

WHARTON

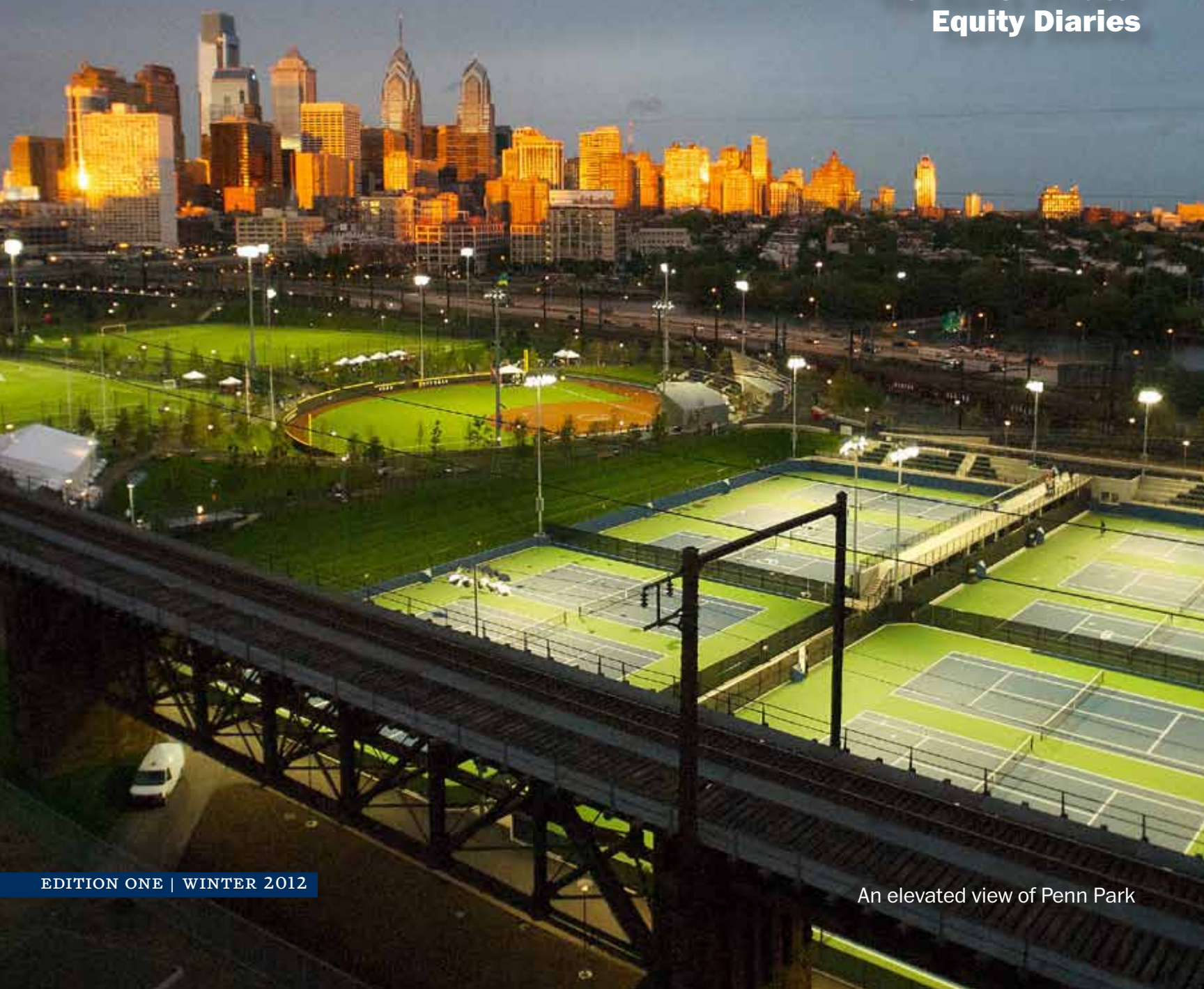
MAGAZINE

IN THIS ISSUE:

**Energy: The
Public-Policy Debate**

**Stories of Supply
Chain Survival**

**The NBA's Private-
Equity Diaries**



EDITION ONE | WINTER 2012

An elevated view of Penn Park

THE PENN CLUB

NYC Landmarks
Preservation
Commission names
the clubhouse
of The Penn Club
a NYC historical
landmark.

