

## Contents

	Page
Welcome	1-2
<b>FEATURED STORIES</b>	
-Financial Markets Reality Check - Part One	3-4
-Making the Media Work for You	4
<b>ALUMNI UPDATES</b>	
-2003 Cohort	5
-2004 Cohort	6
-2006 Cohort	7
<b>CURRENT STUDENTS</b>	
-2007 Cohort	8
-2008 Cohort	8
<b>FROM THE FACULTY</b>	
-Back To the Future of Strategy Co-Creating Value	9
-The 2008 Financial Crisis: Causes, Consequences and Cures	10
<b>EVENT UPDATES</b>	
-Executive MBA Strategic Conversation Series - 1	11
<b>IN THE FUTURE</b>	
-Strategic Conversation Series and Christmas Drinks	12
-LinkedIn and Networking	12

# From the Dean



I am delighted to be joining as Dean at an exciting stage in the development of the UTS Faculty of Business as a leading business school in Australia and internationally.

Around the world, the challenges for business education and research are evolving in response to underlying structural changes as well as cyclical ones, including the demand for broader leadership capabilities.

UTS Faculty of Business has a unique

opportunity to take advantage of these trends and challenges and to position itself as a world class 'business school of choice' for undergraduate and postgraduate students, including executive program offerings and 'life-long learning'.

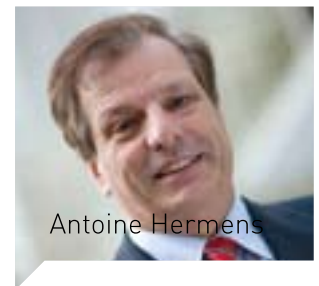
UTS Faculty of Business has an advantage with AACSB accreditation, as that offers a recognised brand internationally and gives our graduates recognition on a global platform. Along with the Director of the MBA Programs,

Antoine Hermens, I look forward to strengthening our alliances with the business community and as executive MBA Alumni in top line positions, you will be a vital part of that process.

I look forward to meeting you all in due course at the Strategic Conversation evenings in 2009.

**Professor Roy Green**  
Dean, Faculty of Business, UTS

# From the Director



Welcome to the second edition of the Executive MBA Alumni Newsletter.

Never a dull moment here at the Graduate School. We certainly seem to be in the midst of change and exciting times at UTS. At this time when the world wide financial landscape is experiencing dramatic change, business schools are busy reaching out to anxious students whose job environment and prospects have changed significantly. Into this environment we are fortunate to welcome one of Australia's most prominent management academics, Professor Roy Green, has been appointed Dean of the UTS Faculty of Business.

Professor Green has been quoted in the Australian Financial Review that he has "high hopes and big plans" for the Faculty of Business at UTS. He has suggested that the Faculty of Business accreditation by the US based Association of Advanced

College Schools of Business is an opportunity to play in a different league with highly regarded business schools internationally.

You would be aware of the value that I place on the linkages we enjoy with business and the Alumni. However we need to expand our activities in this domain. In my communications with Professor Green I am pleased to report that he is in broad agreement with these priorities and I look forward to an exciting period of growth and a further focus on quality and ratings for the Executive MBA.

I anticipate working very closely with Professor Green on the future direction of the Executive MBA, specifically in regards to the importance of forming strategic alliances with the top 50 business firms across all industry sectors in Australian and particularly in the Sydney region.

To be able to implement this strategy, I am looking forward to the support and advice of the Executive MBA Alumni members. A successful Executive MBA Alumni association is essential for building close ties with industry and is vital to our program and the Graduate School.

Please support our next CEO night on November 12th where we will welcome Andrew Reitzer from Metcash, who will be talking about the state of the grocery industry in Australia. We will also be making a presentation to Isabelle Floret and Olivier Liang from Airbus Industries, and Duncan Pudney from Qantas, to thank them for their support of our Executive MBA program.

Looking forward to seeing you there.

**Mr Antoine Hermens**  
Director, Executive MBA & MBA Programs, UTS

# From the President



D. Scott Pierce

## Greetings Fellow Alumni and Current UTS EMBA Students,

Greetings Fellow Alumni and Current UTS Executive MBA Students, Welcome to our 2nd Executive MBA Network Newsletter!

As I write this note, I am travelling for several weeks in the United States. The nation here has been glued to a rotating procession of blockbuster news events: Fannie-Mae & Freddy-Mac, the AIG implosion & follow on federal rescue, the demise of several iconic Wall St. firms such as Merrill Lynch, the "please don't call it a bail out" US\$700 billion credit market "rescue plan", the stock market rollercoaster and of course the presidential/vice-presidential election. The good folks at CNN must be thrilled to have so much news to broadcast while the rest of the nation is exhausted at hearing it. What can I say; Americans know how to put on a show!

