

Annual Progress Report  
Ecuadorian Graduate Management  
Contract Year  
September 1, 1986 - August 31, 1987  
Submitted by  
The University of Houston and the  
Fundacion Privada Ecuatoriana

In accordance with the terms of the Contract between the United States Agency for International Development and the University of Houston this report details the progress of the Ecuadorian Graduate Management Program during the first contract year of the project. The report was prepared jointly by the University and the Fundacion Privada Ecuatoriana (hereafter, Foundation). The progress of the project is measured against the objectively verifiable indicators utilized in the logical matrix framework prepared by AID-Quito in July 1986 i.e., Ecuadorian Faculty, Academic Program, Administration, Physical Plant, Applied Research and the Endowment Fund.

I. Ecuadorian Faculty

A major goal of the project is the training of Ecuadorians at the Ph.D. level to serve as the permanent full-time faculty of the Institute. Funding was provided both within the Houston contract and directly by AID to support ten Ph.D. candidates. In addition, one candidate, Maria Eugenia Arias, previously funded by AID, was completing her training at Yale. During the feasibility study phase

of the project, the University of Houston and the Foundation conducted preliminary interviews with more than twenty-five candidates for the Ph.D. program. During the second and third quarters of the contract year an additional thirty candidates were interviewed. From these two groups twenty-two candidates were selected for additional review by the Universities that comprise the consortium. At the end of the fourth quarter of the contract year, four of the applicants had been approved for admission, three at the University of Houston and one at Indiana University. These applicants will require final approval by the Foundation, in order to initiate the scholarship process with AID. They should begin classes in the United States at the beginning of the Spring semester, 1988. Meanwhile, the review process will continue, to select additional students for the Ph.D. program, until the quota of 10 has been filled. During this year, Maria Eugenia Arias completed her course work at Yale, and accepted a full-time faculty position with the Institute. During the first year at the Institute, she will be teaching courses and completing her dissertation.

One major impediment in the selection process of Ph.D. candidates has been the requirement of Colleges of Business Administration that the candidates have taken the GMAT (Graduate Management Admissions Test), the standardized exam required for the admission into graduate business programs. Although most of the candidates initially submitted for consideration had obtained Masters Degrees in the United States, this was not considered sufficient evidence of the ability to perform successfully a Ph.D. program. However, the Colleges of Business in Houston and Indiana did agree to give special

consideration to candidates from the project, with the understanding that those admitted take the GMAT before the end of the first year of studies in the United States.

In terms of future candidates, the issue of the GMAT requirement will have to be resolved on a case by case basis. The possibility of having future applicants take the test is limited by two factors: 1. The test is administered only once a year in Ecuador and 2. historically foreign students have done poorly on such standardized tests, despite, in many cases, subsequent success in the U.S. graduate programs. Furthermore, initial success on the part of the first candidates admitted to the doctoral programs should ease the admissions process for future applicants.

## II. Academic Program

The major tasks in this area during contract year one included recruitment of faculty to teach courses during the first academic year.

In terms of faculty recruitment, this effort was quite successful as contractual agreements were reached with three professors, Dr. Robert Milbrath (Accounting) Dr. Dan French (Finance) and Ms. Maria Eugenia Arias (Organizational Behavior). In addition, Dr. Ben Crosby of INCAE has agreed to teach the courses in Environmental Analysis and Public Administration. Contract negotiations were initiated with Dr. Charles Chase to fill the position of Professor of Marketing, effective June, 1988. With these arrangements, all courses through the first three trimesters of the academic year (i.e. January 1988 - September 1988) can be covered. However, part-time faculty will be

needed to teach 6 additional courses, and the University will attempt to program at least 2 of these part-time faculty for the third trimester, since this falls during the summer break period for U.S. universities when professors are more readily available for short-term assignments of this nature. But at a minimum, the University has already developed the core faculty needed for the successful functioning of the Institute.

Student recruitment is the other key factor in the development of the academic program. The most important "product" of the Institute will be its graduates. It is, therefore, essential to secure a highly qualified group of candidates for the first class. Recruitment efforts began with the preparation of a publicity folder, review and refinement of the curriculum, initiation of a scholarship fund by the Foundation, and preparation of application materials. In addition, Dr. William Renforth, of Florida International University, prepared an admissions exam and interview guide. The recruitment campaign began in earnest in June with newspaper announcements, followed by a series of informational meetings in Guayaquil, Quito and Cuenca. In addition, presentations on the masters program were made to Chambers of Commerce and Industry in these three cities, and meetings were held with directors of leading public sector corporations such as the Banco Central, Corporacion Financiera Nacional, and the Superintendencia de Companias. Announcements have also been published in the Bulletin and Revues of the various chambers. Initial response to the recruitment efforts was very positive, with over two hundred potential candidates attending the informational meetings. Additionally, three public

sector enterprises agreed to send candidates to the Institute. The exam process began in August with a total of 36 candidates taking the first exam in Guayaquil and Quito. Furthermore, the Foundation's scholarship campaign secured 10 scholarships for the Institute. In addition, Mr. Marcel Laniado, President of the Foundation and Banco del Pacifico, arranged a special line of credit for students. The Foundation also opened negotiations with IECE, the source of public educational loans, in order to create a second line of credit for students.

