

October 1, 2011



The trouble with superheroes: HP has appointed yet another superstar boss from outside. Bad move - *By Schumpeter*

[HP] has lost six chief executives since 1999...The tech world has endlessly debated what went wrong with HP. Is it just the passage of time? It is hard to reach old age in Silicon Valley: your technology goes stale, and young bruisers such as Google and Apple kick away your zimmer frame. Or is it HP's dysfunctional board?

Perhaps. But a resurgent IBM has just celebrated its 100th birthday, and the HP board has been remade several times in the past decade. There is a third possibility: that HP has fallen victim to the cult of the corporate saviour. It keeps reaching outside its ranks to hire a superstar as CEO. This is something HP never did during its glory days. And it never seems to work. On the face of it, scouring the world for a superstar makes perfect sense. Surely a great manager can make all the difference to an ailing firm?

Companies can point to one strong piece of evidence in favour of hiring outsiders: share prices usually leap at the news. But a gathering pile of academic studies points to the opposite conclusion. Jim Collins, the author of "Good to Great", insists that great companies almost always recruit CEOs from within. Rakesh Khurana of Harvard Business School argues that looking outside for a "corporate saviour" erodes the morale of the talent within. An unpublished paper presented to the annual conference of the American Accounting Association in August by [Richard Cazier of Texas Christian University](#) and John McInnis of the University of Texas at Austin brings a new level of rigour to the debate.

Messrs [Cazier](#) and McInnis studied 192 CEOs who had been brought in from outside between 1993 and 2005. They discovered that companies usually recruit CEOs from companies that have done well in the past—no surprise there—and that they usually pay them a fat premium. But then comes the rub: the pay premium is negatively correlated with the future performance of the firm that does the hiring. In other words: the more dazzling the outside recruit, the worse he performs in his new role.

October 3, 2011



Cozy relationships and 'peer benchmarking' send CEOs' pay soaring - *By Peter Whoriskey*

This is how it's done in corporate America...at the vast majority of large U.S. companies, boards aim to pay their executives at levels equal to or above the median for executives at similar companies. The idea behind setting executive pay this way, known as "peer benchmarking," is to keep talented bosses from leaving.

But the practice has long been controversial because, as critics have pointed out, if every company tries to keep up with or exceed the median pay for executives, executive compensation will spiral upward, regardless of performance. Few if any corporate boards consider their executive teams to be below average, so the result has become known as the "Lake Wobegon" effect.

It wasn't until recently, however, that its pervasiveness and impact on executive pay became clear. Companies have long hid the way they set executive pay, but in late 2006, the Securities and Exchange Commission began compelling companies to disclose the specifics of how they use peer groups to determine executive pay. Since then, researchers have found that about 90 percent of major U.S. companies expressly set their executive pay

targets at or above the median of their peer group. This creates just the kinds of circumstances that drive pay upward.

Moreover, the jump in pay because of peer benchmarking is significant. A chief executive's pay is more influenced by what his or her "peers" earn than by the company's recent performance for shareholders, according to two independent research efforts based on the new disclosures. One was by Michael Faulkender at the University of Maryland and Jun Yang of Indiana University, and another was led by [John Bizjak at Texas Christian University](#).

"Peer benchmarking has a significant influence on CEO pay," [Bizjak said](#). "Basically, you can't have every CEO paid above average without pay ratcheting upward over time."

The practice of choosing peers that boost pay is common. Studies by Faulkender, [Bizjak](#) and ISS Corporate Services have shown that when choosing "peers" for pay-setting purposes, companies tend to choose larger firms or firms with more highly paid chief executives.

October 4, 2011

CSCMP's Supply Chain [QUARTERLY]

A world of opportunities for women in SCM - *By Rick Blasgen*

If you want to make a difference every single day, then SCM is the field for you.

When it comes to choosing a profession, women are no longer limited by the gender roles of past decades. Today, they work in many formerly male-dominated businesses, such as medicine, law, and banking, to name just a few. Young women who are choosing their careers recognize that more doors are open to them now than in the past. Still, many of them overlook an area where there are abundant opportunities not just for jobs but for lifelong careers: supply chain management (SCM).