The question on everyone's mind is "how did we get here"? One would think many well-paid Ivy League MBAs were on the payroll at AIG or Washington

Mutual, yet everyone seems to have been caught off guard. These extremely well educated people, who supposedly understand business and economics on a sophisticated level, did not seem to see this coming. I was reminded of our work on scenario planning. Did any of your companies forecast these developments and execute a proactive strategy? If so, send us a brief note back to describe your efforts and we will include it in the next newsletter.

From my consulting practice, this is a clear example of an unbalanced leadership polarity. We are now suffering the unintended negative consequences of over emphasizing freedom (deregulation and "innovative" financial practices) at the expense of responsibility (accountability, governance and prudent planning). I can hear the echoes of Sarbanes-Oxley and expect that the US Congress will respond with similar legislation to ensure future credit markets are better restrained from "irrational exuberance". In the end, business is a human equation and those variables need to be strongly considered in our planning.

At our August 20th Strategic Conversation event, we hosted an impressive panel of experts discussing the ups and downs of Non-Executive Directorship. We had a great turnout and more than one savvy attendee asked questions relative to facets of the current situation and how Non-Executive Directors are expected to perform their duties. Turnout was excellent. "Thank You" to all those involved in supporting the evening.

Our next "Strategic Conversations" series event is planned for Wednesday, November 12 and we are extremely pleased to welcome Metcash CEO, Andrew Reitzer. Please plan now to join us at the American Club for an interesting evening and bit of Christmas spirit! Enjoy the upcoming holiday season... and stay in touch!

### D. Scott Pierce

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## FEATURED STORIES

# Financial Markets Reality Check - Part One



Peter McGuire

The word recession is now ingrained in the vernacular of investors worldwide, and conflicting opinions from market participants, pundits and academics are fuelling a debate centered on the severity and likely duration of the current global economic downturn.

Recently, we have seen fear engulf investor behaviour, with many of the

world's equity markets plummeting, economies such as Iceland teetering on the brink of collapse, and the return of large-scale government intervention and bank bail-outs not seen since the rescue of US Savings and Loans entities in the 1980s and 1990s.

To put the current situation in context, it is worthwhile taking a look at how some

historical financial events have unfolded and despite overarching similarities, you have to remember that many historical 'recessions' were experienced in a national rather than global setting, so have different structural mechanics.

Let's first look at what occurred around the time of the great depression given

many are currently drawing similarities to the current crisis. And as Dow Jones is a key index, it is a good place to begin.

The Dow Jones peaked in 1929 at 386 points, and it took 25 years for this peak to be priced out, and by 1954 the index was trading at 401 points. During this time we saw some significant price moves for many commodity markets, namely wheat, corn and soybeans hit all time highs in inflation adjusted terms.

As an example of the impact of the downturn in the 1930s, the industrial average plunged 52.7% in 1931 and 32.8% in 1937, but it rose 66.7% in 1933 and 38.5% in 1935. The volatility we are seeing today is not unlike the levels seen during the great depression, and are a natural market occurrence if you factor in investor sentiment. In fact, seven of the ten biggest upward spikes occurred during the 1930s.

Between 1966 and 1982 the Dow Jones experienced a bear run and the peak of 1966 was not surpassed for 16 years

when the market hit 1,074 in 1982. During this time commodity markets performed extremely well. Food sector saw record highs during 1972 and 1975, Crude Oil rationing during the 1970s placed upward pressure on prices, and we saw Gold hit \$840/oz in 1980. Between 1982 and 1999 the Dow took off again peaking at 11,500 and many pundits claimed it to be an almighty Bull-run. The Dow today is trading lower than where it traded in 1997.

Japan is another case. During the 1980s (at that point the world's second largest economy) the Nikkei peaked at 39,000 points. Before the current downturn the Nikkei had shaved over 80% from its overall value, and following recent events is trading around 8,700. Given current conditions, it is quite conceivable that it will take Japan over half a century to return to levels seen in the late 1980s. Effectively, this was a sustained bear market.

A global economic downturn has sparked fear amongst investors and in a

secular bull market, it is not surprising to see commodity prices rise, and FOREX markets fluctuate.

If you look at the volatility in currency markets, commodity markets, equity and capital markets worldwide it is evident that we are maneuvering through some rocky financial waters. However, markets do have a cyclical element to their movements and by looking back at some of the significant historical events we may be able to inform the current outlook. As an example, traditionally the first markets to move in recessionary or stagflationary conditions will be the agricultural commodities as the price of food increases, and precious metals, (namely gold) as it holds its position as a historically defensive asset, or inflationary hedge.

#### **Peter McGuire**

Executive MBA 2003 cohort  
Managing Director, Commodity  
Warrants Australia

# Making the Media Work for You



Many business executives have a fear of dealing with the media – they worry about being misquoted, how they will present in the press or on TV, and above all, what they should say when and if they are interviewed. They might be comfortable in their own industry and on their own terms, but the fact that journalists might control the situation more than themselves makes some business leaders distinctly uncomfortable.

