reveals some distinct trends. The majority of the average vacancy increase can be attributed to a rise in warehouse/distribution vacancy to 16.2% (Figure C) and a number of 500,000 square feet and larger manufacturing facilities becoming vacant.

The impact on the market allows large space users to negotiate very aggressive rates and lease terms on space over 50,000 square feet, whether warehouse or heavy manufacturing facilities. Tenants will continue to negotiate aggressively, as it will take up to three years to absorb this excess capacity. Contrasting that of larger properties, users of facilities less than 50,000 square feet are finding strong competition and a very limited supply of facilities from which to choose. Identifying facilities for sale is especially difficult, and, in fact, many achieve near record selling rates. This is the largest segment of the market and is most affected by the “owner-user” mentality of our West Michigan manufacturers. Speculative construction for these users will remain sparse while build-to-suit opportunities will begin to increase in the next 12 to 18 months.

A “silver-lining” benefit of the current market may be the unemployment rate. In past years where the West Michigan unemployment rate was not more than 3%, manufacturers were reluctant to move their operations to the area, due to a deficit of highly skilled workers. Now, however, manufacturers will consider this area as a potential site for growth and expansion.

The office market mirrors much of what we see in the industrial market. Currently, it is in Phase I – Recovery. However, the office market has shown signs of slight recovery and is, therefore, ahead of Industrial.

In 2003, net effective lease rates in all classes of buildings dropped throughout downtown. Although asking rates remain constant (Figure D), motivated landlords have offered tenants heavy discounts in an effort to renew existing leases or acquire new tenants. The continued momentum in institutional investment, including the new Convention Center and Art Museum, helped create market opportunities for nearly a dozen new restaurants in the Central Business District (CBD). Some of these restaurants will occupy first floor spaces in older office buildings, helping to alleviate office vacancies.

After a decade-long trend of losing large office tenants to the suburbs, Grand Rapids CBD is gaining Blue Cross/Blue Shield of Michigan. It will occupy the former Steketee’s Building following renovation. This is one of the largest office lease transactions in the past five years. Without substantial incentives from the City of Grand Rapids, however, the transaction might never have been realized. With Renaissance Zone benefits and parking incentives, this relocation is advantageous for both the landlord and Blue Cross.

Suburban office vacancies range from 8 to 28% (Figure E), depending on the particular office sector. The most stable markets continue to be East Paris and East Beltline. These landlords have had the highest success in retaining existing tenants and attracting new ones to their buildings. Other sectors like Centennial Park have been under ever-increasing pressure. Many buildings have offered the option of an “office condominium” to satisfy heavy demand for acquiring real estate ownership. Generally, suburban tenants did not receive the same generous renewal concessions as their downtown counterparts. In 2004, tenants in Class B and C buildings will be offered generous concessions on lease renewals. Buyers will continue to search for existing office buildings to purchase vacant land on which to construct new offices.

The investment market encompasses all of the markets including hospitality and multi-housing. High levels of interest and strong demand for investment property, but a limited supply of inventory in Grand Rapids and West Michigan, mirror the problems experienced in other areas of the Midwest. Low interest rates make it significantly less expensive to own properties than to lease them, and demand from owner-users has increased market pressures by removing properties from the investment pool. The supply and demand issue contributed to historically low cap rates in investment properties of all types.

In 2003, as in the previous year, strong demand in metropolitan areas encouraged national and international investors to consider secondary markets like Grand Rapids. Chicago-area investors, in particular, appreciate the proximity of West Michigan and are actively seeking investment opportunities.

Low interest rates motivated commercial real estate investors and drove existing multi-family tenants to pursue home ownership. This has contributed to significantly higher vacancy rates in Class A and B multi-housing, typically the “renter by choice” market. Landlords are granting rental concessions and other incentives to retain existing residents and attract new tenants. Despite higher apartment vacancy rates, West Michigan experienced strong demand for multi-housing properties.

1 Source: 2004 Real Estate Forecast – Great Lakes
Local Stock Returns: What a Great Year!

At this time last year I mentioned that local stock returns weren’t good, but compared with the national market indexes, we had no reason to complain: local stock had fallen about 6% compared with double digit decreases for the three most widely followed national market indexes. It’s even better this year — the average West Michigan stock rose over 35%, far better than either the Dow Jones Industrials or the S&P 500 Index, but not quite as good as the NASDAQ’s 50% rise. The table on page 9 shows the performance of each West Michigan stock.

<table>
<thead>
<tr>
<th>Stock Index Returns (1/1/03 – 12/31/03)</th>
<th>Stock Index Returns (1/1/02 – 12/31/02)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Michigan Index</td>
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<tr>
<td>Dow Jones Industrial Average</td>
<td>25.3%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>26.4%</td>
</tr>
<tr>
<td>NASDAQ Composite Index</td>
<td>50.0%</td>
</tr>
<tr>
<td>- 5.7%</td>
<td>- 16.8%</td>
</tr>
<tr>
<td>- 23.4%</td>
<td>- 31.5%</td>
</tr>
</tbody>
</table>

Topping the list of winners with triple-digit gains are Spartan Stores and Riviera Tool Company. Stocks of both companies are recovering from a world class beating in 2002. Spartan Stores returned to profitability during the second half of 2003, reversing three quarters of operating losses. A better retail climate, additional revenue from three new stores, and sale of the poorly performing Food Town chain in Toledo contributed to the good news. Riviera, a designer and manufacturer of die-stamping systems, changed a $3 million loss in 2002 into a $0.9 million profit in 2003 by landing large new contracts and cutting costs.

As has been the case for several years, all four area banks on the list continued their great performance. Stocks of Independent Bank, Mercantile Bank, Macatawa Bank, and Community Shores Bank all rose between 49% and 62%. That’s quite an accomplishment considering they weren’t recovering from bad 2002 performances. In fact, 2002 was a good year for them. What’s the explanation? All of them are exceptionally well-run, benefited as interest rates fell, avoided the lines of business causing trouble for large banks (like credit card operations, auto leases, and high integration expenses due to acquisitions), and continued to benefit from Fifth-Third Bank’s acquisition of Old Kent, causing many disgruntled or apprehensive customers to seek different banks.

It also looks like X-Rite finally is getting its act together, re-focusing on color recognition products and services. Investors were not happy about X-Rite’s earlier digression into venture capital activities. But that area has been abandoned, many new executives have joined the company, and optimism is running high that X-Rite’s stock will regain the magic it enjoyed in the 1970s and 1980s.

A combination of great product lines and higher prices helped Wolverine World Wide (shoe and boot manufacturing), Universal Forest Products (lumber products), and Gentex (auto mirror systems and fire detection devices) achieve record earnings. The stock market took notice, driving up their prices by at least a third. Knape & Vogt (shelving and hardware) benefited from new product lines as well, resulting in a nearly 17% increase in sales for the summer quarter.

The office systems industry may be on the verge of turning the corner after the industry’s worst downturn ever. Herman Miller’s stock was up 32% due to more than three years of intense cost cutting and a return to profitability. Likewise, Steelcase has been cutting costs drastically, a process expected to continue into 2005. It’s still losing money, however, and a quick turnaround is not expected. Nevertheless, investors like management’s efforts to turn the company around, and they bid up Steelcase’s price 31%.

As is usually the case, each year at least a few local companies disappointed investors, resulting in falling stock prices. Earnings for both Meritage Hospitality Group Inc. (the nation’s only publicly traded franchisee of Wendy’s restaurants) and Alternative Marketing Networks, Inc. (marketing services) are lower. Meritage earnings per share fell from 10 cents to 6 cents through August compared with the same period in 2002.

A Federal Reserve Bank of Chicago study found that more than 90% of the time, major increases in the S&P Index precede by 3-9 months major strengthening in the U.S. economy. With all stock indexes shown above up sharply since March, we have good evidence the economy has turned the corner. Will West Michigan stocks continue their blistering pace skyward? No one really knows. On the other hand, stock

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1 The West Michigan Index consists of 18 publicly traded companies headquartered in West Michigan. Each company’s return is weighted by the number of shares of common stock outstanding, the same procedure used in the S&P 500 Index and the NASDAQ Composite Index. The DJIA Index, however, uses a simple unweighted average return.
prices are closely tied to earnings over the long-run. Now that it seems certain the U.S. economy has turned the corner, economic recovery in the State of Michigan won’t be far behind. The same is true for West Michigan. The potential for significant earnings increases over the next year or two is a real possibility, and that bodes well for stock prices.

