



# Financial Literacy and Retirement Savings

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## Message from the Dean

Towson University College of Business and Economics

Dear Colleagues and Friends,

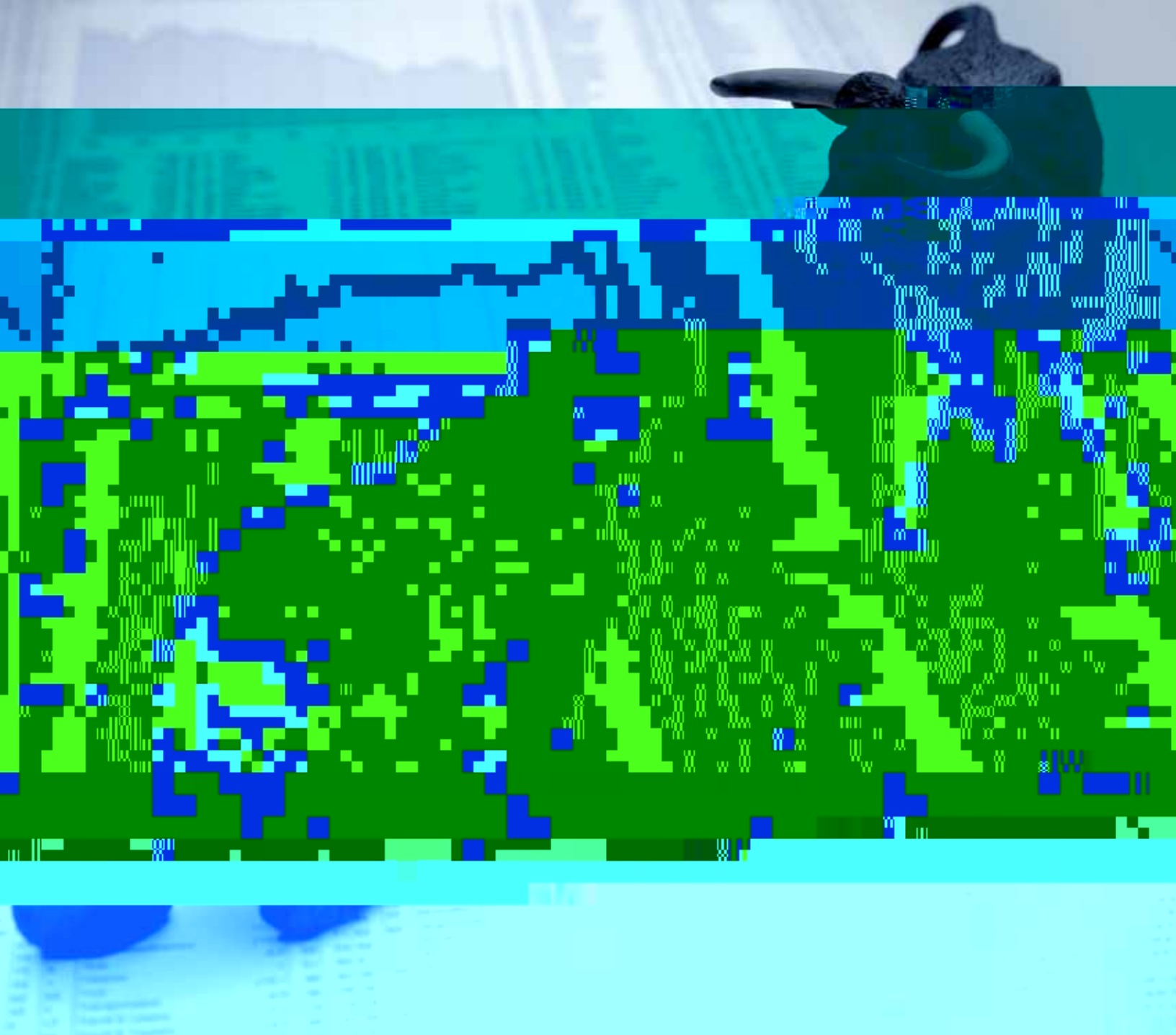
Shohreh A. Kaynama, Ph.D., The George Washington University, 1991, is the Dean of the College of Business and Economics and Professor of Marketing at Towson University. Her research interests include services marketing, e-Commerce/e-Business solutions, marketing research, international marketing, and decision support systems in marketing. Her work has been published extensively in many credible journals (nationally and internationally). She was named one of the 2005 Top 100 Women in Maryland by *The Daily Record* and is an honored member of Empire "Who's Who of Women in Education." In addition, she is a member of Network 2000 and serves on the boards of SBRC, the Academy of Finance (NAF), Baltimore County Chamber of Commerce, Better Business Bureau of Greater Maryland, Maryland Council on Economic Education, and the Towson University Foundation.

## **The Baltimore CFA Society**

[www.baltimorecfasociety.org](http://www.baltimorecfasociety.org)

Dear Members, Students and Employers,

I am very happy to be able to share another issue of the Baltimore Business Review (BBR) with you this year. The BBR is designed to provide a wide variety of research and insights for everyone interested in the business environment in and around Baltimore. The publication is also designed to highlight the missions, skills, and resources of both the Baltimore CFA Society (BCFAS) and Towson University's



## Investment Income— The Growing Problem

David Stepherson, CFA

Chief Investment Officer  
Hardesty Capital Management, LLC



In the above scenario, not only is income halved but “real” rates of return are negative. In a bond portfolio, one basic goal is to have a positive “real” rate of return. For the real rate to be positive, a bond’s yield to maturity must be greater than the rate of inflation. This positive “real” rate of return maintains the buying power of investors’ money. For example, the old expression “a million dollars isn’t what is used to be” is the result of inflation. Positive real rates of return avoid this problem. The current level of inflation is in fact lower than the yield to maturity on the 10-year Treasury. However, the long-run rate of inflation is higher, at about 3%.

Keeping up with inflation becomes nearly impossible without considering other options for your money.

So what should Maryland boomers and others who are trying to generate income do with bond and money market yields near all-time lows? Getting a little more creative in your investment strategies is the first step. Although the best option appears to lie in stocks, there are other choices worth considering. I would say, if given the choice between a 10-year Treasury with a 2.5% yield to maturity and an attractively priced stock with 3% or greater yield, I would take the stock every time.