As you climb the executive ladder, avoiding media interviews gets more and more difficult. Eventually, if you are successful (and sometimes if you are not!) you will meet up with journalists and it's a good policy to embrace the idea and get some practice.

After spending more than 20 years working in the print media in Australia, I am often asked how to deal with the media and how to make it work for you.

Here are a few simple tips:

Generally it's better to engage the media

on your terms, rather than on theirs. If you are uncomfortable doing interviews, try doing them in places where you are on your own turf, so to speak – your office, a local café, a favourite park (never your home, if you can avoid it).

Practice with community radio, press and/or TV if possible. Say yes to interviews in your local paper, regional and country media. Journalists in rural and regional media are often more relaxed and friendly and the damage will be smaller if the interview gets beyond you or you don't perform as well as you would like.

Try and reduce your comments to one major statement, with a few minor supporting statements, especially with radio. Radio often has room for about five seconds – so they should be good. Write it down beforehand to make sure you keep on track.

Whenever possible try and have a look at the media you will be interviewed by. Radio stations usually have websites where you can listen, record any TV

programs you might be pitching to and read any newspapers or magazines that might cover you or your business. The better you know their product, the better you can tailor your message to their medium.

Don't be a media snob – mass market media has big reach and can influence people way beyond your neighbours and social set. You want your customers to hear your message, not just your friends.

Get yourself a good portrait taken so you can email it if necessary. If you need to promote your own business, make sure you have your company logo on file to email, plus a few good promotional pictures. Photos add interest to news and feature stories.

Practice, practice and practice. Get training from media professionals if you feel you need more confidence, or your company is getting a higher profile.

**Lynne Testoni**  
2004 Cohort

# 2003 COHORT

## Kathy Jones – 2003 Cohort

### Have you changed employment since graduating?

I am now a Regional Manager with Forests NSW based at Wauchope near Port Macquarie.

### How has the Executive MBA benefited your career?

The Executive MBA has definitely benefited my career. It is rare for Regional Land Management positions to be filled by women in country NSW. The Executive MBA gave me the tools and confidence I needed to obtain the job I have always wanted.

### Have you undertaken any further studies at university since graduating?

No, I am still waiting for an Executive MBA style DBA to be offered by UTS!

### Where do you work now? What is your role and responsibilities?

As Regional Manager Central Region for Forests NSW I manage over 400 000 ha of State Forest stretching from Gosford to Kempsey, Armidale and Tamworth. My region supplies around 450 000t of log products to the timber industry for house framing,

stunning flooring, timber pallets, fencing, bridge girders and sleepers. Most of the electricity poles for NSW are produced from the forests on the mid north coast of NSW. The State Forests producing these timbers are certified under the Australian Forestry Standard for their ecologically sustainable management. My major focus at the moment is to run the region in a cash positive situation, fully covering all overheads. As a government trading enterprise this is no easy task – however with the assistance of my Executive MBA we are well are on track!

### What is now happening in your life?

I am really enjoying my job and the beautiful countryside where I live with my husband, youngest daughter, chickens, dogs, cat, fish and horses. My eldest daughter is achieving excellent results doing a double degree with Honours in Computer Science and English. Having reached my career goal 20 years before I retire, I am wondering where my career will head in the future, given there is no way I am moving to the city. I am keeping busy through also being involved in a

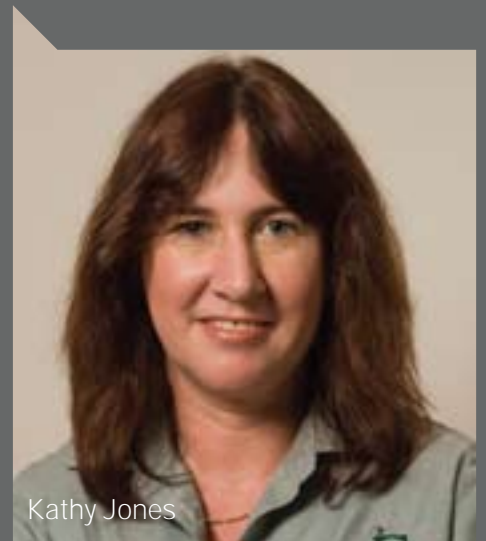
range of corporate, community and local government joint projects.

### Are you interested in, or have experience with, community activities, such as boards, not-for-profit companies, or charities?

I have joined Rotary and enjoy using my business skills to assist with local community initiatives.

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Kathy Jones

## Lillian Fadel - 2003 Cohort

### Have you changed employment since graduating?

No.

### How has the Executive MBA benefited your career?

Given me a more global perspective on business.

### Have you undertaken any further studies at university since graduating?

No.

### Where do you work now? What is your role and responsibilities?

Westfield - Development Executive role working on the Sydney City project. The

Development and Asset Management division is principally concerned with facilitating the growth in asset value of assets, creating opportunities to undertake value adding developments and making strategic and value adding acquisitions.