Individual stock investors and potential investors can learn a lesson from stock prices in 2003: you can't time the market. Last winter the talk was about bailing out of stocks and getting into safe bond funds. If you know anyone who did this, they’ve been hit with a large stupidity tax. They sold stocks low, and when they get back in, will have to buy high. That’s a hard way to make money. The time to buy was late last winter. Since none of us can predict market turning points, the only strategy that consistently works in the long run is investing on a schedule whether or not market values seem high or low.

<table>
<thead>
<tr>
<th>Company</th>
<th>Opening</th>
<th>Closing</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spartan Stores Inc.</td>
<td>1.51</td>
<td>5.00</td>
<td>+231</td>
</tr>
<tr>
<td>Riviera Tool Company</td>
<td>1.30</td>
<td>4.27</td>
<td>+229</td>
</tr>
<tr>
<td>Mercantile Bank</td>
<td>23.65</td>
<td>36.50</td>
<td>+62</td>
</tr>
<tr>
<td>X-Rite Inc.</td>
<td>6.99</td>
<td>11.32</td>
<td>+62</td>
</tr>
<tr>
<td>Independent Bank</td>
<td>30.26</td>
<td>46.79</td>
<td>+55</td>
</tr>
<tr>
<td>Universal Forest Products</td>
<td>21.32</td>
<td>32.40</td>
<td>+52</td>
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<tr>
<td>Tower Automotive</td>
<td>4.50</td>
<td>6.83</td>
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<tr>
<td>Macatawa Bank</td>
<td>19.85</td>
<td>28.39</td>
<td>+50</td>
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<td>Community Shores Bank</td>
<td>8.00</td>
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<td>Clarion Technologies</td>
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<td>Gentex Corporation</td>
<td>31.64</td>
<td>44.16</td>
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<tr>
<td>Wolverine WorldWide</td>
<td>15.11</td>
<td>20.38</td>
<td>+35</td>
</tr>
<tr>
<td>Herman Miller, Inc.</td>
<td>18.40</td>
<td>24.25</td>
<td>+32</td>
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<tr>
<td>Steelcase</td>
<td>10.96</td>
<td>14.36</td>
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<tr>
<td>Perrigo</td>
<td>12.15</td>
<td>15.72</td>
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<tr>
<td>Knape &amp; Vogt</td>
<td>10.65</td>
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<tr>
<td>Meritage Hospitality</td>
<td>5.00</td>
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<tr>
<td>Alternative Marketing</td>
<td>0.33</td>
<td>0.06</td>
<td>-98</td>
</tr>
</tbody>
</table>

1 Price adjusted for a 5% stock dividend in February.
2 Price adjusted for a 3:2 stock split January 2 and a 10% stock dividend in October.
3 Price adjusted for a 5% stock dividend in May.
The analysis of housing markets differs from the analysis of most other markets because of the virtually unique combination of three key characteristics of housing. The first is durability. A reasonably well constructed house can provide services for a century or more. The second is the extent of differentiation across houses in their characteristics. Houses range widely in size, number and types of rooms, construction quality, and architectural style. Finally, houses are difficult to move; they’re fairly immobile. This immobility means that the value of a house varies with the characteristics of the other houses in the neighborhood and the quality of the public services offered by the local jurisdiction. A thorough housing market analysis requires consideration of each of these factors.

Though houses are durable, one expects to see depreciation over time. The house shows more wear over time, and the style of the house becomes less popular, while newer houses incorporate a variety of more advanced building materials and technologies. In addition, as the market value of the house decreases, the characteristics of the occupants also change; relatively lower-priced houses tend to go to households with relatively lower incomes. These lower incomes reduce the household demand for local public services, which further reduces the market value of the house. This is known in economics as the “filtering” model of the housing market. The result is that, all else the same, one would expect to see a house depreciate in market value over its entire life relative to newer houses with similar characteristics.

But the other characteristics of a house can intervene to affect its rate of depreciation. The style of a relatively well-built older house and the characteristics of the neighborhood in which it resides may enjoy a return to popularity, and the quality of public services may not fall over time. In a jurisdiction with a wide range of housing, the continued demand for the newer housing props up the demand for good-quality public services throughout the jurisdiction, including the parts of the jurisdiction with older housing. In addition, home owners may recognize the impact of public-service quality on the value of their homes, whatever the age, and work to prevent deterioration in the quality of public services. Depending on the costs of renovation to modern standards, a well-constructed older house with desirable features could not only stop depreciating, but could command a premium over similar, but newer, houses.

The purpose of this study is to employ statistical regression analysis to look systematically at sale prices of houses in East Grand Rapids (EGR). The objective is to get a feel for rates of house-price depreciation and how those rates have changed, if at all, over the last fifteen years. Figure 1 shows the year and the number of houses that were built in EGR. The older houses, built before 1920, are mostly either original farm houses or houses built near what is now Gaslight Village near Reeds Lake, and what was then the area around Ramona Park. At that time most of what is now EGR was rural. Urban development started in earnest in the 1920s as Grand Rapids development spread east into the then Village of East Grand Rapids. The Great Depression and World War II slowed construction. EGR developed quickly after the War, with the peak in housing construction in the early 1950s. The great majority of the housing stock in EGR was built during the fifty years between 1920 and 1970. Our objective is to estimate the differences in the rates of house-price appreciation over the last fifteen years among the houses of different vintages.

The characteristics of the houses and neighborhoods in East Grand Rapids vary. The EGR assessor’s office maintains records on 3,740 single-family dwelling units. Table 1 summarizes the characteristics of these houses. Consistent with Figure 1, there are as many houses built before 1950 as after. Houses range tremendously in size, from a 700 square foot cottage to a 15,000 square foot mansion. But the typical house is, well, typical of suburban housing at about 2,000 square feet on a quarter-acre lot (10,000 sq. ft.), with two baths and a two-stall garage.

Table 1 Characteristics of Houses in East Grand Rapids

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Mean</th>
<th>Median</th>
<th>Std Dev</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year house built</td>
<td>1946</td>
<td>1950</td>
<td>19.1</td>
<td>1834</td>
<td>2002</td>
</tr>
<tr>
<td>House size in sq ft.</td>
<td>2,093</td>
<td>1,920</td>
<td>910.8</td>
<td>672</td>
<td>15,646</td>
</tr>
<tr>
<td>Lot size in sq. ft.</td>
<td>13,125</td>
<td>10,200</td>
<td>12,123</td>
<td>1,496</td>
<td>171,626</td>
</tr>
<tr>
<td>Street frontage in ft.</td>
<td>79</td>
<td>75</td>
<td>31.8</td>
<td>16</td>
<td>347</td>
</tr>
<tr>
<td>Number of baths</td>
<td>2.2</td>
<td>2</td>
<td>0.9</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Garage size in sq. ft.</td>
<td>460</td>
<td>441</td>
<td>216.5</td>
<td>0</td>
<td>4413</td>
</tr>
</tbody>
</table>

Figure 1
Table 2: Estimated Effects of Changes in House Characteristics on Sale Prices