But it doesn’t have to be a choice between bonds or stocks. There are other securities that should be con-



Another Maryland company that might be a good fit for income investors is Corporate Office Properties (OFC). Corporate Office Properties is a very well-managed real estate investment trust (REIT). REITs use investors' pooled capital to purchase real estate. REITs receive special corporate tax treatment by virtue of paying out 95% of their profits in the form of dividends. Corporate Office Properties is attractive because a large percentage of its properties are leased by the government or companies that service the government. The company has consistently grown the dividend over the years and currently provides investors with a 4.3% yield.

Diversification within a portfolio is very important to mitigating risk. It is not advisable to overload a portfolio with too much of one thing. Not only does that apply to sectors of the market, like REITs, but it also applies to having too many high-yield securities in general. There is nothing wrong with purchasing some stocks in the portfolio that have slightly lower yields but have a good chance of growing that dividend significantly. McCormick & Company (MKC) is a great example. It has increased its dividend by 68% over the last five years. Even though the yield on the stock is around 2.5%, it makes sense to put some stocks like McCormick in your income-oriented portfolio.

These are just a few local companies that offer excellent examples of how investors can solve the growing income problem. This issue is best approached by purchasing individual stocks. It is very difficult for mutual funds to generate the level of income that can be attained using individual stocks. Mutual fund management fees come directly out of the income investors are seeking. The average equity mutual fund now charges a little over 1.5%, straining its ability to offer yields above 4%.



# What an Emerging Opportunity Means for Maryland Companies

Niall H. O'Malley  
Portfolio Manager, Managing Director  
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s income levels grow emerging market consumers become a more important force in creating an opportunity for Maryland based companies.

To understand the recent changes in the consumer market it is helpful to step back and look at the recent role of the emerging markets.

### **Emerging Market Consumers — A Growing Force**

Consumers in the U.S. have enjoyed the benefits of cheaper goods produced by the emerging markets for quite some time. U.S. consumer purchases have in

To offset this societal risk the Chinese government is sponsoring healthcare reforms and expanding a meager safety net. Another key part of the Chinese government's response to rural poverty is the largest centrally planned urbanization in history. China's central plan calls for the urbanization of 300 million more people. Over the past ten years almost 50% of China's GDP has come from urban investment as it undertakes the most rapid urbanization in history.

Historically, Maryland has had a strong trading relationship with China.



### Examples of Maryland Companies Engaging Emerging Market Consumers

In last year's publication, I highlighted the less told story of companies that are exporting to China. The article "How is China's Growth Creating Opportunities in Maryland?" looked at a different set of Maryland based companies that were benefiting from growth in China. The examples and commentary in this article are still China centric. Historically, Maryland has had a strong trading relationship with China. Part of downtown Baltimore – Canton – was named after its sister city (now known as Guangzhou) in the China trade that flourished after the War of 1812 with the help of Baltimore Clippers. The other reason is that China is by far the largest emerging market economy. Amongst the emerging economies China is larger than India, Brazil and Russia combined. The world's emerging markets account for over half of the world's GDP growth.

A Maryland firm that has created a well received business model in the emerging markets is Micros Systems (Ticker: MCRS). The Columbia based company earns slightly more than half of its revenues internationally and the emerging markets are key elements of the company's development plan. Micros Systems offers point of sale terminals along with restaurant and hotel management systems. The terminals capture information that can be mined to create nameless profiles of affluent customers, which is the specialty of Merkle (private) which is also based in Columbia. Merkle has directly expanded into China to capitalize on the growing importance of emerging market consumers.

The opportunities in the emerging market have not gone unnoticed by Under Armour (Ticker: UA) which is laying the groundwork to develop a retail presence in China. The retail presence will allow Under Armour to sell its name brand athletic apparel to a rising class of affluent urban consumers who crave name brand status symbols. As the emerging markets increasingly come into their own there is an interest in the world around them. Discovery Communications (Ticker: DISCA) in Silver Spring seeks to meet that curiosity through a wide range of cable offerings that are being increasingly distributed and advertised on in emerging markets.

RTKL, a historically Baltimore based architectural firm (private), has received a wide range of emerging market commissions. In China RTKL has been recognized as one of the leading firms shaping the architecture behind China's unprecedented urbanization. On the next page is a photo of the Shanghai Science and Technology Museum which is a widely recognized RTKL commission. Baltimore Aircoil (private) in Jessup plays an important role managing the heating and cooling needs of buildings across the emerging markets. Baltimore Aircoil designs and builds heat exchanges which are the large rectangular boxes typically on top of buildings.

2009 GDP Value in U.S. dollars (billions)

China	India	Brazil	Russia	Indonesia	Malaysia	U.S.
\$4,909	\$1,296	\$1,571	\$1,230	\$540	\$192	\$14,256

Source World Bank

Finding your way around in the emerging markets can be a challenge and a Towson based company UPS Logistics Technologies (Parent's Ticker: UPS) has a solution. UPS Logistics Technologies sells logistics planning software that optimizes route planning for distribution companies. A growing challenge for the emerging markets is congestion. Whiteford, Taylor and Preston (private) is a Baltimore law firm that has a practice group that specializes in protection of intellectual property rights and trade related matters in the emerging markets. Intellectual property is a core asset for most companies and operating in the emerging markets presents new challenges. T. Rowe Price under a U.S. equity mandate from the National Council for Social Security Fund of the People's Republic of China manages an important part of the funds international diversification. As a social safety net developed in China and other emerging markets the need of emerging market consumers to create their own safety net through savings is expected to diminish and unlock even more consumer spending.

