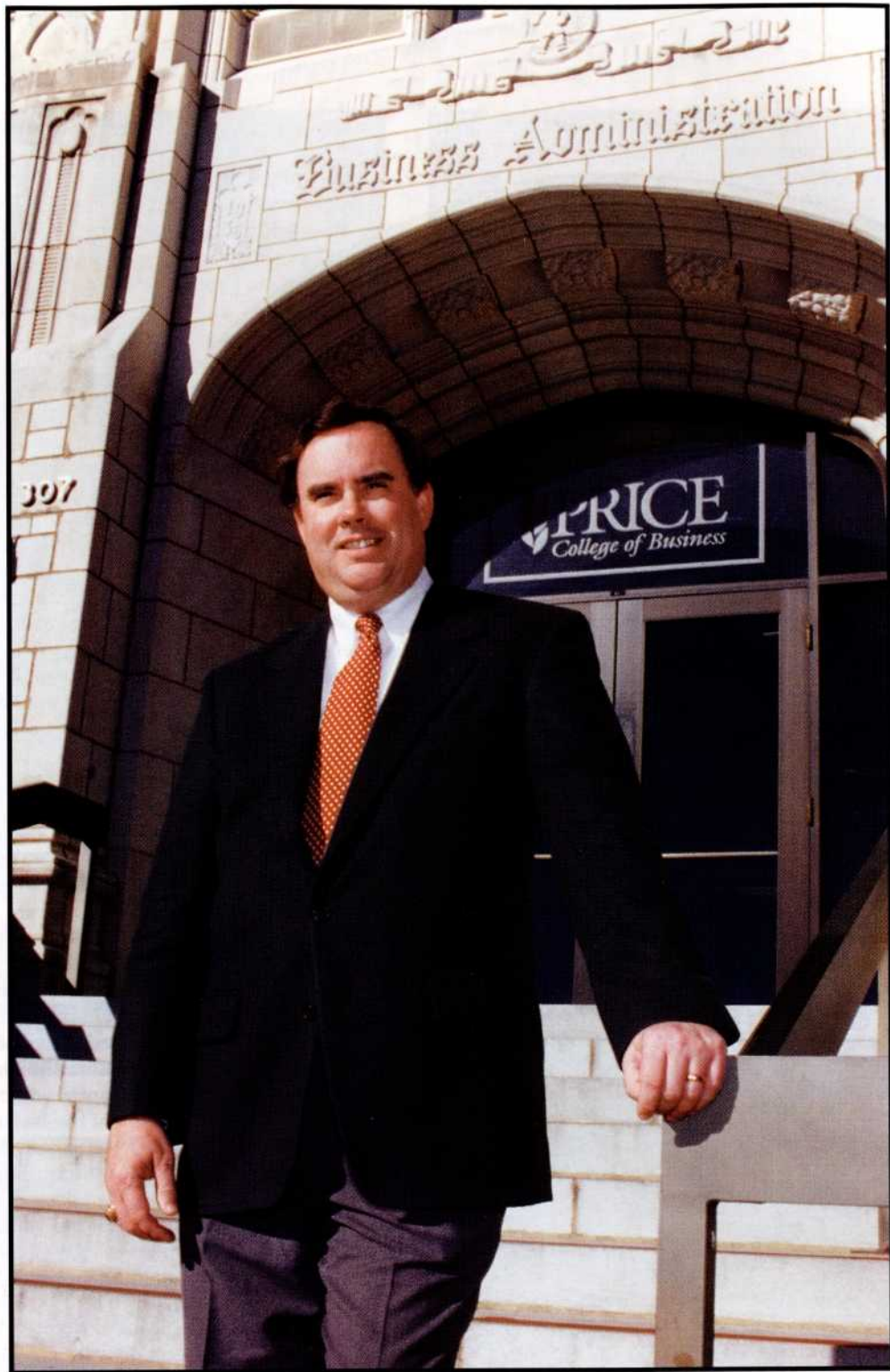


OU Dean Richard Cosier accepted a multimillion-dollar challenge to place the Michael F. Price College of Business among the nation's top 40 in academic excellence.



The Price of

An \$18 million fund established for the Michael F. Price College of Business is not a traditional “gift.” A price is being exacted for the largest private endowment in University of Oklahoma history.

Contrary to some public perception of the college’s record endowment from Wall Street financial wizard Michael Price, the real payback will not come in brick and mortar or even a world-class faculty attracted by generous endowments. What Price demands for his money is a business college ranked among the nation’s “top 40” in academic excellence with a record of turning out MBA graduates who command top salaries.