### What is now happening in your life?

I work full time and have 3 children under the age of 2. I am currently working on the Sydney City project, which is scheduled for completion in 2012.

Are you interested in, or have experience with, community activities, such as boards, not-for-

### profit companies, or charities?

No – I do not have the time.

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Lillian Fadel

# 2004 COHORT

## Lynne Testoni – 2004 Cohort

### Have you changed employment since graduating?

Yes, after completing my Executive MBA, I left the publishing industry to begin a career in marketing. It has been a great way to start a new career, bringing my previous media skills to new areas of opportunity for me.

### How has the Executive MBA benefited your career?

Firstly, the friends I made through my Executive MBA have become some of the best friends I have ever had. Secondly, the skills I learnt both in and out of the classroom helped me to see new opportunities and new ways of working. After 20 years in media, I learnt of many different career paths and options for me. I also gained confidence in financial matters and got a good background in many business areas that I did not have formal training in.

### Have you undertaken any further

### studies at university since graduating?

Not at this point.

### Where do you work now? What is your role and responsibilities?

I am currently the Marketing Manager of Porter's Paints, a luxury paint and wallpaper company. It is a small company and the broad background my Executive MBA has given me has enabled me to offer value across the board, not just through marketing. I manage the marketing budget and strategy, including advertising, point of sale and PR; visual merchandising for the company stores; supply chain management of the wallpaper side of the business. I also am part of the senior management team, making decisions regarding the whole company direction and strategy.

### What is now happening in your life?

Lots! Always a juggle with work and family commitments, but I love the

challenge.

### Are you interested in, or have experience with, community activities, such as boards, not-for-profit companies, or charities?

I am currently on the Executive Council for the School of Business at UTS, which I enjoy and I would be interested in other board work, depending on the opportunities offered.

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Lynne Testoni

## Mark Hayward – 2004 Cohort

### Have you changed employment since graduating?

Yes a few times.....whilst at MBF Australia I moved into the Strategy & New Business Development; after that I went back into management consulting to broaden my industry exposure. I have just started at Macquarie Bank.

### How has the Executive MBA benefited your career?

Finance, Change Management, Accounting; Global Strategic Thinking, Risk Management & Corporate Governance content is being applied right now....well not right now clearly- I am writing this....but either side of writing this they are being applied. The Executive MBA is a good door opener and a large number of prospective employers respond positively to you sacrificing personal time to complete the course. Of course I also get to have a few beers with the great bunch of people I studied with.

### Have you undertaken any further studies at university since

### graduating?

..are you kidding!!!! Having said that I will do an Australian Institute of Company Directors course in the next 12 months

### Where do you work now? What is your role and responsibilities?

I am currently working for Macquarie Bank in the Macquarie Securities Group where I am a program manager within Strategic Change Management. I am responsible for defining operational strategies and delivering change to 4 business lines and 1200 people globally.

### What is now happening in your life?

I am incredibly focused on work at the moment - having said that I love spending time (and honing my negotiation skills) with my two little girls who are growing up all too fast. I am playing golf, watching cars go around a racetrack whenever possible, gym, dining and drinking (not necessarily in that order), swimming lessons (for the girls, not me)....and playing bears & dollies (there goes

my manhood!)

### Are you interested in, or have experience with, community activities, such as boards, not-for-profit companies, or charities?

Yes, re boards and NFP's.... MBF Australia was a Not-For Profit organisation where I worked in operations, strategy and market making activities...my interest in community activities extends only as far as going to the park with the girls.

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Mark Hayward

# 2006 COHORT

## Steve James – 2006 Cohort

### Have you changed employment since graduating?

No employer change but major role change within the organisation. Role has been expanded somewhat to include the strategic development for the launch of digital radio in Australia in early 2009.

### How has the Executive MBA benefited your career?

Through the confidence levels that have been built and the opportunity to work alongside some very talented and influential people in the media and associated industries. The industry is going through extraordinary change at present and the skills and strategic "discipline" acquired whilst completing an Executive MBA has certainly put me in good stead to play a leading role in the development of digital radio in this country. As my career has developed, there has been more and more Board face to face time required and having the skills of an Executive MBA to carry yourself in these kinds of environments is critical. A role like this also exposes you to many international opportunities, and they have been embraced with open arms and there is no doubt the skills acquired in the Executive MBA process has assisted in communicating and contributing confidently in an international arena. There have been many opportunities to Chair international groups and committees and be asked to speak at many conferences and this would not have been as easy to achieve without the skills honed along the

Executive MBA path.

### Have you undertaken any further studies at university since graduating?

No.