A major stumbling block in the process of recruitment is the fact that the masters program is on a full-time basis. There simply does not exist in Ecuador at this time a program of higher education which is conducted on a full-time basis. As a result, potential students are concerned about financing their schooling and leaving their jobs. More importantly, private sector firms are unwilling to release their employees on a full-time basis, citing the already critical shortage of well trained professionals which they face. As a result, the first class will probably be smaller than the 35 students projected in the feasibility studies.

The University and the Foundation have considered the possibility of a part-time program. However, this raises the risk of lowering the quality of the Institute's courses. In Ecuador, part-time programs are interpreted as meaning a full-time job and limited dedication to education. It appears preferable at this stage of the project to continue efforts to market the full-time program which will be bolstered by the beginning of classes and the concrete evidence they

will provide of the quality of the program.

### III. Administrative

The principal goals within the administrative area of the project during year one were the following:

1. Create a core staff to administer the project in Ecuador.
2. Establish a system of tracking and reporting on-site expenditures and reimbursements.
3. Develop a payroll system for Ecuadorian employees.
4. Create a legal entity through which the University could function in Ecuador.

Substantial progress was made in all four areas.

1. The Institute now has a staff of 13 including the Financial administrative director, Executive Programs/Student admissions director, Foundation liaison, assistants, secretaries etc. This group has provided the "critical mass" necessary to push the project forward on a very demanding time schedule. Several positions still remain to be filled. Currently the Financial/Administrative Director and the Executive Programs/Student Admissions Directors are filling dual roles and searches are underway to find professionals who will fill the posts in Admissions and Finance on a full-time basis. These positions have been advertised on numerous occasions, and the fact that they are not yet filled reflects the basic reason for the existence of the Institute itself, i.e., the severe shortage of highly trained professional in Ecuador. However the continuing efforts to recruit for these positions should result in the filling of these

posts during the first quarter of contract year 2. On an as-needed basis additional hirings will also be made for secretaries, translators and case writers to bring the full complement of staff up to approximately twenty-five.

2. To fund local expenses in Ecuador, the University established an Imprest Fund (a revolving fund) to cover these expenditures. Also during this period, the University created a specific set of procedures for management and tracking of these funds that is in compliance with its own accounting procedures and AID reporting requirements.

3. Although the payment of Ecuadorean support personnel is covered by the Imprest Fund expenditures, this system does not provide a complete payroll system with deductions, benefits, etc. During this year the University secured bids from 3 accounting firms and signed a contract with Deloitte, Haskins and Sells (DHS) to develop and implement a payroll system which should be in place by the end of the first quarter of the second contract year. Although the system will initially be managed by DHS, it will specifically be designed to be transferable to the Institute to provide a portion of the school's permanent financial system.

4. An important part of the long term development of the Institute is its legal identity. The Foundation possesses its own legal identity, but the Institute, per se, does not appear in the statutes of the Foundation. The University's concern in this area was the creation of an entity through which it could legally operate in Ecuador to carry out such project related tasks as hiring of permanent

personnel, signing of contracts etc. At the same time, the Foundation is anxious to have a formal agreement with the University which specifies the roles, responsibilities and authority of each side in the development of the Institute. The purpose of that document would be to link the existing agreements between the Foundation and AID, and the University and AID, and to provide a legal existence for the Institute. A convenio or agreement between the Foundation and the University has been drawn up along with a set of statutes for the Institute. Once signed, the agreement would provide the formal framework for the collaborative effort between the University and the Foundation, as well as giving legal identity to the Institute. The draft agreement will be reviewed by the University's and AID's lawyers, and signed during the first quarter of the second contract year.

#### IV. Temporary Site

Although the Institute will eventually occupy a permanent site, provisions had to be made for the school to operate in a temporary building during its first academic year while a permanent site was selected, and the structure designed and constructed. Six possible locations were evaluated in the Guayaquil area based on the following criteria: quality of construction, accessibility, availability of parking and phone services, and cost. Based on these evaluations a building owned by the Fleischman Company of Ecuador was leased by the University in May, with Mr. Marcel Laniado serving as guarantor for the University.