Price, an undisputed leader in an industry famous for pursuing profit, drives a hard bargain. But the \$18 million gift well could be replicated many times over in personal and financial rewards attained by OU graduates.

How the Price College of Business crafts its enhanced status will be a fascinating development to watch over the next several years.

A 1973 OU business graduate, Price intends to build “a bridge to Wall Street” that will carry MBA candidates into a world far removed from classroom conjecture. In an age when corporate stock can be bought and sold with a few computer keystrokes, Price still contends that fortunes are being built on connections, the “luck of the draw” and geographical proximity to the seat of the country’s financial power.

continued



**A Wall Street wizard’s
\$18 million investment
in his alma mater
comes with strings attached.**

Excellence

**BY RANDALL TURK
PHOTOS BY ROBERT TAYLOR**

"They're a neat group of kids," Price says of OU business students. "They're just isolated from the financial markets. I wanted to do anything I could do to bring them closer to the New York scene."

A hard-nosed Easterner whose reputation has inspired fear and respect in financial circles, Price is blunt in offering his rationale for doling out the OU endowment over a five-year period. "It's the carrot and the stick," he says. "If you hire someone, and he screws up in the middle of the year, you fire him. We have a schedule to keep. They (the school and its students) have to perform."

The challenge has been accepted by OU President David Boren and Business Dean Richard Cosier. Both men and a close circle of other academicians and advisors actively sought Price's support. Now they are fashioning a vision of how the college will proceed in its quest for excellence.

The first priority is human capital: four "superstar" chairs in accounting, finance and management information systems, areas seen as providing the college's best chance of attaining international prominence. Each chair is being funded by a \$2 million Price endowment. Two other chairs dedicated to international business will be created from separate \$1 million endowments. The endowments for the new positions will double after receiving matching funds from the Oklahoma State Regents for Higher Education.

The first Michael F. Price Chair was occupied this fall by Robert Zmud, a national authority in management information systems. Editor of *MIS Quarterly* and published in many other business periodicals, Zmud previously held the MIS faculty chair at Florida State University.

"The College of Business MIS program has been very successful at the undergraduate level," says Zmud. "We will engage this program at the doctoral level. Many activities will be involved in getting the division formed and developing leadership and strategy."

Zmud's plans involve enlarging Price College's relationship with 20 corporations that participate in OU's

Imperative in today's business climate is the willingness to be a continuous learner and to constantly improve both technical and interpersonal skills

Center for Management Information Systems Studies. He intends to improve the college's interaction with the community "through a broader domain," redesign some of the courses and teach graduate and undergraduate classes. He will concentrate on upgrading the college's technology base and continue research that analyzes how information systems and technology management affect organizational behavior.

A substantial portion of the Price endowment, \$3 million, funds student scholarships and the new Student Support Center in Adams Hall. The center counsels students about career choices, administers the business scholarship program and arranges internships and education

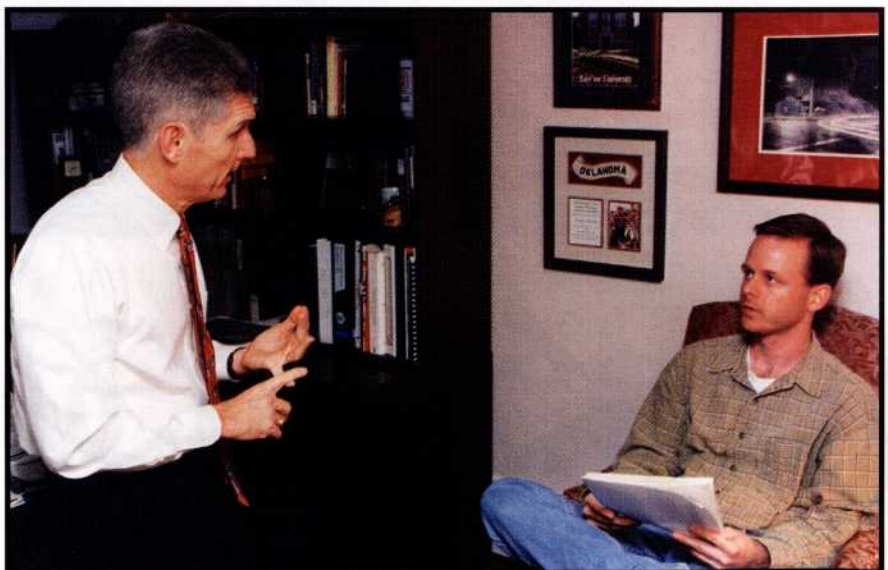
opportunities here and abroad.