### Where do you work now? What is your role and responsibilities?

Commercial Radio Australia. My title is Head of Advertising and Marketing. I am responsible for all brand development work, strategic direction, communications and research undertaken for the commercial radio industry. The audience measurement programs also come under my area. Supporting key advertisers and advertising agencies is also a responsibility which is a challenge at times given it's now a billion dollar industry, with a plethora of competitors, so getting the strategic cut through in 2008 is a daily challenge. Since late 2007, my role has expanded to encompass the brand development, retail and overall internal and external communications development for the launch of digital radio in Australia. What is unique about this opportunity is that it's broader than the commercial sector, our strategy also encompasses public broadcasters SBS and the ABC and the opportunity to work closely alongside those organisations has been very rewarding. There aren't too many commercial business opportunities that allow you to work on projects that encompass such a wide sector of

the media as it's normally so divided between commercial and public.

### What is now happening in your life?

I have a lot more time to do the things I was missing out on when studying. Simple things like going to the movies or daring to accept an offer to go to a party on Saturday night and have a few too many to drink!

### Are you interested in, or have experience with, community activities, such as boards, not-for-profit companies, or charities?

I am definitely interested in all aspects of this area. Our organisation is a not for profit and we engage a lot with charities. I am on the Salvation Army Board and am now starting to look around for opportunities on Boards or major Industry Committees where my skills match or best fit and support these kinds of organisations.

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Steve James

## Paul Lawrence – 2006 Cohort

### Have you changed employment since graduating?

Not a change of employer, rather a promotion within the business.

### How has the Executive MBA benefited your career?

Completion of the Executive MBA program has helped me to analyse business ventures and strategically plan actions to improve business.

### Have you undertaken any further studies at university since graduating?

No, too many children – that I know of!

### Where do you work now? What is your role and responsibilities?

Manager of Training, Strategic Projects and Technical Services for the Master Builders Association of NSW. I am

responsible for the preparation, implementation and monitoring of training departmental strategic business plans and corporate priorities in line with the overall strategic business plan for 5500 members and the entire NSW building and construction industry.

### What is now happening in your life?

Since completion of the Executive MBA program our family has increased in size to 6 from 4 with the birth of twins – Jade and Benjamin (now 6 months old). Ethan, 7 and Renée, 5 are enjoying school and both Louise and I spend most of our time driving them to birthdays and sporting activities. We are planning a family trip along the coast of NSW from Ballina back to Sydney in October taking 10 days to enjoy the time away from the structure of normal weeks.

### Are you interested in, or have experience with, community activities, such as boards, not-for-profit companies, or charities?

I am an active member of a community organisation and intend reapplying for a board position I held before beginning the Executive MBA program. The Master Builders is a not for profit organisation.

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Paul Lawrence

# CURRENT STUDENTS

## Andrew Maggs – 2007 Cohort

### Have you changed employment since started the Executive MBA program?

No, I'm still with KPMG and aiming to complete the EMBA at the end of this year.

### How has the Executive MBA benefited your career?

The program has broadened my approach to problem solving (or "meeting challenges" in today's politically correct speak) and evaluating future scenarios. I was promoted recently, so it has had some bearing.

### Where do you work now? What is your role and responsibilities?

KPMG Australia in Sydney. My role as Head of Business Analysis involves a lot of financial/management reporting relating to the firm itself, the analysis of that reporting, managing the budget and

reforecast cycles and evaluating the submissions. Lots of number crunching with my team to see what story the numbers are, or are not, telling us. My team also develop reporting requirements and we work closely with our colleagues in the divisional Finance teams and IT to implement these enhancements.

### What is now happening in your life?

I am very busy dealing with organisational change within KPMG Australia and working as part of a project team implementing a number of strategic shift initiatives within the firm. Also studying hard to complete the EMBA, as well as trying to spend more time with my family (and failing dismally on this front at present). I get berated by my two little girls as a result, and they're drawing up their list of activities for me next year.

### Are you interested in, or have

### experience with, community activities, such as boards, not-for-profit companies, or charities?

I am definitely interested in, and getting experience in the above, but only when the EMBA is complete and I actually have some spare time.

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Andrew Maggs

## Sue Hawes – 2008 Cohort

### Have you changed employment since started the Executive MBA program?

No.

### How has the Executive MBA benefited your career?

Any role of management and leadership is an important and privileged position. Within the profession of nursing (where I currently work) it is a role where great influence over the quality of patient care can be asserted, either through visionary, innovative leadership or through the fiscal management of resources.

The Executive MBA has further developed my theoretical knowledge and skills on strategic management practices, financial decision making and leadership capabilities within my work context.

### Where do you work now? What is your role and responsibilities?

I currently work for NSW Health.

I am the Nurse Manager of the Emergency Department at The Children's Hospital at Westmead.

For the last 18 months I have had the privilege of leading a state wide project for the Nursing and Midwifery Office, NSW Health. The project is called "take the lead" and aims to explore and strengthen the Nursing/Midwifery Unit Manager Role across NSW.

