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NOVEMBER 15, 2000

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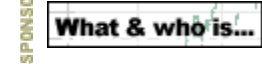
NEWSLETTERS

GE Brings a B-School to Life

The University of Connecticut has inked a \$7.5 million, five-year alliance with GE Capital that may well become a model for other B-schools

Less than a year ago, Denis J. Nayden, CEO of General Electric Capital Corp., heard a presentation by John Rice, who was then head of GE Transportation Systems (GETS). Rice spoke about a small program, Knowledge Park, his division had set up at the Erie campus of Pennsylvania State University's school of engineering. The goal was to give students and faculty a chance to work on some of GETS' new ideas, and Rice wanted to convince other GE businesses to follow suit.

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Back in Stamford, Conn., where GE Capital is located, Nayden got to thinking. As an active alumnus from the University of Connecticut's School of Business Administration, where he earned his undergraduate degree and MBA, he had a hunch the school had pools of students who could help with some of the projects at GE Capital's 25 businesses. "The 'feel good' impetus [to help a local school] isn't behind this," Nayden explains. "We have real projects we want to work on."

Rice's idea -- and Nayden's vision -- are becoming reality. On Nov. 14, GE Capital and the UConn's School of Business Administration announced a partnership to run a 10,000-square-foot e-lab out of the third floor of the new UConn campus in Stamford. GE Capital has promised more than \$7.5 million to the e-lab through 2005 to cover operating costs, equipment purchases, and other expenses. The space houses student cubicles equipped with computers and phones, tech-laden conference rooms to make meetings paperless, souped-up labs, and new offices for faculty and GE managers.

COOPERATIVE APPROACH. The relationship takes company-and-B-school alliances to a new and more intimate level. Sure, corporations have given money to universities in the past for new programs and buildings. But few stick around to ensure a return on investment the way that GE Capital plans to do.

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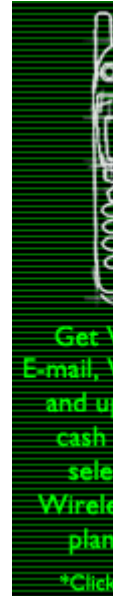
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The ties between GE Capital and UConn will be unusually tight. Indeed, Nayden and Michael Stout, vice-president and chief technology and information officer for corporate technology and e-business, have chosen managers who will move their offices to the lab alongside student cubicles and faculty offices. In January, 2001, dozens of projects pitched by GE Capital's e-business leaders will be passed to the e-lab teams, where students, faculty, and GE Capital managers will join to find solutions -- or at least attempt to find them.

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"We're not putting any projects into the pipeline that don't return business or customer impact," explains Mary Franco, manager of corporate community relations for GE Capital. The company's R&D group, which is based in Schenectady, N.Y., and counts some 550 PhDs among its 1,650 employees, could have handled many of the projects that will be turned over to the e-lab teams. "We could be doing this [within GE Capital's research group], but we want to participate with the community here," adds Chris Perretta, chief technology officer for GE Capital, who anticipates students, faculty, and Schenectady personnel working together.

UNDER THE RADAR. The project is a coup for UConn's little known and underendowed B-school, which has seen its endowment leap to \$17 million, up from \$7.5 million in 1999. But that's tiny compared to more established state schools. The University of Michigan's Business School, for instance, boasts an endowment of \$267.7 million. UConn's school needs alliances like the one with GE Capital to meet its goal of becoming a powerhouse in information technology and e-business. At the moment, with fewer than 50 full-time MBAs, the school hardly registers on the radar of most national recruiters.

The partnership will help the school significantly improve its course offerings. For instance, students studying with Professor Paulo Goes now have access to Americom, a GE Capital unit that manages satellites and bandwidth assignments. Goes's students will research ways of auctioning bandwidth in a market beset by variables like increasing capacity and constantly changing prices. "I didn't have the environment to test the ideas before the e-lab," Goes says. "I ran simulations or did other academic exercises."

While Goes is delighted about the ties to GE Capital, some academics worry the company will have too much influence. When executives are too involved, the resulting research "is likely to be less rigorous," warns S.P. Kothari, professor of accounting and director of the New Economy Value Research Lab at the Massachusetts Institute of Technology. Even UConn officials say the relationship breaks new ground. "This is not your father's business school anymore," admits Richard Dino, associate dean of UConn's business school.

MORE AMBITIOUS. UConn is far from the only B-school embracing industry as a means to bolster research funding. At the University of Maryland's Smith School of Business, Dean Howard Frank is aiming to

score \$3 million in corporate research dollars -- compared to the annual \$300,000 his school sees now. And at the Massachusetts Institute of Technology's Sloan School of Management, some sponsored programs now help underwrite corporate research projects.

UConn's partnership, however, is more ambitious than those of its rivals. To determine which projects the undergraduates, MBAs, and PhDs at the e-lab will tackle, GE Capital's e-business leaders gathered in July, 2000, to discuss their top priorities. The meeting led to "a bubbling up of projects" funneled into the e-lab," says Franco. That means the 40 full-time students will focus next semester on issues such as effective Web design, the internationalization of Web sites, business models to monitor the payment behavior of consumers -- even biometrics, such as fingerprint identification.

So what happens if an e-lab team discovers a valuable new technology or business process? Intellectual property issues brought lawyers from both sides to the negotiation table over the summer. James Marsden, chair of e-business at UConn, explains that if an idea is born out of a GE Capital project, the company owns the end result. "If we declare a Eureka moment, it goes through an evaluation process," he says of projects that neither side can claim credit for directly generating. "And if the idea belongs to UConn and GE Capital wants to own it, they buy it." If that proves to be the case, Dino says the reward could be millions of dollars pouring into his school's coffers.

MUTUAL BENEFITS. It's way too early to know if that golden scenario is wishful thinking. But in the meantime, Dino can be sure that faculty will have access to GE Capital business units to test their business ideas and that GE Capital's name will likely attract smaller technology outfits to pitch the students at the lab on new products and ideas. Moreover, e-lab experience may just let his graduates "hit the ground running" once they've graduated and taken full-time jobs.

And in a tight labor market, GE Capital stands to gain as well, if only because the relationship provides a clear view into a pool of recruits. "We get a look at talent, and students get a view of working with GE Capital people," says Nayden, who adds: "I can't predict the level of creativity that will come out of this. So there's a softer, dreaming aspect to this in conjunction with specific projects and deadlines." UConn clearly thinks this deal is its ticket to a place among the top-ranked B-schools. Says Dino: "That's what this whole thing is about."

By [Mica Schneider](#) in New York
Edited by *Thane Peterson*

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