<table>
<thead>
<tr>
<th>Change in House Characteristic</th>
<th>Average Effect</th>
<th>Min 95%</th>
<th>Max 95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 square feet of floor space</td>
<td>3.15%</td>
<td>2.84%</td>
<td>3.45%</td>
</tr>
<tr>
<td>1000 square feet of lot space</td>
<td>0.89%</td>
<td>0.74%</td>
<td>1.05%</td>
</tr>
<tr>
<td>One additional bathroom</td>
<td>9.58%</td>
<td>7.57%</td>
<td>11.58%</td>
</tr>
<tr>
<td>100 square feet of garage space</td>
<td>1.70%</td>
<td>1.01%</td>
<td>2.39%</td>
</tr>
<tr>
<td>10 years older</td>
<td>-2.24%</td>
<td>-2.86%</td>
<td>-1.63%</td>
</tr>
<tr>
<td>Lake-front property</td>
<td>28.77%</td>
<td>19.13%</td>
<td>38.42%</td>
</tr>
<tr>
<td>Bi-level house</td>
<td>-33.09%</td>
<td>-48.95%</td>
<td>-17.24%</td>
</tr>
<tr>
<td>Tri-level house</td>
<td>-14.90%</td>
<td>-19.86%</td>
<td>-9.94%</td>
</tr>
<tr>
<td>Ranch-style house</td>
<td>-6.51%</td>
<td>-9.46%</td>
<td>-3.55%</td>
</tr>
<tr>
<td>On Robinson Rd</td>
<td>-9.80%</td>
<td>-22.57%</td>
<td>2.97%</td>
</tr>
<tr>
<td>On Cascade Rd</td>
<td>-23.39%</td>
<td>-35.34%</td>
<td>-11.45%</td>
</tr>
<tr>
<td>On Wealthy St.</td>
<td>-19.32%</td>
<td>-26.67%</td>
<td>-11.96%</td>
</tr>
<tr>
<td>On Lake Dr.</td>
<td>-8.84%</td>
<td>-13.54%</td>
<td>-4.13%</td>
</tr>
<tr>
<td>On Breton Rd.</td>
<td>-10.14%</td>
<td>-16.98%</td>
<td>-3.30%</td>
</tr>
<tr>
<td>On Hall St.</td>
<td>-2.76%</td>
<td>-7.84%</td>
<td>2.31%</td>
</tr>
<tr>
<td>Year of sale since 1987</td>
<td>6.89%</td>
<td>6.65%</td>
<td>7.13%</td>
</tr>
<tr>
<td>Constant term</td>
<td>10.45</td>
<td>10.38</td>
<td>10.51</td>
</tr>
</tbody>
</table>

Note: 2,214 sales from 1987 through mid-2003 of houses with 1,600 to 3,600 square feet floor space.

This analysis focuses on the houses with relatively typical characteristics that make up the bulk of the housing in EGR. Specifically, the analysis focuses on the prices of the 2,214 sales of houses of between 1,600 and 3,600 square feet that occurred from 1987 through the middle of 2003. Statistical regression analysis allows us to estimate the average effect on the sale prices of the houses with a specific change in characteristics, holding all other characteristics constant.

Table 2 shows the results of a relatively simple regression analysis. The left-hand column of the table shows the house characteristics that we collected from assessment records.1 The second column shows the average percentage effect on sale price of the change in house characteristics identified in the left-hand column. For example, adding 100 square feet of floor space adds, on average, about 3.15% to the price of a house, holding all other characteristics constant. Importantly, this estimate of the average is just that: an estimate. The right-hand two columns of the table show the interval within which we are “95% confident” that the “true” estimate lies. For example, given what we know about this sample of house prices, if we could find more samples of house sales, the estimate of the average effect of an additional 100 square feet of floor space would 95% of the time be between 2.84% and 3.45%. In any statistical analysis it is as important to look at this confidence interval as it is to look at the estimated average effect.

So, what do the estimates in the table tell us? First, more house and lot is better. Another 1,000 square feet of lot space adds about 1% to the sale price. Another bath adds about 10%, and an additional 100 square feet of garage space adds about half as much as additional interior floor space. Second, location matters. Lake-front property generates an average premium of almost 30% (this premium grew to almost 50% by year 2000). Location on a busy street generates a discount on sale price.

Houses on Cascade Rd. sold at an average discount of more than 20% (in contrast to the lake-front premium) and these street-front discounts changed little over the time period. Third, house style matters. The most common “style” in EGR is a two-story house. Bi-levels, tri-levels, and ranch-style houses all suffer discounts, holding other characteristics constant. Fourth, house prices rose an average of 6.9% per year over the time period. Finally, and importantly for the purposes of this study, the age of the house affects sale price. The estimates indicate that houses depreciate on average by about 2.24% per ten years of age. The question is: Does this average depreciation rate hold over the full range of ages and over time?

Figure 2 shows our answer to this question. To obtain these figures, we broke the total sample of 2,214 sales into three roughly equal sub-samples based on when the sale occurred. The “early” sub-sample consists of sales from 1987 through 1993. The lowest curve in the figure shows how the regression estimates indicate the price of a house with average characteristics varied with the age of the house. That is, we hold all characteristics constant at their means while varying age. Over this early period house prices fell with the age of the house, as one would expect. This began to change, however, during the “middle” period, 1994 through mid-1998. Houses that were between 40 and 60 years old had essentially stopped depreciating. In the “late” period, from mid-1998 through mid-2003, houses older than about 50 years actually rose with age.

Further investigation reveals that some of the relatively large price effects were on houses built in the 1920s and 1930s. Many of these are two-story houses with brick facades and a good deal of ornamental trim. These houses and their neighborhoods apparently “caught on” over the course of the 1990s, and relatively low interest rates made it easier to make the expensive renovations to these older character houses that bring them up to modern standards. The popularity of these older houses, combined with the substantial investments in renovations, resulted in relatively brisk appreciation rates over the 1990s. Conversely, there was little change in the rates of depreciation of relatively new houses. Clearly, the older “character” houses have made a comeback in East Grand Rapids.

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1 Thanks to Vicki Mesik, the EGR assessor, for providing the data analyzed in this study.

Figure 2

Creating, Capturing, and Sustaining Value: The Case of West Michigan Furniture Industry

Vipin Gupta, Ph.D., Department of Management, Seidman School of Business, and students from the undergraduate Administrative Policy course

Introduction

The office furniture business in West Michigan has been going through the second major postwar slump in its history. The first slump was in the 1950s when America's furniture makers challenged the leadership of West Michigan furniture business by migrating to North Carolina. At the time, the effects on the West Michigan economy were mitigated through diversification, innovation, and niche markets strategies. The effects of the current slump have been far more devastating; more than 100,000 furniture-making jobs have been lost in the U.S. The larger firms have faced far more difficulties, though many smaller ones, such as John Widdicomb — the oldest area furniture business — have even gone out of business.

We examine three hypotheses on the strategic challenges faced by the area furniture businesses:

**Hypothesis 1:** The value creation capabilities of the Grand Rapids furniture companies are faltering.

**Hypothesis 2:** The value capture opportunities in the furniture industry are diminishing.

**Hypothesis 3:** Inter-firm differences in sustaining value are related to their transformative strategies.

The data for the test of the hypotheses were obtained through interviews with the CEOs and senior executives of about a dozen area furniture makers in October/November 2003.

Findings:

**Hypothesis 1: Value Creation Capabilities**

Our interviews indicated that the competitive advantage of the area furniture makers was built on deep, multi-dimensional value creation capabilities, and these capabilities have continued to grow even now.

Effective use of established and emerging technologies is one of the core value creation capabilities. The leading West Michigan furniture makers have, as Dan Wiljanen, former Vice President of Human Resources, Steelcase, put it, “done a good job in keeping up with technology, thus keeping them from becoming a threat.” In the 1960s, Steelcase deployed the technology for using color palettes and fabric options, as opposed to gray. More recently, Herman Miller, as underlined by Ken Goodson, Senior Vice President of Operations, developed a Z-Axis proprietary software enabling customers to configure complex offices and identify what they are purchasing before transmitting complete orders directly to the company’s manufacturing and vendor network. It has made some innovative, award-winning chairs, including the Aeron Chair, made from recycled plastic, and the Mirra Chair, made from a minimal number of parts, 96% recyclable.

Adoption of efficient manufacturing methods is another element of the value creation capabilities. Herman Miller adapted Toyota Production System to focus attention on what is going wrong and how to fix it, thus improving the quality of its products and containing the costs. Similarly improving cycle time and simplifying process methods have been adopted by a number of area furniture makers.

Further, area furniture business networks have helped even the upstarts. One of the interviewed firms started in the early 1980s, with “little knowledge of furniture manufacturing” and “with very little equipment for production.” Since then, guided by the learning from the local business networks, “production techniques, company procedures, and employee training have all become standardized,” and “the company has invested in more equipment to make production more efficient.” As a result, the company’s workforce has learned to become more flexible, enabling the company to flood “the market with as many new and innovative items as possible with different sizes, variations, and finishes.”