In charge of the center is Mel Penn, '73 B.B.A., '76 M.B.A., a veteran of 21 years as a Kerr-McGee Corporation executive in a series of key positions, including a four-year stint in Perth, Australia.

Penn coaches MBA students on basic elements of the job search such as preparing résumés, searching for companies that fit their career goals and rehearsing job interviews. He explains to students that companies seek "effective team players, mediators and persons with a strong sense of basic values. Imperative in today's business climate also is the willingness to be a continuous learner and to constantly improve both technical and interpersonal skills." He encourages graduates to broaden the value they bring to an organization by working in different regions of the country and by taking advantage of international assignments.

Relocating is still a prime factor in the MBA's job search, Penn emphasizes. "Increasing numbers of companies hiring our graduates are from outside our immediate geographical location. We still possess in this region a strong work ethic these companies admire and seek."

Part of Mel Penn's duties as director of the Price College's Student Support Center is counseling MBA students, such as Travis Wheat, right, on the career choices to be made before his graduation in May.





The first Michael F. Price Chair in the college that bears his name was filled this fall by Robert Zmud, a national authority in management information systems. A total of four professorial chairs are being supported by Price endowments, established by the Wall Street fund manager and OU alumnus.

Penn also is working to establish OU's graduate level business internships with companies abroad. Over the summer, seven Price College MBA students participated in overseas work and study programs. Five were interns for companies in London, one worked with a Paris company, and another studied at a business school in Toulouse, France.

"We're teaching global issues," says Penn. "Internships are an opportunity to provide global experience."

In addition, the Price endowment includes \$1.25 million to improve business holdings of Bizzell Memorial Library, \$250,000 in finance scholarships, \$200,000 for MBA graduate assistantships, a \$1 million "Dean's Enrichment Fund" to promote the college and \$1.25 million to match other private donations.

Price became the business college's principal benefactor in April 1997. In appreciation, the OU Regents renamed the former College of Business Administration in Price's honor. The preamble to this momentous development, however, began several years earlier.

In late 1995, Price was persuaded by Cosier, College of Business Development Officer Buddy Ellis, Finance Professor Louis Ederington and others

to contribute \$100,000 for a Student Investment Fund. The fund's purpose is to teach business majors the intricacies of making intelligent investment decisions in the equities markets. So far, the experiment has been successful. In November of last year, Price supplied another \$50,000 to the SIF. He visits the student investors twice during each semester to evaluate their decisions and render advice.

Price has been pleased enough with the student fund's performance to plan a somewhat larger fund next year. But he emphasizes the experiential benefits the fund affords students.

"This fund is about more than making money," he says. "I want students to learn from hands-on experience, make their mistakes now, learn from them and move on. It's important to feel the responsibility of managing a real fund while they are in school, rather than making mistakes when they're out in the investment world."

The 16 to 18 students participating in the investment fund must have completed and attained a "B" or better in a prerequisite investments course. Initially the student investors were directed by Jae Ha Lee, an associate professor of finance. Cur-

rently, Lee is on extended sabbatical in his native Korea. Duane Stock, director of the Price College's Division of Finance, who had helped develop the student investment fund and the supportive coursework, was called to teach the class.

"It's developed into a career path," Stock says of his additional duties. He now fills the Price Student Investment Fund Professorship, a position funded by \$250,000 of the Price endowment and matched by the state.

Stock said the value of the student investment fund was more than \$123,000 on November 30, 1998, down from a high of about \$150,000 after experiencing a slump in the markets and deducting funds for expenses such as finance textbooks for the student investors.

Over the spring semester of 1997, the student investors at OU outstripped professional money managers and the nation's major stock indices in researching and investing in winning stocks. A portfolio of stocks selected by the OU students returned 22.3 percent to the Student Investment Fund, well above the 13.8 percent experienced over the same period for Dow Industrials, 13.6 percent for the S&P 500 and 18.2 percent for the NASDAQ Composite. During fall 1997, a down period for stocks, another OU class engineered a 5 percent return on the SIF portfolio, which beat the average equity fund's return of 2 percent over the same period. In fall 1998, after a period of extreme market volatility, SIF results were not as good. The fund attained 1.57 percent growth, compared to 5.65 percent for Dow Industrial, 8.84 percent for the S&P 500 and 11.43 percent for the NASDAQ Composite.