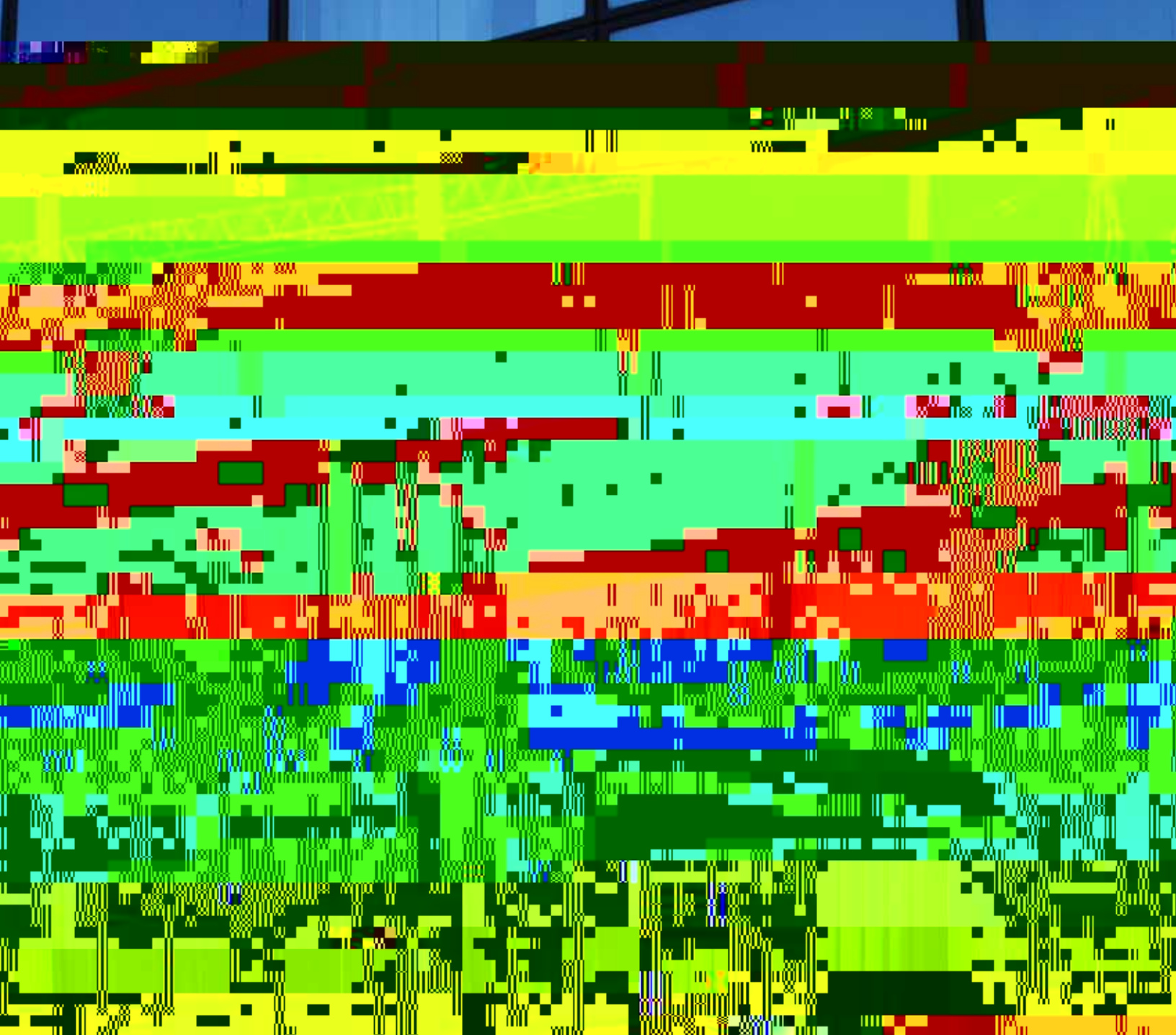
While the growth will not be linear and the global recovery is fragile there are powerful rates of change occurring in consumer spending as the emerging markets mature. There are a wide range of goods and services that are being exported to the emerging markets. Consumers in the emerging markets are creating powerful opportunities for Maryland firms and attractive investment opportunities. It is important to remember that the U.S. represents only 5% of the world's population and 25% of the world's GDP.

When it comes to pure enjoyment or terror Premier Rides (private) in Baltimore designs and builds roller coasters in the emerging markets. The photo below is of Premier Rides' Mad Cobra ride in Dalian, China, which is a coastal vacation spot. When specialized goods need to be shipped to the emerging markets, companies and government agencies call on Arnold's Supply (private) in Baltimore to build the customized shipping structures.

**References:**

Bloomberg  
Direct Interviews  
Euromonitor

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# **An Update on Residential Real Estate Prices in the Baltimore Region and a Glimpse at Commercial Real Estate**

Matthew Chambers, Ph.D.

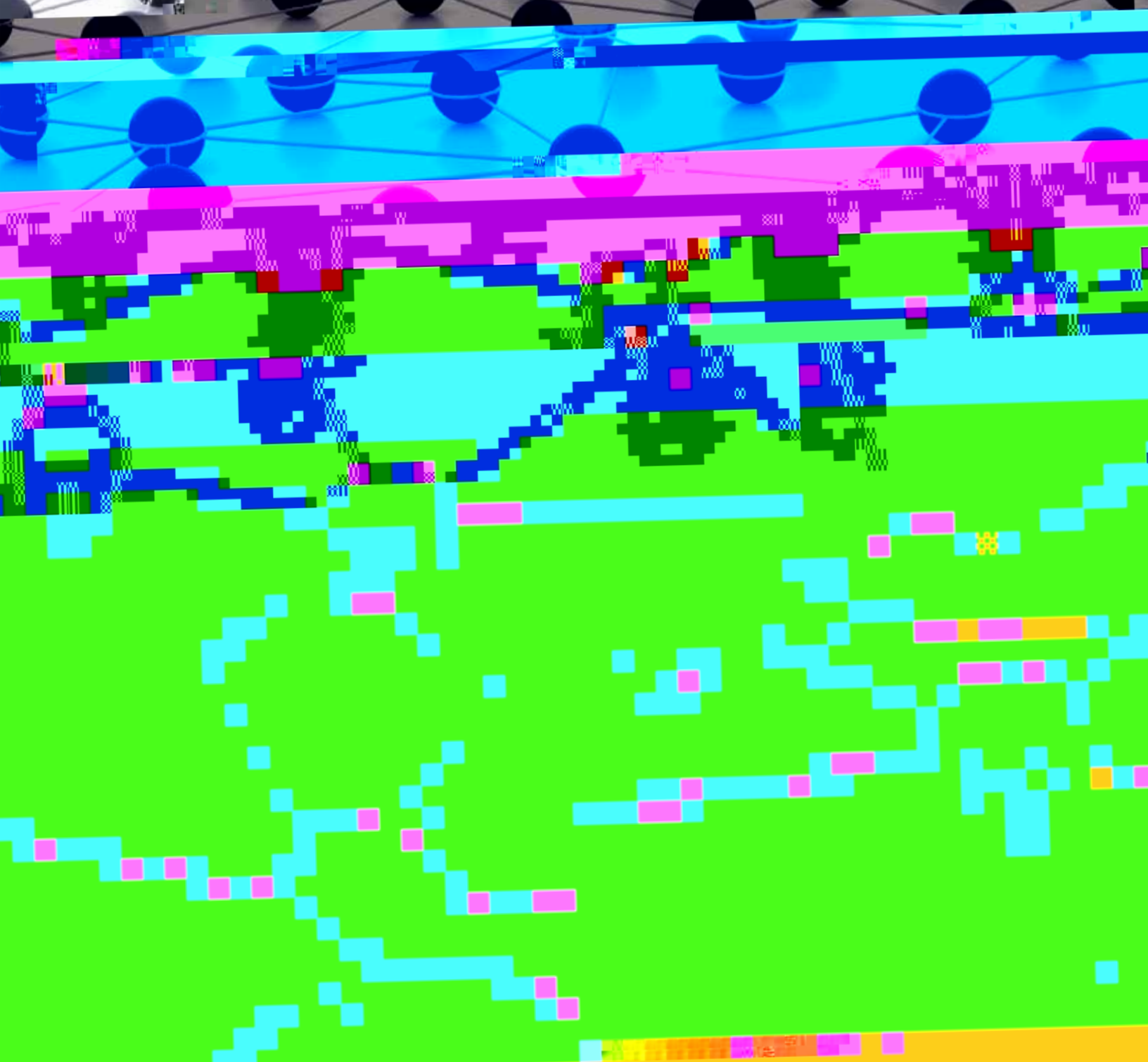
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n Update on Residential Real Estate Prices in