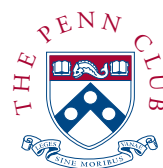
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An aerial photograph of Penn Park in Philadelphia at dusk. The park features several brightly lit tennis courts in the foreground, a baseball field in the middle ground, and a large green field. In the background, the Philadelphia skyline is visible with various skyscrapers illuminated against a twilight sky with a hint of a rainbow. A bridge railing is visible in the lower foreground.

What was green once will be green again. Penn Park (pictured here and on the cover at the ribbon-cutting on Sept. 15, 2011) stretches from Walnut Street to South Street along the Schuylkill River. It features 24 acres of recreational and athletic fields, including 12 tennis courts and a 470-seat multipurpose stadium. Construction took 22 months, and the project represents a \$46.5 million investment of institutional and donated resources.

Penn Park represents one piece in a greater vision for the University and Philadelphia. Penn Praxis, the clinical consulting practice in the School of Design, has called for 500 acres of new public green space throughout the city, citing financial, fiscal, environmental and health benefits, with the backing of the Department of Parks and Recreation and Mayor **Michael Nutter, W'79**. Penn Park is but one completed component.

Much of the economic rationale behind this new green-space initiative is derived from research by **Susan Wachter**, the Richard B. Worley Professor of Financial Management. Applying rigorous quantitative analysis and the power of the Wharton GIS Lab, of which she is director, Wachter has proven that green spaces increase the value of nearby properties.

Contents



ON THE WEB

Visit the new *Wharton Magazine* website at www.whartonmagazine.com for expanded features and new content each week on the Wharton Blog Network.

WINTER 2012 FEATURES

22 Lessons From Tohoku

The effects of the earthquake of last March 11 have rippled along every link in supply chain management. BY DAN REYNOLDS

32 The Private-Equity Diaries

Private-equity maestro **Josh Harris, W'86**, leads a team of investors to buy the Philadelphia 76ers. For him, it's another impending success in a long series of professional and personal victories.

BY MATTHEW BRODSKY

36 Making Waves on Their Own Ship

More recent Wharton grads are taking the skills they learn—and the connections they make—to pursue their entrepreneurial dreams. And some of their startups are receiving a lot of attention. BY ANNE FREEDMAN

60 The Many Faces of the Mission-Driven

Wharton students and alumni are playing ever-more prominent and prevalent roles in social impact, thanks to the fundamentals of a Wharton education and the School's focus on social impact.

BY AMANDA D'AMICO

66 What Is the Real Cost of Cheap Energy?

Our public policy debate explores the size of government's role, and questions the fairness and transparency of mandating one form of energy over another. BY GREGORY DL MORRIS

72 Mayor Nutter's Four More Years

The name of Mayor **Michael Nutter, W'79**, is being dropped more and more outside of Philadelphia. We talk with him about his relevance in the national political scene, as well as the power and limits of public policy.



66

60

DEPARTMENTS

6 A Message From the Dean

7 The Inbox

8 Debrief

A FACULTY FIND: Zeke Emanuel joins Wharton as a PIK appointment.

FROM THE VAULT: Closing Bell at Steinberg Hall-Dietrich Hall

10 YEARS DOWN, MANY MORE TO GO: Wharton | *San Francisco*

THREE ALUMNAE MAKE 'MOST POWERFUL' LIST: Wharton women populate Forbes' world ranking.

THE INDUSTRY OF ENERGY: Alumni share their knowledge at 2011 Wharton Energy Conference.

WHARTON FOLLY: Supply chain don't mean a thing (if it ain't got that swing).

GROWING THE GLOBAL PRESENCE: Wharton launches an accelerated Executive Education program in India.

ALUMNI AWARD WINNERS: Honoring the Dean's Medal and Distinguished Service Award recipients.

WHARTON DIGITAL PRESS: Mining Your Mistakes

WHARTON BLOG: 7 ways your smartphone may be killing your business.

ENTREPRENEUR GIVE AND TAKE: The EIR program has been an overwhelming, and copied, success.