Non-furniture business networks have also helped the firms develop innovative products and to diversify into high-growth niches. Many area furniture companies, such as American Seating, are using their knowledge and technology to design and produce automobile seating, with insights from the area auto parts industry. Similarly, companies such as Steelcase, Herman Miller, and Haworth are tapping the fast-growing local health and education industries by designing new products using software wizards.

Moreover, area furniture makers take huge pride in being American businesses, and they have been responsive to the changing consumer needs. They have grown by diversifying from office and residential furniture into home office furniture, as people worked more from their homes reflecting the trend towards service economy. Recently, they moved into home entertainment furniture.

Also, the furniture makers have focused on innovative research for developing value-added products. The leading firms, such as the Steelcase, are focusing on blending technology, architecture, and furniture to design complete offices. Knape & Vogt has enjoyed significant growth through its new value-added ergonomic office product lines and decorative residential product lines.
Importantly, area furniture makers have developed the lost art of craftsmanship and a right balance of technology and people. In 1980, the Kindel Company repositioned itself from bedroom furniture business into “highly detailed, complicated 18th and 19th century antique reproductions” and “high-end residential furniture.” As the CEO, Paula Forgarty, observed, “No machines in the world can accurately copy the kind of detail work found in the treasures of the best 18th Century American furniture. Kindel rose to the occasion. In England, we found a very talented master carver who joined us in 1980 and began an apprenticeship program for hand carvers that has been an outstanding success.”

If the value creation capabilities of the area furniture makers remain robust, then why have they faced so many problems over the past few years?

**Hypothesis 2: Value Capture Opportunities**

Our interviews indicated that unanticipated shifts in the external environment, some short-term but most potentially permanent, have been the key factors making the structure of the furniture-making industry less aligned with the focus of the area businesses and limiting their ability to capture value. Over the past decade, the U.S. economy has been exposed to a significant low cost competition from overseas, particularly from China. Since 2000, the quality of furniture imported from China has improved significantly, tipping the scales “in a major way toward imports.” The U.S. retailers have set up systems for buying entire pieces of furniture direct from the automated factories in China. Chinese wood furniture sales have risen from 3 percent of U.S. sales in 1990 to 43 percent in 2002 (~$3 billion). In 2003, the sales of foreign-made wood furniture outstripped the sales of the domestic-made furniture.

Moreover, the depressed local and national economy has limited the demand for higher-end furniture — the main area of focus for the area furniture makers. Many of the larger furniture makers were focused on Fortune 500 companies; however over the past two years, the top 100 customer accounts of Steelcase cut their furniture spending by 45 percent. Many office buildings have closed, putting barely used office furniture into the market and depressing the prices for new furniture. The lucrative channels for high-end furniture, such as the contract furniture market (the huge deals to fill the office buildings) accessed through a network of dealers, have been penetrated by low cost leaders such as the Iowa-based Hon Industries, whose competencies cater to mass merchandisers. Also, the customer preferences have shifted: “Our tagline was it’s not furniture, it’s an heirloom. Today nobody wants heirlooms, they want disposable furniture … . We live in a disposable world,” noted a former executive of John Widdicomb.

In the 1990s, downsizing became institutionalized as the mode for restructuring among U.S. corporations. However, the West Michigan furniture companies found it difficult to adopt downsizing early on because the value-based relationships with employees were at the heart of their formative success. Many remained vertically integrated, trying to capture value from start to finish. With the rise of low cost competition, they have reluctantly adopted lean approaches by downsizing administrative staff, laying off factory workers, closing facilities, and selling off subsidiaries. In the process they have lost valuable talent resources, and regaining the trust of the workforce is a huge challenge.

**Hypothesis 3: Inter-firm Differentials in Sustaining Value**

So, how have some of the firms survived and kept growing, even as the industry structure became very unattractive with greater difficulties in capturing value?

Our hypothesis is that inter-firm differentials in sustaining value are related to transformative strategies. Vipin Gupta (2003) defines transformative strategies as the entrepreneurial leadership initiatives “focused on the management of change through superior and effective learning about the diversities of cultural approaches and discovery of the techniques for making these approaches meaningful and fruitful.”

A great illustration of how to weather the turmoil using cultural options is Kindel Furniture, as reported by Amy Walbert, head of marketing:

a) Focusing on authenticity and scholarship: “We pick an object [that] is important … We are able to tell a story with the objects we make … We have a lot of auction house stories of

<table>
<thead>
<tr>
<th>The U.S. Wood Furniture Shipments ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>U.S. shipments</strong></td>
</tr>
<tr>
<td><strong>U.S. production</strong></td>
</tr>
<tr>
<td><strong>Outside U.S.</strong></td>
</tr>
<tr>
<td><strong>% outside U.S.</strong></td>
</tr>
</tbody>
</table>
things that have been sold for a lot of money and we reproduce them. What this does for marketing is amazing.”

b) Recognizing the talent: “We have reaped the benefits of people going out of business … We have had so many good craftsmen in this town and since many [firms] are gone, now they are knocking on our door.”

c) Using the network embeddedness: “West Michigan has a strong network, which is good for manufacturers of furniture. We are the recipients of that and we are lucky.”

d) Sustainable ecology: “We make mahogany [furniture]. We try to buy responsibly from people who reforest or manage forests. Ecology is important in trying to explore new species of wood.”

e) Creative Diversity: “We have many women in this factory in non-traditional roles. There are women in carving and in high positions. There are guys using heavy equipment to smooth out and buff materials and with that they need touch-ups. The people doing heavy equipment are men, those doing touch-up are all women. A woman is president of the company.”

Further, sustaining value requires connecting the cultural discoveries with the functional value creation, as illustrated by Rob Sligh, CEO, Sligh Furniture: “We dramatically reshaped our business from an identity as a manufacturer to a company that adds value through research, design, development, sample making, supply chain management and logistics, sales, marketing, and customer service.”

Conclusions

The last few years have been very turbulent for the West Michigan furniture makers. Since mid-2003, the U.S. economy has shown signs of recovery, allowing area companies to enjoy significant growth. However, if the area businesses have to sustain their leadership in the face of competition from companies such as the Hon Industries, they must pursue culturally responsive, meaningful transformative strategies.

Acknowledgements: We are very grateful to all the organizations that participated in the interviews, and to the Seidman undergraduate senior students in the capstone strategy course who conducted the interviews.

Introduction

The many challenges faced today by global businesses are expected to grow in intensity and complexity as we go further into this century. Expanded global competition has become the norm rather than the exception, with an unprecedented number and variety of products available to satisfy consumer needs and desires. In particular, many firms have implemented company-wide systems called Enterprise Resource Planning (ERP) systems, which are designed to integrate and optimize various business processes, such as order entry and production planning, across the entire firm. A successful ERP can be the backbone of business intelligence for an organization, giving management a unified view of its processes. Unfortunately, ERPs have a reputation for being expensive and providing meager results, because the people who are expected to use the application don’t know what it is or how it works. When ERP software fails, it’s usually because the company didn’t dedicate enough time or money to training and managing culture-change issues. Faulty technology is often blamed, but eight out of nine times ERP problems are performance related.

Given the large financial commitment that an ERP project requires and the potential benefits it can offer if successfully implemented, it is important to understand what is needed to ensure a successful ERP implementation. Using a methodology grounded in business process change theory, this research reports on a comparative case study of four West Michigan firms that implemented an ERP system.

Methodology

A case study approach was employed to identify the factors that facilitate and inhibit the success of ERP implementation. The criterion used to select the case study companies was that each of the case studies should use ERP software from the same vendor. Data were collected primarily through interviews, observations, and archival sources. Interviews were conducted with executives who were familiar with the ERP implementation process. Archival documentation was the third major source of data used in the research. Feasibility studies, reports, memos, minutes of meetings, proposals, newspaper articles, and books that were available were reviewed and the contents analyzed. These documents were collected and analyzed to identify and/or validate data.

Constructs: Definition and Analysis

Consistent with the research objectives, specific questions were asked concerning each construct. Table 1 describes each construct of the research model and then provides summative findings of our case studies for each variable under the construct. Figure 1, on the other hand, depicts the links between each construct of our research model.