## The Powerful Network of Maryland Corporate Board Members

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In these days of social networking monopolizing our daily lives, the media wages a battle royale about the benefits of and concerns about our new Facebook Linked-in lifestyle. Our focus is rather on professional networks whose benefits cannot be overstated. In a classic win-win scenario, corporations and professionals alike benefit from extended networks. Directors benefit from more appointments and well-connected corporations can earn up to close to an additional 5% in annual stock return compared to less connected firms.

### **The Corporation's Connections**

Corporations are in constant need of expert guidance and steadfast monitoring. In the current U.S. system, corporate board members play this welcome role and help with corporate decision making. Board members importantly also open up their network of relationships, both professional and personal, to the corporations they help shepherd. In truth, the connectedness of board

Our goal is now to highlight that Maryland board members have also an extensive professional and social network in place from which to draw advice, gather information and experience best practices. First we explore the national reach of this network. Then we showcase how we can track the local extent of this network.

### **The Maryland Corporate Directors National Reach**

In keeping with the idea that directors' networks are valuable and that directors tend to hold multiple appointments, we note that the average director on a Maryland board also holds one additional board seat across the country. Some hold multiple additional seats,

## **The Maryland Corporate Directors Local Reach**

Despite this evidence of vast experience and far-ranging influence, the major effects of a network are local in nature. Indeed, most social and professional connections remain local and the power we can harness from such interactions are better played at the local level where

### **James T. Brady's Network— Muckety Mapper**

In very much the same fashion of NNDB, we tracked Mr. Brady's connections at Muckety.com.<sup>8</sup> After pruning the network for simplicity's sake and to concentrate on the local connections, the Muckety Mapper results are showcased below, equivalent to the second step we showed for the NNDB Mapper.

### **Powerful Individuals, Powerful Networks**

As we demonstrate above, the members of Maryland corporate boards are not only experienced experts but also highly influential individuals whose reach extends well beyond the borders of Maryland. Yet, their local influence is even stronger as the various mappers highlight. The benefits for the corporations who selected these directors are tremendous. Corporations should be extremely careful in how they manage their portfolio of directors and need to take into consideration the important dimension of director connectedness in their decision process. On September 8, 2010, T. Rowe Price announced the election of its newest director: Robert F. MacLellan, chairman of Northleaf Capital Partners, Canada's largest independent global private equity fund manager and advisor. In addition to his current position, MacLellan is a member of the board of directors of several other companies.

Are the right investment  
professionals working for you?





## Leveraging Web Presence for Bottom Line Results

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Just having a website is not enough in today's web saturated culture, because a website is only as good as people's ability to find it through search engines. A national survey of Internet users found that 87% of the Internet activity performed by adults is using search engines to find information.<sup>1</sup> However, finding relevant information using search engines is not an easy task. As of June 2010, there were more than 293 million Internet users<sup>2</sup> in the U.S. executing more than 9 trillion searches<sup>3</sup> of 234 million worldwide websites.<sup>4</sup> Receiving thousands of search results may cause "information overload" for users. Information overload occurs when the amount of available information exceeds a person's ability to process it. Although information overload is seen in many areas, the Internet has become a major contributor to this phenomenon because of the sheer volume of content (see Figure 1).<sup>6</sup>

## Rankings Rule!

Research shows that when completing tasks on the Internet, users stop searching after 20 to 30 results from a search engine, whether or not they have completed their search.<sup>7</sup> Therefore, if your website is not ranked in the top 20 search results, your potential customer will not even see your website.

A recent study finds that Internet users are more efficient and find accurate results within the first few listed websites provided in a traditional textual search engine as compared to a visual search results page.<sup>8</sup> Search engines such as Google, Bing and Yahoo! use this text-based format for displaying search results. Other search engines such as Grokker provide a visual format of search results through a map display, which uses color to differentiate between groups and subgroups of results.

If companies want to increase their visibility on the web it is critical that their websites are included in the first search results. Through such efforts a local law firm was able to attain "top-10 Google listings for very general searches like 'Baltimore law firm'," notes Tim Kassouf, director of marketing at G.1440.<sup>9</sup> More importantly than just increasing a website's ranking on search results, improving website traffic from search engines may lead to greater sales.

## Capitalizing on Your Web Presence

Website owners can pay the search engine providers for their site to appear in the first group of search results. The sponsored search results appear in the first few positions of the overall results and are based on websites which have paid to be identified when specific key words are searched. The organic search results are based on which websites are identified by the search engine's algorithm for the key words used in the search. Search engines do not charge to include websites in the organic results, however, the websites are presented in order from the greatest to least likelihood of the website containing the information that the user wants.

A technique known as search engine optimization (SEO) involves tuning up a website so that search engines can easily match the website's content to the user's search request, thereby increasing the website's ranking in the organic search results. "Ultimately the goal is to craft the site so that users find it clear and compelling – and search engines will consider [the website] an authority on the subject," says Kassouf. Rankings may further enhance a firm's competitive advantage by the residual trust that users associate with high rankings.