Price is a "value investor" in contrast to one who concentrates on growth stocks. The students follow his investment model.

Growth investors speculate that the value of most stocks will grow dramatically over time, while value investors seek out bargain stocks that are priced well below their essential values. Value investors are fundamentalists who pore over a company's balance sheets and follow a formula

derived from such factors as cash flow, profit margins and return on investment. Value investors are out to determine where a stock should be priced, not what the market says the price is. The emphasis is on "buying the company," not just its stock.

"You want a 30 percent or more undervaluation of the company," Stock says. "When a company is reaching its full valuation, it's time to sell. But if a declining stock still hasn't reached its intrinsic value, we might buy. We love to buy bargains.

"Part of the value of the company is the situation its industry is in," Stock says. "For instance, the utilities are being deregulated. We look to see whether or not a utility has been dragging its heels."

Some of the Price endowment has provided Bloomberg data for stocks and bonds. A computer terminal presenting continuously updated Bloomberg market information is available to the students around the clock.

In fall 1998, the SIF investments included apparel and apparel stores; transportation and electronics; banks; and printing, publishing and health care companies. "We inherit what the last class left us," Stock explains.

He and a group of transition students monitor the investment fund over the summer when there are no investment classes.

Sometimes the best-laid plans of value investors can be disturbed by "environmental" conditions such as the Asian currency collapse still gripping world markets. "One company we held exported 80 percent of its products to Asia," Stock says. "We thought it was over-punished in March, so we bought it in expectation Asia would come back. Recently, the class found Asia is not recovering quickly enough. So we sold the company."

What about selling short and other speculative devices? "We don't get fancy," Stock says. "Selling short is risky. We've enough to do just finding value stocks."

The value investment techniques Price is trying to get across to students are proven ones, Stock believes. "Investment is hard. Why make it harder? Growth investment attempts to predict the future. It's easier to invest in companies you know—in the assets they have."

The students are graded for the quality of their research and for two examinations covering the class text.

They review investment presentations given by their peers and are graded on how well they analyze and critique what is presented.

The final presentation to Price is a "fairly formal occasion," Stock says. "Mr. Price has his opinions, and he'll tell you. He has reasonable expectations. On the other hand, he's here to educate."

Admittedly, it is tougher for Oklahoma students to break into the major financial firms. Stock maintains the Student Investment Fund experience has improved opportunities for them. "Almost unanimously, my students say the class gives them a leg up on getting a job or internship. Some have gone to Dallas, the financial center for this region, to work for firms like Prudential Capital Markets and Goldman Sachs. They're competing with students from Yale and other prestigious schools."

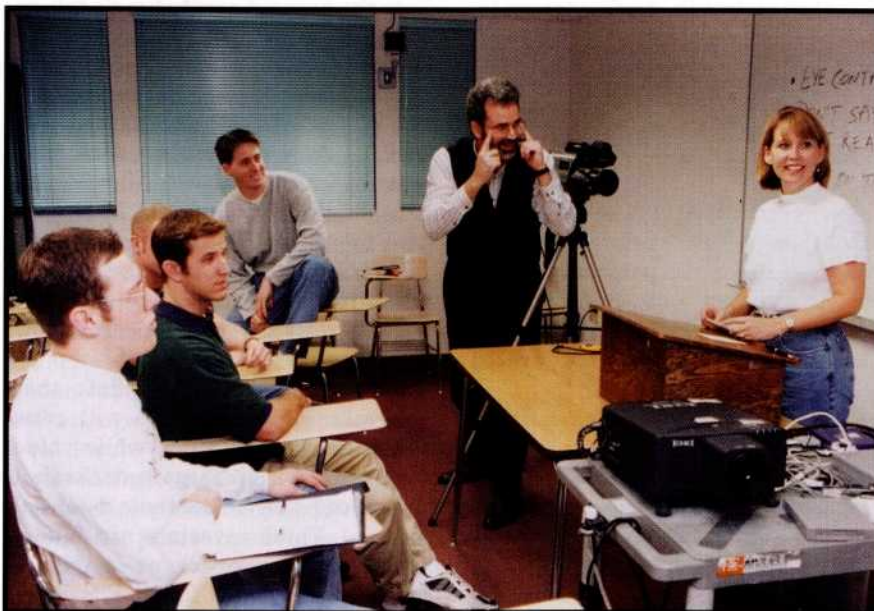
After the success of the Student Investment Fund, several meetings ensued involving Price, Cosier, Boren and others from OU. "Price asked for a proposal from us," Cosier recalls. "He'd made a deal to sell his investment company to Franklin Templeton, and he was thinking of some uses for the funds that would benefit higher education."