HOW TO FUND HEALTHCARE INNOVATION: Highlights from the Wharton Alumni Healthcare Conference.

UNLOCKING THE GEOMETRY OF STRATEGY: A Review of *The Geometry of Strategy*.

EXECUTIVE EDUCATION: Conceiving of executive education through cooperation.

20 Guest Commentary

Princess Eyeballs and the Continuing Case for Business Travel



11

21 Alumni Association Update

Strengthening the Wharton Network

30 Lifelong Learning

The School's Innovation Group set out to learn what alumni really need and want in Lifelong Learning. Here's what they found out, and how it's powering this year's MBA Reunion Weekend.

40 Class Notes

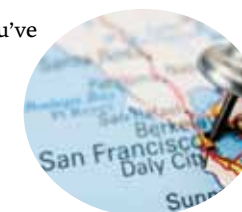
Updates from your classmates on new jobs, weddings, births and more.

76 Knowledge@Wharton

THE WORKPLACE: Employee's find little leverage in today's workplace. How can their bosses design work to combat the stress and alienation that can otherwise result.

80 Final Exam

TAKE OUR CHALLENGE: You've been offered a dream job in San Francisco. But how best can you negotiate the starting salary?



EDITOR'S LETTER



Marking New Year

Ancestral villagers along the Japanese coast left stones for future

generations, marking how high the water rose during a historic tsunami. Last March 11, Japan's northeast coast suffered another epic tsunami and earthquake. Enterprises around the world felt the shocks across their global supply chains. Many chains snapped. Inside, you'll find an article that explores the lessons learned about supply chain management from the event. A high-water mark for future readers? Perhaps. But at least an informative read in the present.

In the issue, we also talk to two leaders among Wharton's alumni network. **Joshua Harris, W'86**, led a team of investors and bought the NBA's Philadelphia 76ers. **Michael Nutter, W'79**, won a second term as Philadelphia mayor this past November. We sat down with him to ask how he plans to leave a positive legacy and deliver on his lofty public-policy promises.

If you're interested in public policy, I know you'll enjoy our analysis of government intervention in the energy industry. I think you'll find it to be a balanced debate about this headline-grabbing topic among alumni in the field and professors on campus.

One other thing you might also notice: the Class Notes section of the magazine has been moved. We're still running the same items from alumni, announcing the latest news in their lives. Some items, and photos in particular, however, will be featured in a new fifth issue of *Wharton Magazine*, a surprise to be unveiled this spring. Stay tuned.

Matthew Brodsky
Editor

A MESSAGE FROM THE DEAN

When we hear the words “public policy,” many of us think of Washington and the responsibilities of government officials. We rarely think of the role that business schools play—and yet perhaps we should.

In 2012, I want to challenge Wharton alumni to join our students, faculty and staff in contributing their talents and energies to public-sector efforts around the world.

Wharton is a dynamic institution with real-world expertise across numerous fields, including public policy. A significant corps of faculty across all 11 of our teaching departments conducts research that influences government decision-making, and students at all levels—undergraduate, MBA and doctoral—have the option of focusing their studies on the intersection of business and public policy. Increasingly, we are placing a limited

number of students, some of them supported by the Bendheim Loan Forgiveness Program, in internships and jobs in the public sector.

It makes a great deal of sense, for government is a key influence on business, and business has much to offer government. Since our founding in 1881, Wharton has been dedicated to enhancing social and economic welfare around the world. A renewed commitment to enhancing public policy is merely a natural extension of that founding ethos, and it couldn’t come at a more critical time.

This moment of global uncertainty has made it clear that being a force for good doesn’t just mean good business; it means good public policy as well.

Thomas S. Robertson

Dean and Reliance Professor of
Management and Private Enterprise



ON THE WEB

The Dean’s Blog

More from Dean Robertson at
whr.trn/FromTheDean.



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THE INBOX

Show Your Work

The “Final Exam” feature in Wharton Magazine is a nice touch. However, the answers are a little thin. As our elementary school teachers would say, they do not “show your work.”

It would be a major improvement if the professors who submit the answers

said a bit about why the answer is whatever it is. This will contribute to lifetime learning on the part of your readers, most of whom are not specialists in whatever the quarterly topic is.