SEO is based on an understanding of how search engines query the Internet and improve a website's visibility to the search engines by aligning the website's content and design with search criteria. The specific algorithms used by search engines to select and rank websites for inclusion in search results are not publically known and they are regularly revised by respective search engines to improve the accuracy of searches.

Google currently dominates the search engine market in the U.S. (See Figure 2). A recent study finds that users trusted websites ranking higher in Google results—even if more credible websites are included in the results.<sup>10</sup> SEO efforts that focus on Google have collateral effects on other search engines. Chris Mechanic, CEO of WebMechanix, notes, “We focus mostly on Google, but they seem to have pretty similar ranking algorithms, because in almost every case, Yahoo! and Bing are also affected.”<sup>11</sup>

### **All that Glitters is not Gold**

There are established practices for improving website visibility to search engines. SEO techniques can be classified into two categories: techniques that search engines recommend as good design which is called ‘white hat SEO’, and those techniques that search engines do not encourage, called ‘black hat SEO’. White hat SEO techniques involve following search engine guidelines and ensuring that the content is useful to the user. However, black hat SEO techniques may initially increase the website’s ranking in the search results, but use of these practices may result in web pages being removed from the search engine’s database listing. The goal of an effective website should be to provide high quality content that is visible to customers who are searching for products and services that the company can provide.

“Our staff is very savvy with keywords and links,” explains Jeff Dudley, director of sales for Inside Lacrosse.<sup>12</sup> “SEO is not rocket science. There are just a hundred little rules that you have to know and it

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## Inside Lacrosse

Inside Lacrosse is a source of news articles, game scores, current standings, and everything related to lacrosse. Created in 1987 and online since 2003, Inside Lacrosse's website complements its monthly print magazine and lacrosse events. "The primary way that we promote InsideLacrosse.com is through SEO," notes Dudley. Instead of using external SEO services, Inside Lacrosse uses analytic tools to track its web traffic and identify which content on its pages is getting the most attention. "Our [website] traffic basically doubles every year," states Dudley.

## G.1440

Founded in 1998, G.1440 is an IT consulting and staffing firm that provides website design, custom application development, and SEO services. Tim Kassouf, director of marketing at G.1440, sees the growth in clients looking for SEO services, "Larger, tech-savvy companies would ask specifically for SEO engagements, we're now seeing more and more of the smaller companies that come to us for a simple web design engagements asking for SEO as a part of their project."

When a client asks for SEO services, we're now seeing more and more of the smaller companies that come to us for a simple web design engagements asking for SEO as a part of their project." 92(09TJ-0.007 Tc 0.017 Tw 0.008 -1.33om it0 hes facts threing way33ocom icievalua



# A Portrait of Maryland's Public Companies

David Merkel, CFA

Principal  
Aleph Investments, LLC

When studying where publicly-traded companies are located, the unevenness of their distribution is striking. Why do firms choose to headquarter in a specific place, and not another? Why do industries tend to cluster in certain cities, counties, and states? Does it happen because of public policy choices, or by historical accidents? It turns out that both are involved, as in the case of Maryland.

When you think of states whose publicly-traded financial firms dominate their economy, one might think

tend to have more public corporations. None of this, nevertheless, fully explains why Montgomery County has more public companies than the rest of Maryland. Before I try to answer that, let me run through some more details on the sector mix of the publicly traded companies for the major counties.

### **Montgomery Industry Detail**

Montgomery County's business areas are concentrated in these places (percentage of Maryland market capitalization): Bethesda (44.3%), Rockville (11.2%), and Silver Spring (10.1%). Business is diverse by sector, with Financial and Industrial companies leading the way. Many of the financial companies are real estate investment trusts, with the two largest being Host Hotels & Resorts, and Federal Realty Investment Trust. There is one major industrial company, and given the proximity to DC, it is none other than Lockheed Martin, the defense giant.

In Consumer Noncyclicals, almost all of the companies are in healthcare, with a concentration in biotechnology. The three largest companies are Human Genome Sciences (Biotech industry), Coventry Health Care (HMO industry), and United Therapeutics (Biotech industry). There are two major hotels that comprise almost the entire Consumer Cyclicals sector: Marriott International, and Choice Hotels. Finally, in the Communications sector most of the market capitalization comes from Discovery Communications, producer of the eponymous Discovery Channel, and other cable TV content.

### **Baltimore City Industry Detail**

Asset management contributes most of the public market capitalization for companies in Baltimore City, led by T. Rowe Price and Legg Mason. T. Rowe Price has roughly half of the total public market capitalization in Baltimore City. Baltimore City has the only publicly traded utility domiciled in Maryland, Constellation Energy, the parent company of Baltimore Gas and Electric. Finally, the company in the Consumer Cyclicals sector is Under Armour, which was started by two University of Maryland athletes.

### **Howard County Industry Detail**

When one talks of publicly traded businesses in Howard County, they are largely found in just one

is the well-known radio/media information company, Arbitron, and a biotech company, Martek Biosciences, which uses microbes to produce nutritional products. In the communications sector, there is Sourcefire, a cybersecurity firm. Given all of the security firms employed by the US Government in the area, it is no surprise to find a public company among them.

### **Baltimore County Industry Detail**

In Consumer Noncyclicals, Baltimore County has McCormick located in Sparks, a place otherwise obscure, about eight miles north of Towson. There is also Medifast in Owings Mills, which makes weight-loss supplements. The Financial company is Omega Healthcare, which is a healthcare REIT in Hunt Valley, wherein also resides the television broadcaster Sinclair Broadcasting.

### **Other Counties**

U.S. working hardware and software company in the Communications sector, in Linthicum.

U.S. •

Most of the financial sector after REITs in Maryland is asset managers, of which there are two well known companies, T. Rowe Price and Legg Mason, which grew up on opposite sides of Light Street in Baltimore City. Though the growth of T. Rowe Price has been greater, both firms have been well-run, and grown dramatically over the past 40 years. Call it a historical accident that both firms grew up in Baltimore.

That summarizes Financials. If I had looked at Baltimore 15 years ago, for banks I would have listed Mercantile Bankshares, First Bank of Maryland, or Provident Bank of Maryland. I would have mentioned USF&G among insurers. But in an era of increasing financial concentration, and misregulation that does not penalize size, many locations lose their hometown businesses to larger companies through mergers and acquisitions. Once an industry loses a foothold in an area, the jobs in that industry tend to travel to areas that have a greater concentration of the industry. Let policymakers take note: it is difficult to rebuild a base of jobs in a given industry as companies leave. Thus, design policy to make it attractive for acquirers to move to your state, rather than remove businesses from your state.