Although the site was previously utilized as an office facility,

it did require remodeling to adapt it to the Institute's needs. These modifications included the addition of two faculty offices, remodeling of one floor for classrooms and a library and the addition of a cafeteria. The remodeling was initiated in the last quarter of the contract year, and will be completed in the first quarter of the second year. Equipment and furniture were also purchased for the site. These purchases included a van, computers, typewriters, office furnishings, telephone system, etc. An important consideration with all such purchases, was their transferability to the permanent site. In addition, Mr. Tom Bloch, the INCAE librarian, was hired as a consultant to the Institute to develop a list for the core collection of the Library. Mr. Bloch prepared a list of 2,000 items which the Institute is now in the process of ordering. In addition Mr. Bloch provided assistance in designing the temporary library facility.

Given the progress made in these areas, the temporary site remodeling is now on schedule and should be ready for the beginning of classes on December 7, 1987.

#### V. Physical Plant (Permanent)

During the first contract year the Foundation has assumed the primary responsibility for the development of the permanent site. The Foundation has been offered a donation of 5,000 square meters in the Los Samanes area of the Alborada urban development. In addition, architect Nelson Riofrio has developed a preliminary design for the permanent site, and has submitted a contract to the University for the development of technical studies (structural, electrical, etc.) required for actual construction.

One limiting factor of the donation is its size. The current design of the permanent building includes a main building and an annex with 2000 square meters of construction space. That facility and the parking area occupy virtually the entire 5,000 square meters, having little or no room for future construction, recreational areas, etc. For that reason, the Foundation has requested an increase in the size of the donation. Alternate sites which are for sale have been considered, but the major stumbling block remains the cost of land outside the Guayaquil metropolitan area which ranges between \$12 and \$30 US per square meter. Purchase of a complete site area or purchases to supplement the existing donation in Los Sumanes would require an increase in the current budget for the project since such purchases were not considered in the original project plan.

#### VI. Applied Research

Under the category of applied research are included executive development programs, case development and research. In terms of executive programs, the Institute sponsored two presentations during the first contract year, one by Dr. Gerald Meier, of Stanford University, on issues of development and a second by Dr. Robert Seiler, of the University of Houston, entitled "Using Financial Statements in Making Managerial Decisions". The first seminar was presented on a no-cost basis to the members of the Foundation in September, 1986, as a symbol of the project's initiation. The second program was presented in two parts: a three day seminar for mid level managers and a one day seminar for general managers. Each of the latter two seminars drew 45 paid participants, with a number of

additional applications returned due to space limitations. The next seminar to be presented will be on the subject of marketing which is scheduled to be presented during the first quarter of the second contract year.

The Institute, in addition to planning a series of such seminars during the second contract year, is also seeking longer term training program with public and private institutions. Such programs would be designed to meet the specific needs of the individual corporations. They provide several advantages over seminars aimed at the corporate community as a whole: 1. they allow for more effective long-range planning by the Institute and 2. the costs of marketing and promotion are considerably reduced. The Institute has been pursuing several such possibilities with CEPE (The national oil company), the Corporacion Financiera Nacional (a national development financial institution), the Banco Central and the Banco Continental and the Ministry of Health. A proposal for training 120 managers has been submitted to CEPE, while discussions are in the explanatory stage with the other institutions. The major drawback to activity in this area is manpower. Until the full-time faculty members join the Institute in September, the school will not really have the ability to carry out such programs. In addition, the director of executive programs needs to be relieved of her responsibilities in the student recruitment and admission process to devote full-time to these projects. That separation of functions will take place in the first quarter of the second contract year.

The Institute has also established verbal agreements with the

corporate members of the Foundation to allow the Institute's faculty to develop cases. Again, further development of this aspect of the program awaits the arrival of the faculty.

#### VII. Fund Raising

During this term, the Foundation's members has been successful in maintaining the core of 23 companies contributing their donations to the endowment fund.

This group of companies represents Ecuador's largest firms in such areas as banking, cement, sugar milling, oils and fats, magazines and newspapers, advertising and construction materials.

Firm commitment of FPE members has been demonstrated by the fact that members in general have been donating for four years to the project without interruption. A few companies that have run into temporary money shortages (due to strikes or other causes) have withdrawn from the donating list for short periods and come back as a full donating member as soon as the difficulties have been resolved.

The Foundation has considered that a full effort in fund raising at the national level would be much more successful once the academic activity starts.

The Foundation has also been very much interested in being able to present a clear relation of responsibilities and authority of each side in the development of the project stated in a joint document and statutes for the Institute.