The field of SCM welcomes women with open arms and seems custom-crafted for their innate characteristics: intuition, flexibility, empathy, leadership, and multi-tasking abilities. SCM offers women unlimited opportunities, including the chance to advance to the highest levels of the profession.

Women historically have entered professions like teaching and nursing that gave them the opportunity to make the world a better place. They can achieve this goal, and much more, by becoming supply chain managers.

"If you want to make a difference every single day, then SCM is the field for you," says [Professor Nancy Nix of Texas Christian University](#). "As a supply chain professional, you are the critical link to humanity's quality of life by making sure that people have the products and resources they need to survive and thrive."

What's more, [adds Dr. Nix](#), SCM offers the opportunity to positively impact the environment by using assets like inventory, transportation, and packaging more efficiently.

If women are looking for a fulfilling career, then they should set their sights on SCM.

October 3, 2011

THE NEW YORKER

Famous Names: Does it matter what a product is called? – *by John Colapinto*

Brand naming has existed for centuries. Italians made watermarks on paper in the twelve-hundreds, During the industrial revolutions, companies sought to inspire consumer confidence with names harrowed from the owners' families: singer sewing machines, Fuller brushes, Hoover vacuums—all names that are still in use. Before the First World War, there was a wave of abstract names ending in "o" (like Brillo and Brasso), followed, in the nineteen-twenties, by one of "ex" names: Pyrex, Cutex, Windex. But, according to [Eric Yorkston, a marketing professor at Texas Christian University](#), modern brand naming—with its sophisticated focus groups and its linguistic and psychological analysis—began in the years after the Second World War, when the explosion of similar products from competing companies made imaginative naming an increasing necessity.

October 6, 2011

Star-Telegram

For Perot, Jobs was friend and fine leader - by Bob Cox

Steve Jobs had a combination of creative genius, dogged determination and leadership skills rare in business or any other walk of life, according to longtime friend and associate Ross Perot Sr.

"I've known a lot of great people over the years, but he was one of the best," Perot said in an interview Thursday after the death of the Apple co-founder and Silicon Valley icon.

After rejoining a failing Apple in 1997 as a special adviser, Jobs took control of the company and brought in new directors and some of his most talented lieutenants from NeXT. Along with the people came the core technology, Apple's OS X software -- the basis for the iMac computer, the iPod, iPhone and now the iPad tablet.

Jobs was "an extraordinary individual, not ordinary in any way," said **Homer Erekson, dean of the Neeley Business School at Texas Christian University**, who said he did not know Jobs but had read much about him.

What made Jobs extraordinary even among top business leaders is probably not something that can be taught, Erekson said. Jobs had a rare "combination of big-picture thinking and also paying attention to detail. That's a very fine line there. He was innovative. He was passionate."

What Jobs brought to the technology industry and what Apple has brought to the public was a sense of something special, magical even, something more than a computer or a cellphone, **Erekson said**.

"When I think of Apple, the word that comes to mind is *enchanting*," **Erekson said**. Other companies like Dell and Hewlett-Packard "make good products, very good products, but they're not enchanting."

October 6, 2011



Finance professor says high executive pay based on peers - by Jim Douglas

Far from noisy protests spreading from Wall Street to Dallas and beyond, **TCU finance professor John Bizjak** quietly studies a source of some of the frustration over income inequality: The way corporations pay top executives.

"[Average pay for executives of large companies is] around five or six million [dollars.] That's the average," said **Bizjak**, who holds a Ph.D., and focuses on corporate governance.

His research got national exposure in a recent Washington Post report. It shows that about 90 percent of America's largest 1,500 companies primarily base CEO pay not on performance, but on what other CEO's make. It's called "peer benchmarking."

"It mechanically causes a ratcheting up," **Bizjak said**.

He said corporate boards keep raising executive pay to keep up with other companies, which in turn raise pay to keep up, even sometimes when performance goes down. Data exposing the extent of benchmarking wasn't available for researchers to study until 2006, when new rules required companies to explain executive compensation.