With Hotels, J. Willard Marriott came to DC in 1927, and began what would be a thriving business. Out of



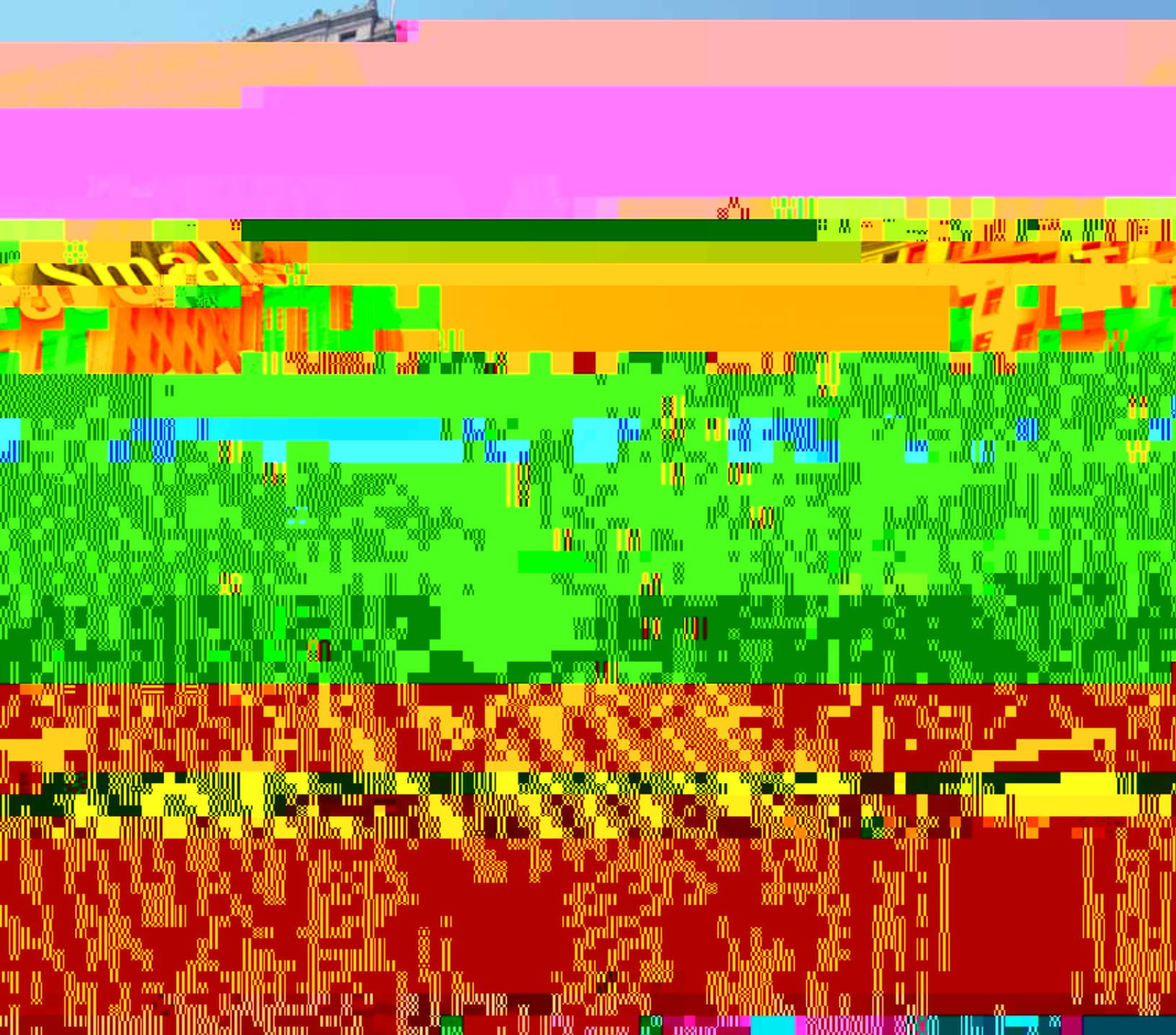
# CFA

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For more information about the society please visit [www.BaltimoreCFASociety.org](http://www.BaltimoreCFASociety.org)



## **Straight From the Source— The Small Business Perspective on Baltimore**

David Robertson, CFA  
CEO & Founder, Portfolio Manager,  
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As a professional investor who analyzes public companies, it is easy for me to describe the business environment in Baltimore in terms of its larger companies. As an entrepreneur and small business owner, however, I see things from a very different perspective. As such, I thought it would make for an interesting exercise to interview other entrepreneurs, small business owners, and professionals that work with them, to develop a mosaic of the business environment in Baltimore from their perspective.

What follows is a view of business in Baltimore straight from the source — straight from the people who work with customers and overcome obstacles every day to run a business. It represents their views about what makes Baltimore a more, and less, attractive place to do business, which factors most differentiate the business environment in Baltimore, overall grades and assessments of the environment, and views about the future of business in Baltimore. Finally, the respondents also offer bits of advice to those engaged in, or considering, starting up a business of their own.

In short, the size of Baltimore is just about right for doing business and it also offers a great lifestyle. The metropolitan area is big enough to have several cultural institutions, professional sports teams, lots of people, resources, and schools. A variety of special events and neighborhood festivals are “great for a vibrant, thriving population.” At the same time, the city is “not so big that there is a lot of congestion or that you can’t be involved in the community.”

Many comment on the great lifestyle the Baltimore area affords. The ocean and the mountains are both very accessible and there are “so many big cities that are close — within one to two hours”. One respondent, however, is content that there is “a lot of pretty country” in the immediate area. Being so attractively situated makes Baltimore far easier to attract employees. Special note is also made of Harbor East which is described as a “bright spot that is changing the complexion of the city.”

Of course, along with the good, comes the bad and there is a consensus about the main problems confronting business in Baltimore. First and foremost is crime, which projects a negative image of the city and makes it more difficult to lure people to the area. High taxes are also considered an important mark against the business environment with tax rates described as “out of control.”