In leading this project I am responsible for engaging key stakeholders, influencing and implementing change and evaluating the outcomes for patients, carers and staff, across the whole of NSW.

### What is now happening in your life?

Juggling a fulltime job, university studies and a family with 3 young adults is bound to be a challenge for anyone!! I really enjoy all of those things and hope that in the near future new professional opportunities emerge as I complete my Executive MBA.

### Are you interested in, or have experience with, community activities, such as boards, not-for-profit companies, or charities?

I currently hold a position on the board for the Association for the Wellbeing of

Children in Health Care (AWCH) as the National Vice President.

AWCH is a national, non-profit organisation of parents, professionals and community members who work together to ensure the emotional and social needs of children, adolescents and their families are recognised and met within hospitals and the health care system in Australia.

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Sue Hawes

# FROM THE FACULTY

## Back To the Future of Strategy: Co-Creating Value



A recent editorial in a prominent Journal suggests that metaphors such as "unprecedented", "groundbreaking" and "game changing"\* are used far too frequently by journalists in the business press. I disagree, the use of these and similar 'shock jock' metaphors will continue to be prominently featured in future journal articles and books commenting on the challenges confronting future business leaders.

When we ask our Executive MBA strategy students to analyse the business environment and describe recent economic events, metaphors such as 'the global financial turmoil', "the world wide banking crises" and 'a looming global economic recession' are prominently featured in their presentations. One common criticism of our business leaders by these students is the apparent lack of concern demonstrated by contemporary senior managers on issues associated with the sustainability and future of our planet and the apparent blatant disregard demonstrated beyond paying scant lip service for the values associated with ethics and social justice.

In their defence an often cited cliché by prominent CEO's and Directors is that "they are in the business of creating value" and that "they are not in the charity business". Meanwhile the US taxpayers after forking out nearly 1 trillion dollars in tax payers funds must wonder what business they are in, perhaps one could hazard to guess 'the national charity business'.

Then we have the frequently cited metaphor 'we live in a globalised world'. This apparently makes perfect sense to a senior Australian politician as evidence when he predicted with some confidence (perhaps some is the operative word here) that Australia will only be minimally impacted by the anticipated "global economic slowdown". Not confining himself to what he thought was a particularly

insightful statement he progressed to dispensing sound advice by prescribing a vigorous program of investment in national and state wide infrastructure development to keep the 'economy going'. Makes sense, particularly if you are a NSW resident – who may be tempted to ask, what infrastructure?

There are however a number of local councils and shire managers in both NSW and Queensland who may beg to differ. These local administrators, one would hazard to guess, would like a briefing on how the Australians economy "is well positioned to survive the Global financial crises". Perhaps the recent collapse of a number of large financial institutions such as Lehman Brothers and the expedited sales of Merrill Lynch and HBOSS may have fuelled these administrators scepticism given their current circumstances.

In the struggle to find an appropriate metaphor for the Australian 'super dollar' that just recorded its largest one day exchange rate fall in its entire history, perhaps we could try "it moved in a negative direction "faster than a speeding bullet?". Certainly is not a vote of confidence by our trading partners in the Australian economy! Australia's current account is running at a deficit of around \$A68 billion a year and much of this shortfall is funded by overseas markets. State governments are among some of the large borrowers who sourced funds from global financial institutions. Given the popularity of the metaphor "we are living beyond our means" in the context of our senior politician's advice that "we should increase our investments in infrastructure development" which will lead to additional borrowing from global financial institutions (particularly given the falling commodity prices), this may be seen as somewhat paradoxical.

This leads to the question "what role business schools can play in harnessing the flawed and unethical practices that

led to the global financial meltdown"?

I believe Business Schools have an important role to play far beyond just explaining to our nervous MBA students whose job prospects are suddenly adversely impacted as to their best options. Researching past events and data objectively and carefully avoiding an over reliance on simplistic metaphors, Business Schools must explain to all our stakeholders the issues at hand. Particularly the implications of the poor management practices and the questionable underlying value statements, corporate mission statements and objectives that promoted corporate excesses over the past three decades that ultimately has led to yet another, albeit a global financial meltdown.

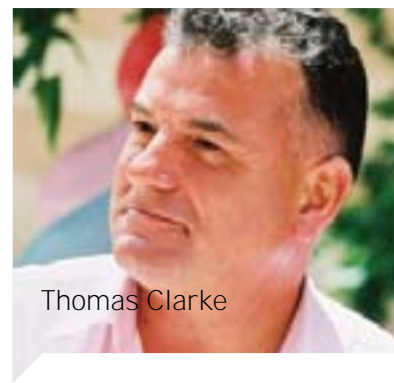
Proactively providing objective advice and expert resources to policymakers and corporate leaders should be central to the function of Business Schools. Co-creating value for our stakeholders in the University and broader community requires a shift in rethinking the nature of strategy itself. Anticipating and navigating the transition from the contemporary flawed normative strategic thinking model, one that is moribund by subjective metaphors to a value co-creation process that is defined by its objectivity, technically well informed, connected, creative and active participants. Strategy books by eminent scholars like Prahalad and Ramaswamy " The Future of Competition" or Prahalad's " The Bottom of the Pyramid" nor "Blue Ocean Strategies" by Kaplan and Norton can not provide definitive solutions. However they can provide a creative platform for formulating and co-creation future strategies for the Executive MBA graduate.