Price later sought refinements in the proposal and specifics involving goals for the business college. He had been approached by several Eastern business schools but picked OU as a better investment. He recently had established a \$2 million student investment fund for New York University. In an interesting twist, earnings from the NYU fund provide scholarships that permit MBA candidates from OU to participate in summer Wall Street internships.

"In general, we're making significant progress in becoming a top 40 business program," says Cosier. "For the first time, our full-time MBA students had GMAT test scores averaging over 600 (the top 18 percent in the country). We'll also look for significant improvements in ACT scores for our students."

Downsizing the business college is another goal. In the fall of last year,

Business Communications Center Director David Williams, center, coaches a student team from Duane Stock's investment class on their semester-end presentation to the business college's benefactor, Michael F. Price.



scholastic standards were stiffened because of an “excessive student/faculty ratio.” The minimum grade point average of students admitted to upper-level graduate business courses was lifted to 2.5 from the previous 2.25. The standards may rise again. The Price College has approximately 3,500 undergraduate majors. “Our target enrollment is about 2,500 undergraduate students,” Cosier says. The college’s graduate enrollment totals 345.

The OU business college consistently ranks in the “top quartile” of 300 leading business schools in the country rated by *U.S. News and World Report*. The news periodical evaluates the quality of students, faculty, curricula and facilities, including the resources and capabilities of business school libraries.

“A key factor in business school rankings is graduate starting salaries. Our highest challenge is in the placement area,” Cosier admits.

In Oklahoma, starting salaries for MBA graduates average approximately \$47,000, less than half the initial pay for graduates of Harvard, Stanford, Wharton and other top-ranking business schools. Cosier attributes the flagging salaries in part to the area’s lower cost of living and the mix of companies that annually visit the campus to recruit OU students.

“We also have MBA students with somewhat less work experience than those of the top 20 business schools,” he says. “On the positive side, students pursuing MBA degrees at OU have not been shut out by the five-year work experience standard expected by other schools. Our students average three or four years. We’re reluctant to close off our MBA program to such students.”

Cosier expresses admiration for Price, his methods and his goals for



Michael Price responds to the formal presentation of the fall semester student investment class in the Price College of Business.

the college. “He’s a self-made man with outstanding business skills. He can analyze a company better than anyone I’ve ever seen. Hopefully, he’ll be coming to Norman more frequently this spring, when he will have more time to spend with students and faculty.”

As a student, Price was lured to the University of Oklahoma by the Sooners’ football program. “I wanted to go to a top-rated football school,” he confesses. Although his bid to join the Sooner squad was spurned, Price stayed on at OU and achieved his goal of obtaining a degree in business. “I truly enjoyed my time in Oklahoma. I went to college, got a degree and saw some great football.”

A native of Roslyn, New Jersey, Price returned to the East Coast after graduating from OU to join Max Heine, a friend of his father’s, a mentor and owner of Heine Securities in New York. Price rose to become a

partner in the Wall Street mutual funds firm. He was poised to buy Heine’s interest in the firm when Heine was killed in a traffic accident in 1988. Price purchased Heine’s interest from the deceased financier’s estate and became sole owner.

Perhaps Price’s most notable achievement occurred in 1995, when he successfully pressed for the megamerger of Chase Manhattan and Chemical banks, creating the country’s largest financial institution. In that year he was named among *Time* magazine’s “25 Most Influential People in America.”

In 1996 Price merged his mutual fund, which had grown to \$18 billion in value, with Franklin Resources, Inc. He stayed on to manage the funds, which rose to \$33 billion before this past summer’s crisis in Asian financial markets. Today the fund totals about \$26 billion, Price said. “If it (the market decline) knocks

stocks down, it’s good for me,” he says. “I enjoy bargains.”

Price plans to evaluate his namesake, the Michael F. Price College of Business, the same way he picks stocks. “The school has to increase GMAT scores and school ranking,” he said. “It’s a performance test.”

On a rainy May 9th, Price was the main speaker at Commencement ceremonies for 9,000 OU graduates at Lloyd Noble Center. “We need fewer bricks and mortar and more ideas to keep up with the computers and technology of today,” Price told the graduates. “When I look back at some of the success I had at making money on Wall Street, it is creative ideas that stand out to me more than anything else.”

In effect, Price’s investment has been secured by ideas and promissory notes. If they pay off on time, the deal will be a bargain for Price and thousands graduating from his namesake college in years to come.