Lessons Learned from ERP Implementation

A well-planned and well-executed ERP implementation, in conjunction with a good change management program, can create a dramatic turnaround for the company. The successful implementation of ERP at our case study companies clearly supports the point. There are several lessons that can be learned from the findings of the comparative case analysis. These lessons are also consistent with the findings of prior research studies:

(1) The literature suggests that there are six reasons for a company to implement ERP. In our study, a common IT platform was one of the primary reasons for implementing ERP according to the experts interviewed.

(2) The implementation time of all four case studies was between one and four years. The project length supports the findings of the literature that an implementation might vary between six months and several years.

(3) The literature states that it is unusual for a case company to implement all modules (for example, SAP R/3 has eleven core modules, and each of these in turn has sub-modules). Of the four companies documented in this study, only one had opted for full functionality.

(4) There are two standard approaches to connecting each module to existing systems: either implement module-by-module or alternatively implement all modules and then connect them to the existing system(s). The literature clearly suggests that a company that selects the full functionality of the ERP is committing itself to a radically more complex task and is likely to use the implement-all-modules strategy. The findings of our case study are consistent with the literature as far as module implementation strategy is concerned.

(5) As far as the nature of the change is concerned, it is widely believed that Business Process Reengineering (BPR) is a necessary feature of ERP implementation. In our case studies, the experts interviewed emphasized this point and saw the adoption of ERP as an opportunity for comprehensive BPR. In all four cases, some BPR did occur, although it occurs more in situations where legacy systems were involved.

(6) According to the literature, the implementation phase of the ERP cycle deals with the customization or parameterization and adaptation of the ERP package acquired to meet the needs of the organization. Usually this task is performed with the help of consultants who provide implementation methodologies, know-how, and training. Experts interviewed in three of our four case studies totally agreed with the above viewpoint and also stated that the largest training investments were made in the implementation phase.
(7) In all four instances, the project team did represent the main processes of the company.

(8) The literature states that project management, process and systems integrity, and change management are essential threads to ensure successful ERP implementation. The experts interviewed strongly agreed with the above statement and also stated that a lack of attention to these threads could actually inhibit the project.

(9) According to the literature, top management needs to publicly and explicitly identify the project as a top priority. In all four cases this was true. However, the three case study companies that implemented a cautious, evolutionary, and bureaucratic implementation strategy were more successful, as the top management was able to develop a shared vision of the organization and was also able to communicate the new system and structures more effectively to the employees.

(10) A clear business plan and vision to steer the direction of the project is needed throughout the ERP life cycle. Of the four companies documented in this study, three of them had a clear business model behind the implementation effort of how the organization should operate.

(11) A project champion is critical to drive consensus and to oversee the entire life cycle of implementation. In all four cases, a high level executive sponsor was selected to be the project leader.

(12) According to the literature, organizations implementing ERP should work well with vendors and consultants on software development, testing, and troubleshooting. In three of the four cases, the project teams worked very closely with vendors to obtain inter-organizational linkages.

**Conclusion**

This research attempted to answer the question, “What factors facilitate and inhibit the success of ERP projects? Through a case study comparison of four ERP implementations, it was determined that a cautious, evolutionary, bureaucratic implementation process backed with careful change management, network relationships, and cultural readiness can lead to successful ERP implementations. On the other hand, a revolutionary project scope that is mandated autocratically by top management without organizational readiness and proper change management is likely to lead to a troubled ERP implementation, as was the case of Company A.

The results of this study should assist both practitioners and academicians. The framework presented in the study, along with the lessons learned, should provide practitioners (especially non-technical managers) with insights on how to better understand and prepare for ERP implementation. Also, the framework recommended in this study should assist academicians who undertake case study research in this area to identify comparable cases. We strongly believe that future case study research would serve to reinforce and validate the findings of this study.
<table>
<thead>
<tr>
<th>Construct</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
<th>Company D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Initiatives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stimuli</td>
<td>Reactive</td>
<td>Reactive</td>
<td>Proactive</td>
<td>Proactive</td>
</tr>
<tr>
<td>Formulation scope</td>
<td>Revolutionary</td>
<td>Incremental</td>
<td>Revolutionary</td>
<td>Incremental</td>
</tr>
<tr>
<td>Decision-making</td>
<td>Autocratic</td>
<td>Bureaucratic</td>
<td>Semi-Bureaucratic</td>
<td>Bureaucratic</td>
</tr>
<tr>
<td>Strategy led</td>
<td>Not strategy led</td>
<td>From onset (Tied in with BPC and ERP efforts)</td>
<td>From onset (Tied in with BPC and ERP efforts)</td>
<td>From onset</td>
</tr>
<tr>
<td><strong>Learning Capacity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptation</td>
<td>Response to technology change; however, underestimated the complexity</td>
<td>Response to technology change</td>
<td>Response to technology change</td>
<td>Response to technology change</td>
</tr>
<tr>
<td>Improved efficiency</td>
<td>Learning by doing</td>
<td>Learning by doing and consultants’ prior knowledge</td>
<td>Learned more from others</td>
<td>Learning by doing and consultants’ prior knowledge</td>
</tr>
<tr>
<td>Declarative knowledge</td>
<td>Did not develop knowledge base</td>
<td>Developed knowledge base</td>
<td>Developed partial knowledge base</td>
<td>Developed knowledge base</td>
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<tr>
<td>External information use</td>
<td>Boundary spanners — consultants, and customers</td>
<td>Technology gatekeepers — employees, boundary spanners, customers</td>
<td>Less by employees and and customers; more by consultants</td>
<td>Employees, consultants and voice of customers</td>
</tr>
<tr>
<td>Learning type</td>
<td>Deutero type of learning</td>
<td>Deutero type of learning</td>
<td>Deutero type of learning</td>
<td>Deutero type of learning</td>
</tr>
<tr>
<td><strong>Cultural Readiness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Change agents and Leadership (initiative for ERP)</td>
<td>Senior management and CEO</td>
<td>Senior management and middle management teams</td>
<td>More senior management and less middle management</td>
<td>Senior management and middle management teams</td>
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<tr>
<td>Risk aversion</td>
<td>Aggressive</td>
<td>Cautious</td>
<td>Semi-aggressive</td>
<td>Semi-cautious</td>
</tr>
<tr>
<td>Open Communications</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
<td>Medium to high</td>
</tr>
<tr>
<td>Cross-training</td>
<td>Very minimal</td>
<td>Some</td>
<td>Some</td>
<td>Some</td>
</tr>
<tr>
<td><strong>IT Leveragability and Knowledge-sharing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT role</td>
<td>Enabling</td>
<td>Enabling</td>
<td>Enabling</td>
<td>Enabling</td>
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<tr>
<td>Use of communication technology</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
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<td><strong>Network Relationships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interorganizational linkages</td>
<td>Low (focused on IT staff)</td>
<td>High (with vendor)</td>
<td>Medium (with vendor)</td>
<td>High (with vendor)</td>
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<td>Cross-functional cooperation</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>High</td>
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<td><strong>Change Management</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Pattern of change</td>
<td>Semi-formal process</td>
<td>Formal phased process</td>
<td>Formal phased process</td>
<td>Formal phased process</td>
</tr>
<tr>
<td>Management readiness to change</td>
<td>Committed</td>
<td>Committed</td>
<td>Committed</td>
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</tr>
<tr>
<td>Scope of change</td>
<td>Radical</td>
<td>Improvement</td>
<td>Semi-radical</td>
<td>Improvement</td>
</tr>
<tr>
<td>Management of change</td>
<td>Inadequate (ignored employees)</td>
<td>Adequate</td>
<td>Semi-adequate (involved employees partially)</td>
<td>Adequate</td>
</tr>
<tr>
<td><strong>Process Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process Measurement</td>
<td>Little (process mapping and diagnostic techniques)</td>
<td>Use of process metrics</td>
<td>Use of process metrics</td>
<td>Use of process metrics</td>
</tr>
<tr>
<td>Tools and Techniques</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Team Based</td>
<td>No</td>
<td>Yes</td>
<td>Semi</td>
<td>Yes</td>
</tr>
</tbody>
</table>
A Profile of Successful Use of the Internet among West Michigan Family Businesses

Simha R. Magal, Ph.D., Department of Management, and Nancy M. Levenburg, Ph.D., Department of Marketing
Seidman School of Business

Most business scholars agree that the Internet, which emerged as a commercial medium for both information and transactions in 1990s, has forever changed the business landscape. E-business applications support all parts of an organization’s value chain, including promotion, procurement, production, recruiting, and more; and there has been a steady increase in online buying in terms of unit volume, dollar volume, and as a percent of total sales (Scheleur and King, 2003). While there is anecdotal evidence that family owned businesses (FOBs) are going online at a rapid pace (Messmer, 2000), there has only been one empirical study reported in the literature focusing on family businesses’ use of the Internet (Bird et al., 2002). This study (Davis and Harveston, 2000) indicates that the use of technology within family firms influences growth and internationalization. However, how and why this occurred is uncertain.

