

Up front

and Lucent Technologies. Improving Nortel's operating results are a top priority, Zafirovski told reporters. "We work way too hard, go through too much pain, to only have operating margin levels of low-to-mid single digits," he said. "I cannot imagine a company with this heritage and level of investment for us to be anything less than the teens in operating margin."

That's not going to be easy. To get an operating margin of at least 19%, Nortel would have to increase its earnings per share to 45¢US—a long way from its current EPS of about 6¢US, wrote Paras Bhargava, a BMO Nesbitt Burns analyst, in a recent note to investors. "There are many uncertainties associated with Nortel," he added. "Lawsuits must be settled, there is likely more price competition... and last quarter's earnings quality did not impress us."

One way to boost those margins is to review Nortel's remaining operations and start ditching the losers. After all, Zafirovski learned his management techniques at General Electric under the tutelage of Jack Welch.

And at GE, the rule of thumb is: if you can't be a leader in the field, get out of the business. Nortel has already done a lot of needed cutting. At the height of its success, before the 2001 tech meltdown, the company employed more than 90,000 people; today, that number is closer to 30,000.

Once the dispute with Motorola is settled and Zafirovski officially takes over from Owens, investors will get a better idea of what he plans to do to restore Nortel's tarnished reputation and take the company to the next level. Let's hope that in addition to calling Zafirovski "Mike Zed," Canadians can soon call him "Mr. Profitability." JOHN GRAY

MBA's

Execs to the rescue

It's a long way from Calgary to Dar es Salaam, Tanzania, but that's where Arif Shivji is getting his post-MBA taste of commerce, thanks to the first overseas posting by MBAs Without Borders, a 16-month-old not-for-profit organization that sends MBA students to work with businesses in the developing world. Not only is Shivji getting an up-close look at such countries' financial woes, he's also learning that there's more to Tanzania than the starving faces we see on television. "Although the way of life here is different, it still works," says Shivji, who earned his MBA this year at the University of Western Ontario's Richard Ivey School of Business. "Private investment in a developing country is not just throwing money [around]. But it is difficult when the proper systems and infrastructure



Arif Shivji (right) with Otto Ringia, CSDI monitoring and evaluation manager, in Tanzania

are not in place to ensure that companies can operate successfully."

Part of Shivji's job is to pass along business acumen. His four-month stay started in September at the Centre for Sustainable Development Initiative, a micro-finance program funded by the U.S. government's African Development Foundation. The centre's six staffers boast professional designations such as accounting and university degrees from Europe, the U.S. and Africa. A well-dressed group, they wouldn't look out of place anywhere in the corporate world.

The past year has also

been an eye-opener for Tal Dehtiar and Michael Brown, co-founders of MBAs Without Borders. The fledgling organization has raised about \$20,000, and they hope to raise more to send MBAs to Cambodia and Kenya. But a number of potential projects have fallen through. "This might be not-for-profit, but it's just as dirty as any other business," says Dehtiar. "As soon as people find out someone is interested in our project, they talk to their connections and get \$250,000 on a very similar business plan." It seems everyone at MBAs Without Borders is learning something. ANDY HOLLOWAY

Fun with R&D

Research Infosource Inc. had expected last year to be brutal. The firm, which monitors spending on research and development by Canadian companies, predicted that Canadian corporations would continue to claw back R&D spending in fiscal 2004, as they had for the previous two years. As it happened, that was wrong. When the firm released its numbers in October, they pointed to an average increase of 3% in R&D spending among the 100 top spenders. The study noted, though, that managers appeared cautious; their revenues had, on average, grown even more.

Perhaps chastened by its mistaken forecast, Research Infosource offered no prediction for fiscal 2005. It did, however, raise concerns that the rising Canadian dollar and growing foreign competition might squeeze R&D spending this year.

MATTHEW McCLEARN

Nortel chief research officer Brian McFadden ▶



SPENDING MONEY, MAKING MONEY

Company	R&D spending (mil)*	R&D as a percentage of revenue*
Nortel Networks Corp.	\$2,550	19.9
Bell Canada	\$1,451	8.6
Magna International Inc.	\$690	2.6
Pratt & Whitney Canada Corp.	\$465	21.1
ATI Technologies Inc.	\$389	15.0
IBM Canada Ltd.	\$334	6.1
Alcan Inc.	\$311	1.0
Ericsson Canada Inc.	\$235	39.2
Bombardier Inc.	\$193	0.9
Alcatel Canada Inc.	\$190	†

* FY2004 † NOT DISCLOSED SOURCE: RESEARCH INFOSOURCE INC.