

## Retraining Business Schools

Interview with Stewart Resnick | Chairman, Roll International Corporation

**The Fink Center:**

*Do you think that business schools had a role in the current crisis?*

**Stewart Resnick:**

I think that business schools had a huge impact on the meltdown. I think that we have become a country of financial people. Finance is a support, not an end in itself and we've created an end in itself. People had high expectations of making lots of money. They went out into the market and created a whole infrastructure of nonsense that didn't do anybody any good, except the people who were involved in inventing it. There are way too many people going into law and into finance who have no reason to do it other than for the money. And they don't want to work hard for it.

**The Fink Center:**

*In your opinion, what questions should business schools be asking themselves? What should they be teaching more of?*

**Stewart Resnick:**

Business schools can teach more about long-term vision. I gave a talk during the dot-com boom about working hard and the whole class had no interest. If you can't tell me how to make \$5 million in three years, I have no interest. Three years later they were much more receptive. There's the classic story about Walmart. He spent a huge amount of time on building the appropriate infrastructure – 20 years roughly – before really starting to expand. It's a good lesson. You can't do it overnight!

**The Fink Center:**

*One criticism is that schools have become too scientific with a focus on the use of complex models and not focused enough on relevant, real-world issues. What are your thoughts on this?*

**Stewart Resnick:**

Formulas and models are all about the assumptions, and the assumptions are all about understanding risk and those are judgments, those aren't RULES. So the rules work for a short period of time because everyone believes in them, but to measure risk, looking backwards doesn't work.

**The Fink Center:**

*Some would argue that the take-away from the crisis would be that we need to build our risk management curriculum and departments within firms to better understand risk. It sounds like you don't think that's the right direction?*

**Stewart Resnick:**

I don't think you can really teach risk. Look, the problem is this: the incentive system is such that the more money you lent out, the more leverage you had, the better you did even if you were totally wrong. The incentive is that people are going to do that when they have short-term money and no long-term responsibility and I think that you disengage "making the risk" from "taking the risk". And that doesn't work because people will always assume that there is no risk if they're making money, and if they're selling to someone who is willing to take the risk!

**The Fink Center:**

*This brings us to bad incentives, for example large bonuses based on short-term performance, contributing to the current economic state. Any thoughts on how to remedy this situation?*

**Stewart Resnick:**

I think there has to be regulation. I'm an entrepreneur so I'm not terribly pro-regulation. On the one hand, you don't want over-regulation but people will not self-regulate. People are not honest! They think: if it's good for you, it's right.

**The Fink Center:**

*Some critics argue that schools give students a limited view of their role in business — that they graduate with a focus on maximizing shareholder value and only a limited understanding of ethical and social considerations essential to business leadership. Can ethics be taught, and if so, how can it be taught effectively?*

**Stewart Resnick:**

You ain't going to be ethical. Students are all sitting around in the classroom with these good ideas and then they're going to go out in the industry, and forget it! You can't do it. You're going to work for Coca-Cola and you're going to tell them "You have this high-fructose corn syrup and there is information that shows this is harmful – we should change it." They're going to say "It's going to cost us \$100 million." Do you think they're going to listen to you? Tell me how you think you can be ethical. We're suing all these companies right now because they're totally dishonest about labeling. So you need regulation.

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**The Fink Center:**

***So not only can ethics not be taught effectively, you're saying that the system neither allows nor encourage ethical behavior. How about leadership? How can this skill be taught effectively?***

**Stewart Resnick:**

Business schools don't teach enough about leadership and management. I think you can teach how to manage people and the practical aspects of that much more effectively than you can teach someone how to be an entrepreneur. I guess you can teach the basic skills of how to build a business, but I think most entrepreneurs didn't go to business school. There just has to be a knack and some good fortune.

**The Fink Center:**

***With corporate corruption and greed, how does a firm, for example yours, manage to stay financially successful and ethical?***

**Stewart Resnick:**

We created the pomegranate juice industry. We spent a fortune on research and have been able to create a large interest in their health effects. Yet, our financial returns are still in the future even though we have been investing in the business for over six years. But we don't need an immediate return because our other businesses (i.e. almonds, pistachios, Fiji water) are profitable. But no one else would have done this. We took this huge risk. And I don't have any stockholders so I can make less money.

If I did this as a public company and invested in the pomegranate business as I have and we weren't making a large return, what would be the pressure? It would be to look to see what the other companies do, and not spend the money on real research. What does everyone else do? Put in 40% pomegranate juice initially, find that they can get away with 30%, then 20%, and realize that they can't compete with the prices of someone who is putting in 10% or less. Everyone else is doing same thing. Tropicana and Minute Maid then stamp it and label it 100% real pomegranate juice.

So we're doing it as a public good. But that's a unique situation. Who else is going to do it?

**The Fink Center:**

***Unfortunately, it sounds like it's very expensive to be ethical.***

**Stewart Resnick:**

Very expensive, and there's a big movement against it, and the competition pushes you.

**The Fink Center:**

***Do you think we are at the end of the free-fall in markets?***

**Stewart Resnick:**

I was not surprised when all this happened, and I think we're nowhere through this. Everybody says we're coming out of it. We're not even in it yet as far as I'm concerned.

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Interview conducted, condensed, and edited by Pansy Yang



Stewart A. Resnick is chairman and owner of Roll International Corporation, a Los Angeles-based holding company. Resnick has developed and owns a number of successful companies including Paramount Agribusiness, the largest farming operation of tree crops in the world, which includes Paramount Citrus, Paramount Farming and Paramount Farms, growers, processors and marketers of citrus, almonds and pistachios; POM Wonderful, grower of pomegranates and maker of the all-natural POM Wonderful pomegranate juice; Teleflora, the largest floral wire service in the world; FIJI Water, the largest imported bottle water brand in the United States; and Suterra, the largest biorational pest control company in the United States.

Resnick is a member of the Executive Board of the UCLA Medical Sciences; member of the Board of Trustees of Bard College, Annandale-on-Hudson, NY; member of the Board of Trustees of the J. Paul Getty Trust; member of the Board of Conservation International; and trustee of the California Institute of Technology. He is also a member of the Advisory Board of UCLA Anderson School Management.

Resnick holds a Bachelor of Science degree in business administration from the University of California, Los Angeles (UCLA) and Juris Doctorate from UCLA Law School.