During the spring of 2003, we conducted a study to explore family firms’ use of the Internet and gain insights into successful use of Internet applications. More specifically, we sought to identify: (1) the motivations for engaging in e-business, and (2) the specific applications used by FOBs. The survey was mailed to CEOs of approximately 1,365 family owned firms in West Michigan.

Demographic and Performance Profile

The data yielded rich information about characteristics of West Michigan family firms, business performance, and e-business motivations and strategies. We received completed surveys from 211 firms, representing a response rate of approximately 15.5 percent. Of these, 202 questionnaires were usable. The sample was split about 58/42 percent between those serving industrial and consumer markets with over 70 percent serving primarily local and regional markets. The majority of local CEOs was 45–54 years old (39 percent of the sample), held at least an undergraduate college degree (58 percent), and identified themselves as the founder of the business (53 percent).

While sales revenues reportedly increased between FY 2001 and FY 2002 for slightly less than one-fourth of firms, the majority (45 percent) indicated that sales revenues had decreased over the past year. For about 30 percent of these firms, the decrease was greater than 5 percent. Similarly, for the majority of firms (58 percent), profits have either remained the same or declined over the past five years. Nevertheless, 51 percent of firms reported that they are holding on to their market share and most (85 percent) felt their firm’s financial performance was about the same as or better than that of their competitors.

Why FOBs Engage in E-Business

Using a 1-5 scale where 1 = Unimportant/Not Applicable and 5 = Very Important, all respondents were asked to provide information about why their organizations decided to go online (i.e., e-business drivers). In descending rank-order of means, the results are shown in Table 1. Among the 163 firms that used the Internet for business purposes (over 75 percent of the sample), the seven highest rated reasons for being online related to marketing strategy (e.g., #1 – distribute product/company information, #2 – improve communications with customers, #3 – provide or improve customer support), followed by increase net profit, and using the Internet to acquire information. It is interesting to note, however, that only the first two attained a mean above 4.0, indicating “Somewhat Important.”

Internet Applications Used by FOBs

All respondents were asked to provide information about how their firms used the Internet. A list of 114 specific applications in twenty-two categories (e.g., “Customer Order Fulfillment,” “Product Information,” “Recruiting”) that might be used to support business activities was provided, including communicating the family dimension of the business through family histories, photographs, and stories.

The Internet application most frequently used by local FOBs in the sample was internal e-mail (90 percent). This finding is not surprising given that e-mail is one of the original and generally regarded as one of the “easiest” Internet technologies to use; it is also offered as a free service by virtually all Internet Service Providers (ISPs). On the other hand, the high usage of internal e-mail seems incongruous, given that “improve communications with employees” was rated as one of the least important motivations for using the Internet (x = 2.42, s = 1.53). Similar statements can be made with respect to using the Internet for e-mail with suppliers (81 percent). Since respondents viewed marketing-related factors as their most important e-business drivers, it follows that a majority of respondents reportedly use the Internet to provide product descriptions (86 percent), respond to customer inquiries (74 percent), provide maps and directions (71 percent), and so on, as shown in Figure 1.

E-Business Performance

Finally, usage intensity levels (grouped means) were calculated for each of the twenty-two e-business application categories. By examining the categorical intensity levels compared to the importance of e-business motivations and satisfaction with obtained results, we identified those firms that report more and less successful use of the Internet for business purposes. The results indicate that firms with low expectations are generally
most pleased with using the Internet to furnish information about the firm. Firms that attach higher importance levels to using the Internet are more likely to employ three additional categories of e-business applications, including (1) customer order processing; (2) supplier order processing; and (3) marketing … with mixed results. It seems clear, however, that better results (i.e., higher satisfaction levels) result from more intensive use of e-business applications.

Discussion
Family companies have often been characterized as reluctant to grow because of an approach to fiscal management that has been described as conservative and risk-averse (Gudmundson, et al., 1999; Ward, 1997). Since investments in e-business must be evaluated in terms of their impact on business performance, many organizations appear to be uncertain or divided on how effective Internet marketing is to their organizations. While the Internet offers firms the ability to ramp up marketing strategies, to inexpensively expand into new markets and seamlessly cross geographic boundaries, to expedite order processing and provide customer tracking, and to compete with much larger competitors at a relatively low cost, organizations have often ventured into the e-business world blindly, or with limited guidance. The bursting of the dot-com bubble illustrates that there is a need for organizations to better understand how to leverage Internet technologies in order to take full advantage of the power of the Internet. We hope that this study is a step in that direction.

Table 1: Rank-Ordered Motivations for Engaging in E-Business 
(N = 163)

<table>
<thead>
<tr>
<th>E-Business Motivation</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribute product/company information</td>
<td>4.09</td>
<td>1.21</td>
</tr>
<tr>
<td>Improve communications with customers</td>
<td>4.06</td>
<td>1.16</td>
</tr>
<tr>
<td>Provide or improve customer support</td>
<td>3.96</td>
<td>1.28</td>
</tr>
<tr>
<td>Enhance company image/brand</td>
<td>3.94</td>
<td>1.26</td>
</tr>
<tr>
<td>Generate sales leads</td>
<td>3.75</td>
<td>1.32</td>
</tr>
<tr>
<td>Gain an edge over competition</td>
<td>3.65</td>
<td>1.21</td>
</tr>
<tr>
<td>Identify new markets or customers</td>
<td>3.59</td>
<td>1.30</td>
</tr>
<tr>
<td>Increase net profit</td>
<td>3.38</td>
<td>1.52</td>
</tr>
<tr>
<td>Find information on industry or other economic data</td>
<td>3.33</td>
<td>1.35</td>
</tr>
<tr>
<td>Find information about new sources of supply</td>
<td>3.30</td>
<td>1.40</td>
</tr>
<tr>
<td>Improve marketing intelligence</td>
<td>3.13</td>
<td>1.39</td>
</tr>
<tr>
<td>Reduce administrative costs</td>
<td>2.82</td>
<td>1.42</td>
</tr>
<tr>
<td>Reduce advertising expenses for traditional media</td>
<td>2.81</td>
<td>1.44</td>
</tr>
<tr>
<td>Sell products online</td>
<td>2.64</td>
<td>1.64</td>
</tr>
<tr>
<td>Comply with requirements of a large customer or supplier</td>
<td>2.63</td>
<td>1.60</td>
</tr>
<tr>
<td>Improve communications with channel partners</td>
<td>2.59</td>
<td>1.48</td>
</tr>
<tr>
<td>Reduce direct costs of creating product or service</td>
<td>2.43</td>
<td>1.48</td>
</tr>
<tr>
<td>Improve communications with employees</td>
<td>2.42</td>
<td>1.53</td>
</tr>
<tr>
<td>Reduce shipping costs</td>
<td>1.98</td>
<td>1.29</td>
</tr>
</tbody>
</table>

References


Today’s Undergraduate Students … Tomorrow’s Entrepreneurs?

Nancy M. Levenburg, Ph.D.
Department of Marketing, Seidman School of Business

“Let us think of education as the means of developing our greater abilities, because in each of us there is a private hope and dream which, fulfilled, can be translated into benefit for everyone and greater strength for our nation.”