The poor quality of public schools in the area is widely listed as a problem as well. “A very low rate of graduation does not lend itself to healthy workforce.” The good news is that there are plenty of employable people for blue collar jobs in the city, but they are not educated or trained well enough to grow with organizations. There is a real gap between employment needs and skills in the city with much of the work force “marginally trainable, but not promotable.” The consequence of this skills gap is that it perpetuates an underclass which is effectively trapped in poverty.

There is a nearly universal opinion that the factor that most differentiated the business environment in Baltimore is its close-knit business and social community. For businesspeople, the question, “Where did you go to high school?” is virtually meaningless anywhere else, but in Baltimore carries great weight for social distinction. Unfortunately, this social phenomenon is viewed as exacerbating the failings of the public schools by limiting mobility. The common sentiment is that, “At the end of day, Baltimore is a small town.”

The social fabric in Baltimore gets mixed grades for its effect on business. On one hand, it can make the community insular and very hard to break into. This places an even greater premium on differentiating one’s services in Baltimore. On the other hand, the business and social environment in Baltimore often comes across as much more friendly than in other cities. Baltimore is described as “more re4 Tc -0.0-0.01 Tcws 0.013(ne)s23more ss d is 3out of controls

that is prohibitive for many companies. Interestingly, these factors may have had a disproportionately large effect on larger businesses as many have left the area. As S. G. Brooke Tucker, of Tucker Capital Advisors explains, “You can’t start a widget factory here — the cost base is too high. If you go to North Carolina, you don’t have any issues.”

Relative to other mid-Atlantic metro areas, respondents clearly view Baltimore as the winner. There is a “fairly low cost of living relative to other mid-Atlantic cities which affects compensation and housing” is one comment and another, “everything costs less relative to DC or NYC.” Philadelphia is “high wage, highly congested, and has a huge union presence. Baltimore is a hell of a lot better.” Almost universally, the small business owners express an acceptance of living with some business negatives in exchange for opportunity and lifestyle.

In particular, Baltimore provides a tradeoff that is uniquely attractive to small businesses. While it is not a New York City, Baltimore does have plenty of people without being overcrowded, congested, or unwieldy. In addition, the region is relatively wealthy and “people buy stuff — the market is responsive to new services.”

Opportunities are also perceived in leveraging the existing base of hospitals and other health care organizations that consistently dominate the area's employment rolls. With the likes of Johns Hopkins and University of Maryland Medical Center, Baltimore gets lots of "bright, educated, even brilliant people." The potential to develop the dynamic intellectual community into a Baltimore-styled Silicon Valley is also seen as a future opportunity for the city.

Perhaps reflecting the "more relational" nature of Baltimore's business community, all of the respondents are very gracious and forthcoming in offering advice to aspiring entrepreneurs and small business managers. Most commonly conveyed is the advice to "get involved in community." Whether you call it networking or not, "find a way to interact with people . . . you need relationships in particular here." Part of the exercise of networking involves serendipity. As you get to know people, perhaps "someone will take an interest and offer an introduction, words of advice, things that can help." It is widely believed that "every business owner feels like he received a lot of luck along the way."

Another common thread of advice offered is to reach out beyond yourself and your own firm to get advice and feedback. After all, "nobody can [run a business] absolutely on his own." Causey "would absolutely recommend" the Business Roundtable which he calls "immeasurable for advice." Collins has developed an advisory board to help vet different ideas and to consult on important decisions. As often as not, he finds value in his board members challenging ideas as opposed to generating new ones, saying, "they always provide value by asking good questions." Perhaps the most succinct advice for anyone starting off on his or her own is: "Get connected to other start-ups, build a team of mentors, seek more capital than you think you need, network."

When I started my company nearly three years ago, one of the first things that struck me was how vibrant and accessible the community of entrepreneurs and small business owners is in Baltimore. After conducting several interviews, my view of Baltimore as being a special place to start a business was even further enhanced. Given that small businesses generate the vast majority of new jobs in the economy, Baltimore seems well-positioned to be an engine for future growth.

#### References:

Article is based on direct interviews

## Stories of starting up

S.G. Brooke Tucker, of Tucker Capital Advisors, has one simple piece of advice for entrepreneurs: "Work your ass off and never stop." For a person who analyzes and values 150 small companies a year, he ought to know. "There is just too much to lose – you can ruin your family and everything else."

Russ Causey, of CMD Outsourcing Solutions, clearly acknowledges that the work environment today is a "very different game for new grads" than when he got out of school. With virtually no prospects for graduating and working for life at one company, no big benefit programs, and no corporate loyalty, he asks, "What do we do for a living if we know this?" He sees far greater opportunities for entrepreneurs who can create an environment where they have more control.

J. Patrick Collins Jr., of Greenspring Wealth Management, had some serious doubts when he was considering leaving Merrill Lynch and starting off on his own. He had just gotten married and was expecting his first child and started worrying about everything that could go wrong. Then he happened upon a magazine article that reported the responses of a survey of senior citizens to the question, "What is the one thing in your life you regret?" By far the most common answer was "not taking enough chances." When he read this, it "hit him like a ton of bricks." All the great things in his life, both personal and professional, had transpired due to taking chances — and he knew then that he had to go through with starting up his new company.



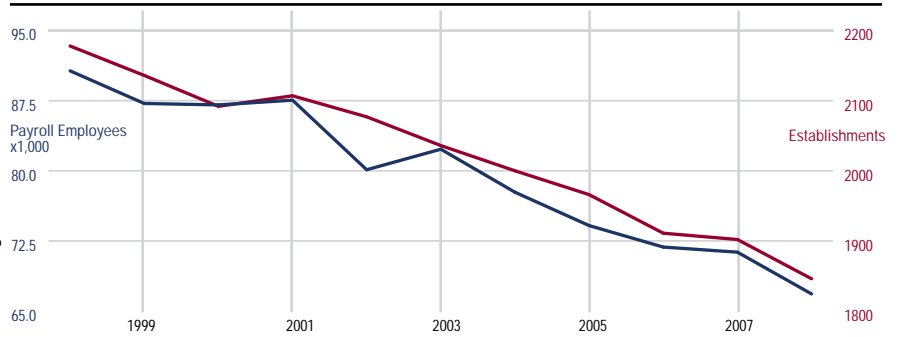
# Survive and Thrive Through Supply Chain Innovations

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Manufacturing in greater Baltimore area has been vulnerable to the dynamics of global supply chains: the constant quest for the lowest-cost labor and materials, changing customer needs, and rising competition from imports. Many manufacturers fail partly due to their inability to adapt to global supply chains. Over the period from 1998 to 2008, the number of manufacturing establishments of all sizes in greater Baltimore area decreased by 15% from 2,178 to 1,846 while manufacturing employment dropped by 26% from 90,693 to 66,829 (Figure 1), a decline in line with U.S. national trend due to large-scale outsourcing and offshoring of U.S. manufacturing and intense global competition. However, a number of manufacturing companies in greater Baltimore area, including Black & Decker, McCormick, Under Armour and Martek Biosciences, have transformed their businesses through supply chain innovations and hence survived and thrived in turbulent times.