"The economic explanation is that CEO's are running bigger firms, so the CEO decisions have a much bigger impact," **Bizjak said**.



The professor understands companies needing to keep incentives high to retain good talent. **Bizjak** said what he found discouraging was the number of firms that compare themselves to bigger firms in order to justify higher compensation.

“Some companies are gaming the system,” **he said**. “They’re making the argument you’ve got to pay the CEO at median or above, then you look at the CEO’s record and it’s not very good.” He said “peer benchmarking” and its abuse help explain why CEO salaries have risen, despite flat wages and high unemployment.

But **Bizjak** also offers this caution: “People are frustrated, so they want to cap pay or regulate pay, but there’s always secondary effects, or the law of unintended consequences. Like prohibition.”

October 7, 2011

Austin American-Statesman

TCU would bring good things and bad to Big 12: *Stacking up TCU Horned Frogs as a university* - by Kevin Lyttle

TCU AT A GLANCE

Location: Fort Worth

Enrollment: 9,518

Alumni: 78,000

Colors: Purple and white

Mascot: Horned Frog

Affiliation: Private school, associated with Christian Church (Disciples of Christ)

Academics: **The Neely School of Business is a top selling point**, and TCU's pre-med program is generally regarded as the best in Texas.

October 13, 2011



Losing a leader: How to bounce back - by Shelley DuBois

FORTUNE -- Since Steve Jobs was reported to have pancreatic cancer back in 2004, media outlets have carried a debate over whether or not Apple could maintain its breakneck growth path without him. Jobs resigned in August, and his recent death saddened Apple (AAPL) employees and tech appreciators everywhere.

Companies shift power at the top all the time, but research suggests that the sudden loss of a leader affects a company differently than a smooth transition, such as a successfully orchestrated succession plan. Given that companies often experience fast, dramatic shifts in power, there are ways to ease the blow to employees, who often feel traumatized by the change.

Experts agree that as much as possible, companies should guide the conversation about a CEO’s departure and provide clear, valid explanations to employees why the change is good. Especially in this economy, any sort of shift in leadership causes employees to start hearing footsteps.

“We’re sort of wired for consistency,” says **Bill Becker, a management professor at Texas Christian University’s Neeley business school**. “When there’s significant change, that triggers a danger signal. In general, that’s going to generate negative emotions.”

October 27, 2011



CSCMP Elects Nancy Nix Chair of the Board of Directors

By Editorial Staff

Professor of supply chain practice at TCU says board will focus on three key issues

Fort Worth, TX - The Council of Supply Chain Management Professionals (CSCMP), the professional association dedicated to the advancement and dissemination of research and knowledge on supply chain management, has elected **Nancy Nix** as chair of the board of directors. **Nix is professor of Supply Chain Practice and executive director of the Executive MBA program at the Neeley School of Business at Texas Christian University.**

CSCMP is led by an elected group of global officers with its headquarters located in Lombard, Illinois. CSCMP members are leading practitioners and authorities in logistics and supply chain management, with more than 8,500 members from 67 countries representing industry, government and academia.

Nix said that the board will focus on three critical initiatives over the next 12 months: the SCPro Certification program, expansion in India, and enhancing corporate partnerships.

The board will focus the successful launch of the recently announced SCPro Certification program, a three-level certification that offers global supply chain management professionals a way to demonstrate a broad range of industry skills and mastery of end-to-end supply chain functions.

Through the recently established regional office in Mumbai, CSCMP will identify opportunities to engage the global supply chain community in a bigger way.

The board will also look at ways to enhancing partnerships with corporate CSCMP members to educate supply chain professionals, advance supply chain practices, and enhance the contribution of supply chain organizations to businesses and the global community.

Nix has served on the board of CSCMP for six years. She also serves on the Advisory Board of Directors for DSC Logistics and the Bio Supply Management Alliance, and has been honored with several awards for teaching and contributions to the supply chain profession. Following a successful global career in supply chain, Nix has taught at the Neeley School for 10 years. She holds a B.S. in chemistry from Salisbury State University, an MBA from Temple University, and Ph.D. from the University of Tennessee.