**Mr Antoine Hermens**

Director, Executive MBA & MBA Program, UTS

\*(BusinessWeek September 23 2008)

# The 2008 Financial Crisis: Causes, Consequences and Cures



Thomas Clarke

It's not an easy task to explain the most serious financial crisis since the Great Depression in 500 words but here goes! Bad debts, frozen credit, failing banks, falling stock exchanges, political confusion, collapsing international confidence – all this and more begs many questions:

Where were the Regulators?

Where were the Boards of Directors?

Were executives in investment banks paid all that money to do this?

(Or as the CEO of Wells Fargo put it, "The banks already had more than enough ways to lose money, why did they have to find new ways?")

In the cyclical way markets work, the origins of the present financial crisis may be found in the solutions to the last market crisis. The US Federal Reserve under the sage Alan Greenspan responded to the collapse of confidence caused by the dot-com disaster and Enron failures in 2001/2002 by reducing US interest rates virtually to zero, flooding the market with cheap credit to jump-start the economy back into life. US business did recover faster than expected, but the cheap credit washed into the financial services and housing sectors producing the largest speculative bubbles ever witnessed in the American economy.

In the finance sector the name of the game was leverage – the capacity to access vast amounts of credit cheaply to expand businesses and do deals. Exotic financial instruments were devised and marketed internationally: futures, options and swaps evolved into CDOs, CDSs, and many other acronyms, all of which packaged vast amounts of debt to be traded on the securities markets.

As the IMF put it "Banks have increasingly moved financial risks (especially credit risks) off their balance sheets and into securities markets—for example, by pooling and converting assets into tradable securities and entering into interest rate swaps and other derivatives transactions—in response both to regulatory incentives such as capital requirements and to internal incentives to improve risk-adjusted returns on capital for shareholders and to be more competitive" (2002).

According to the Bank of International Settlements, the global derivatives markets grew at the rate of 32% per annum from 1990, and the notional amount of derivatives exceeded 477 trillion dollars by 2006 (though gross market value is a small fraction of this) (McKinsey 2008). The purpose of this increasingly massive exercise was ostensibly to hedge risk and add liquidity to the financial system. However as the sub-prime crisis unfolded it became apparent that sub-prime mortgages had been mixed with other assets in collateralized debt obligations (CDOs), given triple A ratings by the agencies, and marketed worldwide.

With the realization that no financial institution fully understood how much of these sub-prime assets were buried in their portfolios, the credit markets seized up, and banks and other financial institutions began falling over, not only in the US, but in the UK, Europe and Australia. Instead of risk being hedged, it had become inter-connected and international, and unknown.

With the collapse of venerable Wall Street institutions the US Treasury, Federal Reserve, and SEC were galvanized into action, and selectively nationalized, arranged the sale of, or allowed to collapse, a string of

institutions including Fannie Mae, Freddie Mac, AIG (who were thought to be vital to the US financial structure to allow to fail); Merrill Lynch, Bear Stearns and Lehman Brothers. When selective assistance did not resolve the problem the enormous rescue operation offering up to \$700 billion to buy up toxic securities from the financial institutions in order to restore credit markets was brought to a Congress reluctant about rescuing Wall Street from its own folly.

Meanwhile, internationally the credit crisis damaged markets, undermined financial institutions and weakened business prospects. The prospect is that the US will experience several years of recession, with many US industries finding the going tough (beginning with the car industry). As the international financial institutions recover it is likely to be in a more multi-dimensional world, with the burgeoning sovereign wealth funds playing a much larger role.

What has happened is clearly a case of risk management critically lagging financial innovation as global capital markets expanded. De-regulation of financial institutions in the US occurred in a way that has proved dangerous for the rest of the world economy. Too many financial institutions have pursued growth and incentives without adequate governance, risk management, and financial controls.

## Professor Thomas Clarke

Director, Centre for Corporate Governance

Professor, School of Management, UTS

# EVENT UPDATES

## Executive MBA Strategic Conversation

**Date:** 20th August, 2008

**Title:** Non-Executive Directorships - the good, the bad and the ugly

What a heartening experience it was to see so many Executive MBA students attend this strategic conversation. It bodes particularly well for the future of the program at large that so many of the past and present students attended this event.