Figure 1. Baltimore Manufacturing (1998-2008)



Data source: U.S. Census Bureau, County Business Patterns

goals: balanced inventory, greater responsiveness, lean manufacturing, reliable supply line, and fast and efficient distribution channels.

### Black & Decker— Customer-Driven Innovation

A global provider of hand tools, power tools and related accessories, Black & Decker now becomes part of the Stanley Black & Decker after its March 2010 merger with Stanley Works. A billion-dollar division remaining headquartered in Towson, MD., hardware and home improvement products are sold through major retail partners, such as Home Depot and Lowe's, but manufactured in China, resulting in a 12- to 14- week lead time from production plant to retail shelf. Demand forecasting and shipment history at the store and the SKU levels hence become critical for Black & Decker to plan productions and logistics. Black & Decker implemented industry-leading solutions on demand, fulfillment and master planning so that the company could view Point-of-Sale data, determine supply chain inventory and play out promotions accordingly. Improved demand forecast accuracy resulted in shorter cycle times, higher fill rates and lower inventory costs. In 2006, out of 400 companies, Black & Decker received Best Practices in International Logistics Award provided by The Aberdeen Group for implementing Optiant's multi-echelon inventory optimization solutions, which led to the immediate results: multi-million dollar reduction in finished goods safety stock inventory, a sustained 99% customer service level, and better manufacturing schedule attainment in the plants due to increased material availability.

### Supply Chain Innovations

With the development of information technology and globalization, the landscape of business competition has changed from classic "company vs. company" to current "supply chain vs. supply chain." By function, a manufacturing supply chain typically comprises procurement, production and distribution; by collaboration, supply chain partners include upstream suppliers, logistics and financial service providers, and downstream distributors and customers. Being the best in producing a product can no longer sustain a company's long-term success. Companies need to constantly innovate and, ideally, build up a "triple-A supply chain": Agile - quick response to and recovery from disruptions; Adaptable - adapting to new political and economic environments; Aligned - the interests of all supply chain partners are aligned.

Innovative supply chain management is a mix of customer-driven and supplier-driven innovations. On the one hand, companies need to respond to continuously shifting customer needs by providing the innovative products at the right time and at the right location. On the other hand, companies can engage their suppliers in the early stage of product development so that supplier innovations and knowledge get transferred and shared. Supply chain innovations require the alignment and synergy of people, processes and technologies in order to achieve a set of performance





## Martek Biosciences — Product Innovation

A Columbia-based, NASDAQ-listed company, Martek Biosciences Corporation is known as a leading provider of Omega-3 fatty acid DHA and Omega-6 fatty acid ARA used in Mead Johnson's Enfamil LIPIL family of infant formulas. In May 2006, Martek and Mead Johnson entered into a supply agreement that established Martek as Mead Johnson's global sole source supplier of DHA and ARA through December 31, 2015. However, the amendment also provided graduated price reduc

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## Towson University Index— Towson University Investment Group

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The Towson University Index (TUJ) was first created as a way to measure performance of publicly traded companies that have a history of hiring Towson University students, are thought to be possible hirers of Towson students, or have some other connection to the University or the state of Maryland. The index is comprised of only a sample of companies that might fit the description and is not meant to be all-encompassing. The original index was comprised of 30 Maryland based companies and 10 companies based elsewhere.

This year, the modified list has been expanded to 55 publicly traded companies with 40 Maryland and 15 non-Maryland companies. To provide a good representation of Maryland companies, 73% of the index includes a sample of 40 Maryland companies with market capitalization ranging from \$14 million (Universal Security Instruments Inc) to \$26,770 million (Lockheed Martin Corp). The remaining 27% of the index includes a sample of 15 non-Maryland companies with market capitalization ranging from \$5,398 million (Kimco Realty Corp) to \$168,857 million (Proctor and Gamble Co). We use a within-sample value-weighted approach to create the index; hence the larger the company's market capitalization the greater the company's representation in the within-sample index.



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from Lutherville, Md., is a student at Towson University with an expected graduation of May 2012. He is currently pursuing majors in finance and economics. Since the summer of 2010, Robert has served as the Portfolio Manager for the Towson University Investment Group prior to which he served as the Junior Portfolio Manager.

from Towson, Md., is a senior at Towson University pursuing a major in economics with a minor in French. Ermengarde currently serves as the Co-President of the Towson University Investment Group, and was previously the organization's Treasurer.

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Founded in 1866, Towson University is recognized among the nation's best regional public universities, offering more than 100 bachelor's, master's and doctoral degree programs in the liberal arts, sciences and applied professional fields on its 328-acre campus. Serving more than 21,000 students, Towson University is the second largest public university in Maryland. The university provides innovative graduate courses and programs that respond to specific state, regional and national work force demands. As a metropolitan university, Towson plays a key role in the educational, economic and cultural life of its surrounding communities, the Baltimore metropolitan area and the state of Maryland.

The Baltimore CFA Society's mission is to provide the national market with the knowledge, skills and expertise of its members.



## Towson University College of Business and Economics

Towson University's College of Business and Economics (CBE) specializes in providing quality, applied business education with an international perspective that prepares students for positions of responsibility and leadership in business and society. CBE programs are entrepreneurial, innovative and market-driven, and attract top talent from across the globe. CBE is the largest undergraduate business school in Maryland and is the only institution in the University System of Maryland to offer a major in e-Business. For those that want to take their education to the next level, Towson University has enriched its graduate education opportunities by offering two graduate programs with the University of Baltimore, the Towson MBA program and the Master's of Accounting and Business Advisory Services.

### Towson University

Towson University is the only University System of Maryland institution with AACSB International (the Association to Advance Collegiate Schools of Business) accreditation for its business administration, e-Business and accounting programs. AACSB is the premier accreditation agency for bachelor's, master's and doctoral degree programs in business administration, accounting and the highest distinction that business schools can receive worldwide.



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