— John F. Kennedy

It is often said that owning a small business is part of the American Dream. Collectively, U.S. small businesses represent an estimated 99 percent of all employers (U.S. Small Business Administration, 2002). Interest in creating and owning a small business has never been greater than it is today: new business formation in the U.S. has broken successive records for the last few years, growing at a rate of between two and nine percent and totaling over one-half million annually. A recent study by Ernst & Young found that over 75 percent of leading American businesspeople believe that entrepreneurship will be the defining trend of this century (Williams, 1999).

Students are increasingly choosing to start their own businesses both before and during college, as well as post-graduation. Some suggest the appeal of self-employment and launching a new business has resulted from continued uncertainty about the economy, corporate and government downsizing, and a declining number of corporate recruiters on college campuses (Moore, 2002). Moreover, members of Generation X (those born between 1965 and 1990) do not perceive launching a business as a risky career path: “Twenty-five years ago, competitive conditions favored large companies with their hierarchies and layers of management; today, with the pace of change constantly accelerating, fleet-footed, agile, small companies have the competitive advantage” (Zimmerer and Scarborough, 2002, p. 15).

Consequently, Generation X-ers have been described as the most entrepreneurial generation in history, accounting for approximately 70 percent of today’s business start-ups (Bagby, 1998; Phillips, 1999).

The importance of entrepreneurship education among many U.S. colleges and universities has become well accepted. A study sponsored by the Kauffman Foundation entitled “Impact of Entrepreneurship Education” cites compelling statistics on the effects of such programs (Charney and Libecap, 2003). According to their findings, graduates of collegiate entrepreneurship programs are three times more likely to start new businesses and be self-employed, have incomes that are 27 percent higher, to own 62 percent more assets than non-entrepreneurship graduates, and to be more satisfied with their jobs (2003). To support students’ entrepreneurial ambitions, the number of U.S. colleges and universities offering entrepreneurship courses has grown from a handful twenty years ago to well over 1,000 at present (Hisrich, 1998; Kuratko and Hodgetts, 2004; Solomon and Fernald, 1991). “Today more than 1,500 colleges and universities offer some form of it. Further, there are more than 100 active university-based entrepreneurship centers in the U.S., and more than 270 endowed positions in entrepreneurship” (Bantel, 2003, p. 4).

The success of entrepreneurship programs across a wide spectrum of colleges and universities provides an indication of student demand for entrepreneurship curricula. As one example, Miami University began offering a minor in 2000 and currently has over 200 students enrolled in the program with another 500 students taking entrepreneurship courses. Central Michigan University has 234 majors in its entrepreneurship program, and other regional universities like Ball State University, Bradley University, DePaul University, and Georgia State University, in addition to Harvard University, Massachusetts Institute of Technology, and University of Southern California, host nationally ranked entrepreneurship programs.

Nevertheless, Charney and Libecap report that despite the growing number of entrepreneurship educational programs, many schools have been slow to respond to the increasing student and community interest (2003). “The growing number of students shunning traditional employment opportunities to become entrepreneurs has caught some business school faculty and administrators off guard. Many are still questioning whether entrepreneurship is worth the investment, whether entrepreneurship training enhances their students’ abilities to compete in today’s job market, and whether their entrepreneurship students make stronger and more successful business leaders” (Charney and Libecap, 2003, p. 3).

Interest in Entrepreneurship among GVSU Students

During the summer of 2003, a group of faculty members, composed of representatives of both Seidman School of Business and Padnos School of Engineering, convened to explore the potential for launching a program in entrepreneurship. As discussion unfolded, considerable anecdotal information emerged about non-business students’ interest in starting their own new ventures. This led the committee to conduct research to explore GVSU students’ level and extent of interest in both starting new businesses and taking entrepreneurship courses. By utilizing Blackboard’s electronic surveying capabilities, data were collected from over 700 students enrolled in summer 2003 courses within a one-week period in June.

www.gvsu.edu/ssb/
On the survey, students were asked to indicate their level of agreement with two statements regarding a career in entrepreneurship: (1) “I would like to work for myself,” and (2) “I would like to start my own venture,” using a five-point scale (1 = Strongly Disagree, 5 = Strongly Agree). By combining Strongly Agree and Somewhat Agree responses, 73.6 percent (535 of 727 students) expressed a desire to be self-employed and 55.4 percent (403 of 727 students) indicated that they wanted to start their own new business, as shown in Figure 1.

Interestingly, too, nearly six percent of students reported currently owning a business, with the highest incidence of businesses ownership within Social Sciences (7.1 percent).

These findings led to an analysis of the home academic discipline among students who are interested in starting a business. By again combining those who responded “Strongly Agree” and “Somewhat Agree,” over fifty percent of students in Kirkhof School of Nursing, Social Sciences, Science & Mathematics, School of Education, Arts & Humanities, and Seidman School of Business reported a desire to be entrepreneurs, as shown in Table 1.

<table>
<thead>
<tr>
<th>Academic Discipline</th>
<th>Students Who Intend to Start a Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kirkhof School of Nursing</td>
<td>53</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>63</td>
</tr>
<tr>
<td>Arts &amp; Humanities</td>
<td>59</td>
</tr>
<tr>
<td>Science &amp; Mathematics</td>
<td>112</td>
</tr>
<tr>
<td>School of Education</td>
<td>34</td>
</tr>
<tr>
<td>Seidman School of Business</td>
<td>76</td>
</tr>
<tr>
<td>Padnos School of Engineering</td>
<td>11</td>
</tr>
<tr>
<td>School of Social Work</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>418</strong></td>
</tr>
</tbody>
</table>

*Only 3 School of Social Work students completed the questionnaire; one did not answer this question.*

**Pedagogical Methods for Teaching Entrepreneurship**

According to Bantel (2003), entrepreneurship education is, by its nature, very applied and hands-on. Although various pedagogical methods and models exist, a common theme is the integration of theoretical and practical concepts. Morris, et al. (1994) developed a model built around the inputs (e.g., environmental opportunities, resources) and outputs (e.g., new products/services, technologies) of the entrepreneurial process which can be applied in teaching both entrepreneurship and intrapreneurship. Johnson’s model (1990) provides a multidimensional framework in which entrepreneurship is understood through analysis of interactions between the individual, the environment, the organization, and the entrepreneurial process. An illustration is provided by the University of Arizona’s Berger Entrepreneurship Program, launched in 1983, into which forty undergraduate students and thirty graduate students are accepted annually. The program offers courses in competitive advantage, venture finance, marketing research, and business plan development with additional courses recommended in MIS, marketing, finance, and management. Students work in teams to complete feasibility studies for contemplated ventures and develop business plans. The capstone of the program is a business competition in which students must present and defend their business plans, with the winner being awarded $10,000 in prize money (Charney and Libecap, 2003).

In teaching entrepreneurship, a variety of pedagogical methods are commonly employed, including:

- Standard classroom lecture and exam format
- Project-based, within flexible classroom format
- Immersive, team-based project that comprises the entire course content, provides on-site emphasis, and often lasts throughout the semester
- Topic- or opportunity-based independent study (Bantel, 2003)

Additionally, many entrepreneurship programs are supported and enhanced by: (a) formal internship programs, often funded by external sources, involving structured assignments with faculty oversight; (b) events that provide networking opportunities for students, alumni, and the business community; (c) student clubs; (d) career placement services; (e) venture funds; and (e) scholarships and fellowships (Bantel, 2003).

Several articles describe the challenges associated with teaching business concepts to interdisciplinary students. In teaching an interdisciplinary business and literature course, Gailey and Carroll (1993) state that it is often difficult to overcome the biases of separate disciplines. Armstrong (1980) suggests that faculty members participating in interdisciplinary initiatives should be able to tolerate ambiguity, possess initiative and assertiveness, and be broadly educated. This view is echoed by Stember (1991) who suggests that faculty should have competence in at least one discipline, a broad perspective, a “taste for adventure into the unknown and unfamiliar” (p. 6) and be flexible and versatile. Consequently, Payne (1998) noted that not all
faculty are well-suited to teaching interdisciplinary students since it places new demands on faculty: “Interdisciplinary study is not for everyone; it attracts faculty who are self-motivated, have a strong love of learning, and welcome change” (p. 212).

Regarding teaching accounting concepts to interdisciplinary students, Steadman (2000) identified two challenges: (1) non-business students’ confusion over terminology and concepts; and (2) perceptions by some students that the business content was “too advanced.” To overcome these challenges, he recommends: early planning; integration of course content/material with team teaching where possible; strong administrative support; and student involvement in the course through case analysis, problem-solving, and team projects (2000).