This panel of experts were very well selected and able to provide a broad insight into non-executive directorships. Tim Sheehy, as Chief Executive of Chartered Secretaries Australia put forth a case that, whilst many people may have a personal view on how to behave as a non-executive director, there are indeed guidelines that are published by various bodies that provide excellent principles for non-executive directors. Anna Hynes brought a wealth of experience to the forum from her roles with both UTS and IAG. Anna provided some very practical insight into the roles of non-executive directors in the boardroom and some

of the pitfalls and hurdles they may face. Anna's thoughts on the role of women as non-executive directors also provided excellent food for thought but highlighted the existing bias towards men on company boards in Australia.

A fantastic operational perspective on directorships was provided by Yahya Shehabi through his role as Medical Director of Program of Acute, Complex and Community Care at the Prince of Wales Hospital. Yahya was able to shine some light upon the often talked-about differences between administrators and their perceived focus on financial performance against the 'quality-of-care' focus of the clinical practitioners. As she did in Thomas Clarke's Executive MBA Corporate Governance subject, Jane Bridge of Boardroom Partners provided a superb oversight of the often-secretive boardroom and many of the intricacies that characterise the Australian corporate landscape. One can't help but feel that behind each observation provided by Jane, there is a wealth of experience with some very influential Australian

executives that makes listening to her speak so intriguing.

A big thank-you and congratulations to Scott Pierce and the Executive MBA Alumni Association for organising an insightful and successful event. I know the next strategic conversation is already in my calendar and I encourage everyone else to do the same.

Finally, I would like to encourage all Executive MBA alumni to persuade colleagues or friends who may be interested in the Executive MBA program to attend the Strategic Conversation. The canapés and drinks held before and after the forum provide an excellent networking opportunity. Potential alumni are also able to see the high calibre of presenters and the opportunities provided during and subsequent to the coursework, further spreading the message and reputation of the UTS Executive MBA.

**Dylan Buckley**  
2006 Cohort



# IN THE FUTURE

## Strategic Conversation Series and Christmas Drinks

### The Success of the Independents – Metcash CEO Andrew Reitzer

Australia's retail landscape has faced much controversy over the last few months, with the two retail giants weathering much criticism by the media, consumer groups and the government. What role does the independent grocer serve in this market? Is it possible to have a third force in grocery retailing?

Join members of Executive MBA Alumni Network in a thought-provoking evening with one of Australia's rising CEOs. Our speaker will be Metcash's Andrew Reitzer who is positioned at the battlefront of a long and bloody retail war. This evening will provide you with a unique opportunity to hear first-hand from one of the key players in this topical issue.

The evening also provides the opportunity for a presentation of Plaques to Airbus Industries and Qantas to express our appreciation for their ongoing support of the Executive MBA programs at the Graduate School of Business.

**Date** Wednesday, 12th November 2008

**Times** 6:00PM Drinks and Canapés, 6.30PM Start – 7.30PM Finish; followed by Christmas Drinks

**Venue** Harbour Room, The American Club, Level 15, 131 Macquarie St., Sydney

**RSVP** Kimberley Montgomery - Kimberley.Montgomery@uts.edu.au by 7th November

**Costs** \$25 (register by 7th Nov); \$40 (register after 7th Nov or at the door)

#### SPEAKER

Mr Andrew Reitzer – Andrew Reitzer is the CEO of the Metcash Group of Companies and one of Australia's rising business leaders. Born in Johannesburg, South Africa, Mr Reitzer started working with Metro Cash and Carry in South Africa in 1979 and has been with the company ever since, rising to the level of CEO of its Australian division in 1998.

Metcash is Australia's leading retail and liquor wholesaler, servicing independent supermarkets and liquor outlets throughout Australia. The company was floated on the Australian stock exchange in 2005 and has been a resounding success in the market.

Mr Reitzer has a Bachelor of Commerce degree at the University of South Africa as well as an MBA from the same university.

## LinkedIn And Networking

LinkedIn is an online social networking tool targeted towards business networking. We have established a group within LinkedIn exclusively for alumni and faculty of the UTS Executive MBA program. The aim is to provide previous graduates of the Executive MBA program with the opportunity to promote further networking. This also provides a great way for us to keep up to date

with your movements and changing details.

In September, we sent an invitation to all Executive MBA alumni and faculty to join. So far 14 of you have joined us yielding 240 1st line connections. We estimate, even with our modest start, that our collective 2nd line network now extends to over 7000 people around the world.

Here is the link again for you: <http://www.linkedin.com/e/gis/135677>

If you have not yet joined, you may find that the 3 minutes of effort will be time well spent. In today's ultra-networked economy, being connected could make a real difference in your professional future.

# UTS Executive MBA Alumni Contacts

Keep us posted with what has happened in your career since graduating; we welcome suggestions/comments/additions to the next newsletter so that this newsletter would best reflect the network's/your needs. Suggestions/comments can be sent to [w.wong@uts.edu.au](mailto:w.wong@uts.edu.au).

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Issue

02

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