In designing an entrepreneurship program at GVSU, two considerations were deemed paramount: (1) acquainting non-business students with fundamental business concepts that progressively build and consolidate the necessary skills to start a successful business; and (2) providing innovative and engaging, active student learning opportunities.

A proposed 18 credit-hour minor was identified, composed of six courses that were developed based on their content (e.g., innovation, growth, competitive analysis), instructional strategies (e.g., interaction with local businesses, case studies, and concrete product/service development), and demonstration of learning (e.g., service-learning projects and presentations). Students will be taught to prepare and execute a full business plan that integrates the necessary human, financial, physical, and technological resources, and to manage the entity on an ongoing basis in periods of rapid growth and competitive uncertainty. The program will include a strong hands-on focus, including practicum workshops, and mentoring/nurturing by faculty members and local entrepreneurs.

**References**


An Innovative General Education Program

Marie McKendall, Ph.D.
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I n a recent survey of 110 graduating Seidman School of Business students, only 28% reported that they found it useful to take business courses outside their major and 21% said it was useful to take courses outside the business school. Eighty percent said that the applicability of any course to future jobs is one of the most important factors when they choose their courses. These perceptions, coupled with other results from the survey, indicate that our business school students have a very utilitarian approach towards education; i.e., they see their years at GVSU primarily as an avenue to earn a credential that will eventually secure them a job. I think it is fair to state that most of our professional students resent having to take general education courses and view such requirements as a hindrance to the important task of completing the business curriculum.

That’s a shame, because students are making three fundamental mistakes when they approach their education in this way. First, they are confusing an educated person with a vocationally trained person. Second, they are failing to recognize that their lives will be comprised of much more than a job and that being a broadly educated person brings richness to all parts of one’s life. Finally, they are assuming that employers value only the things they learn in their professional courses.

It used to be that almost all university education was general education; an educated person was defined as one who had acquired knowledge across a number of areas, understood how knowledge was accumulated and used across societies and civilizations, and was capable of meaningful thought and reflection. As jobs changed and the need for specialists grew, especially during the sixties and seventies, general education requirements began to shrink as the role of professional education expanded. In the last decade, intense debate about university graduates’ lack of general knowledge, critical thinking ability, and analytical skills has prompted a reexamination of the curriculum. General Education is currently undergoing a revival as a reemphasis is emerging around the importance of traditional university values.

In contrast to many other public universities, Grand Valley State University has always maintained that liberal and general education is at the heart of its identity. The university’s new mission and values statement renews our commitment to the centrality of a broad liberal education and continues to emphasize that a complete education involves more than preparation for a particular career. A career occurs in the context of a life, and a sound general education helps one “make a life” as well as “make a living.” The University therefore remains committed to assuring that all undergraduate students, regardless of academic major or intended profession, receive a broad education rooted in the arts and sciences.

I believe Grand Valley’s General Education Program is the most well-articulated, comprehensive and structured general education curriculum found in any public university in Michigan. The faculty put enormous thought and effort into its design and implementation; the administration gives it a central place in our curriculum and allocates resources to ensure its success.

The focus of our General Education Program is to provide students with an education that balances depth with breadth, the specialized with the general. The General Education Program helps students become literate in a sophisticated way in a number of disciplines, and it fosters their ability to make connections across various domains of knowledge. This preparation will provide students with the general knowledge and skills necessary to participate intelligently in the discourses that shape local, national, professional, and global communities.

When the faculty redesigned the General Education Program six years ago, we asked ourselves what roles educated people should fill in their societies and their professions, what knowledge and skills they need, and what kind of general education program would provide them the opportunity to live a thoughtful life.

Through the requirements of our General Education Program, we attempt to educate students in the following areas:

1. An educated person understands the major areas of human investigation and accomplishment — the arts, the humanities, the mathematical sciences, the natural sciences, and the social sciences. The basis of a university education in manifested in the ability to understand a variety of disciplinary perspectives, their respective contribution to the growth of human knowledge, and the various approaches through which knowledge is generated, tested, and used.

2. An educated person possesses knowledge of his/her own culture and the cultures of others. He/she is able to comprehend and respond constructively to the world’s diversity, a diversity manifested not only in ideas and ways of knowing but also in populations and cultures. As citizens of the United States, students should be familiar with our pluralistic heritage. As citizens of the world, students should be knowledgeable about cultures and perspectives different from their own.
3. An educated person is familiar with the tradition of humane inquiry that informs moral and ethical choices. He/she is able to identify the values that shape one's choices, assess the consequences of those choices, and understand alternate value perspectives. This enables informed choices in light of ethical, moral, and practical concerns.

4. **An educated person is able to engage in articulate expression through effective writing and speaking.** Such a person has mastered the various forms of written and oral communication that permit full participation in a society and world dependent on the free interchange of ideas and information.

5. **An educated person can think both critically and creatively.** Expressiveness, imagination, and originality are needed for innovation. Innovative ideas must be subjected to critical evaluation, which involves distinguishing information, judgment, and assumption; evaluating evidence and the logic of arguments; identifying and assessing differing perspectives and assumptions; and reasoning systematically in support of arguments.

6. **An educated person can locate, evaluate, and use information effectively.** He/she is able to locate, gather, assess, and process information from a variety of sources, and evaluate and use that information as the basis of informed judgments and intelligent decisions.

7. **An educated person is able to integrate different areas of knowledge and view ideas from multiple perspectives.** He/she can articulate and synthesize facts, basic concepts, and disparate knowledge into a coherent and meaningful whole. Making sense of a variety of data and experiences allows one to address human concerns in a broader way than can be accomplished through any one discipline.

Grand Valley strives to educate students in these areas of knowledge and to develop the skills discussed above through its General Education Program. These are, incidentally, knowledge and skills business employers have always indicated they value. Like many universities, we have general education requirements in the arts and humanities, the social sciences, the mathematical sciences, and the natural sciences. We also require that students learn about United States culture and the cultures of other parts of the world.

What makes the GVSU General Education Program fairly unique among large public universities is the thematic requirement, whereby students take upper-level courses from three different disciplines all addressing a specific issue or idea. Preparing for responsible participation in public discourse requires that people become conscious of both complementary and competing viewpoints and recognize that any issue or problem can be viewed from multiple perspectives. Let us assume, for instance, that a company is considering outsourcing some of its labor abroad. Of course, the profit implications of this decision are important. But there are also psychological, sociological, ethical, political, environmental, and cultural considerations involved in the decision. I would argue that the company is much better served by the broadly educated person who can perceive multiple viewpoints and speak to more than the business perspective.

Seidman’s business curriculum is dedicated to making sure that our students, via their academic majors, become competent specialists in their fields of endeavor. An equally pressing priority is that our graduates also possess the marks of a generally educated person — that they will have acquired the broad knowledge and life skills that will allow them to be informed and thoughtful people. These ideals co-exist within Grand Valley, and together they produce people who can contribute to their own well-being, their communities, their professions, and the world in which they live.
If you know someone with big ideas, put them in the spotlight!
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- Market Efficiency
- Option and Futures Pricing
- Valuation

Barry Castro, Ph.D.
- Business Ethics – “Broadly Defined”

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- Market Forecasting
- Negotiation

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- Applied Economics
- Implicit Markets
- Matching Models

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Daniel Giedeman, Ph.D.
- Bank Regulation
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- Asset Pricing

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- Cross-cultural Research
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- Macroeconomic Forecasts

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- Supply Chain Management
- Manufacturing and Service Strategy

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- Market Research
- Mentoring

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- Individual and State Taxation

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- Human Resource Functions
- Teambuilding

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- Teams
- Lean Production and People Systems

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- Service Strategy and Competiveness
- TQM and Customer Service

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- Housing Market Discrimination

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- Labor and Employment Law

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- Supply Chain Logistics Management
- International Marketing and Logistics

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- Activity-based Costing

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- Strategic Alliances
- International Business

Sridhar Sundaram, Ph.D.
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- Financial Markets & Interest Rates

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- Government/Nonprofit Accounting
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