John J. Landers, WG ’63

Editor’s note: Will do, John!

Send your letters via email to letters@whartonmagazine.com or via traditional mail to: Letters, Wharton Magazine, Wharton External Affairs, 344 Vance Hall, 3733 Spruce Street, Philadelphia, PA, 19104-6360. Letters may be edited for clarity or brevity.

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Debrief

A Faculty Find

Zeke Emanuel joins Wharton as one of three new Penn Integrates Knowledge appointments.

Ezekiel “Zeke” Emanuel, a world-class scholar of bioethics and health, leads a class of 22 new Wharton faculty members.

Emanuel’s appointment as the Diane v.S. Levy and Robert M. Levy University Professor is shared between Wharton’s Department of Health Care Management and the Perelman School of Medicine’s

Department of Medical Ethics & Health Policy. He will also be Penn’s Vice Provost for Global Initiatives and the inaugural chair of the Perelman School’s Department of Medical Ethics & Health Policy.

“I’m beginning to wonder why I’ve been against cloning all these years. It will be necessary now,” Emanuel jokes.

The newest Penn Integrates Knowledge (PIK) professor, Emanuel chose Penn because of the opportunity to bridge disciplines. He is an oncologist who served as head of the Department of Bioethics at the Clinical Center of the National Institutes of Health and special advisor for health policy to the director of the White House Office of Management and Budget. His work has spanned topics such as health-care reform, end-of-life care and the physician-patient relationship.

“No other university was so daring to put it all together,” he says. “When I teach, I want business students in there with law students, med students, nursing students, advanced undergraduates. I want that combination in the room. Penn is one of the few places where that can happen.”

As vice provost, Emanuel will work closely with Dean **Thomas S. Robertson** and **Harbir Singh**, Mack Professor of Management and Wharton’s Vice Dean of Global Initiatives.

“I’m looking forward to benefiting from the work and thought they’ve put into this. Wharton and Lauder have an unbelievable alumni network that will help us tremendously in terms of identifying collaborations in the future,” he says.

In keeping with this interdisciplinary focus, Wharton welcomed two other PIK appointments earlier this year: **Barbara Mellers**, an influential scholar of decision-making, and **Philip Tetlock**, an award-winning scholar of political psychology and organizational behavior. Mellers is the I. George Heyman University Professor with an



ON THE WEB

Watch Emanuel speak about health reform at wharton/ZekeEmanuel.

FROM THE VAULT



Closing Bell at Steinberg Hall-Dietrich Hall

Once housed in Steinberg Hall-Dietrich Hall, the stock exchange was a gift from **Michael Tarnopol, W’58**. An original piece of the New York Stock Exchange called Post 16, it was the site of many Wharton social gatherings, including the Reliance Symposium pictured above. Tarnopol, who died in 2005, was vice chairman of the International Banking Division of Bear, Stearns & Co. He was a longtime member of the School’s Board of Overseers and earned the Distinguished Service Award in 1997 and the Dean’s Medal in 2003. In addition, he was Vice Chair of Penn’s Board of Trustees and founded the Penn Club of New York, along with his wife **Lynne, CW’60**.

appointment shared between the Department of Psychology in the School of Arts and Sciences and Wharton’s Department of Marketing. Tetlock is the Leonore Annenberg University Professor with an appointment shared between the College’s Department of Psychology and Wharton’s Department of Management.

The PIK program was launched by President **Amy Gutmann** in 2005 as a University-wide initiative to recruit exceptional faculty members whose research and teaching exemplify the integration of knowledge across disciplines. PIK professors are jointly appointed between two Penn schools.

Wharton’s faculty now includes 230 full-time professors.

—By Kelly Andrews



RAI POQUIZ

With the Bay Bridge in the background, the Wharton sign is proudly displayed outside the Hills Brothers Building, the new home of Wharton | *San Francisco*.

boss likes to ask her: So what does your “Wharton crystal ball” say? The Wharton degree—whether from San Francisco or Philadelphia—validates this and certifies that professionals have taken their knowledge, expertise and ambition to the next level.

The alumni and students we interviewed appreciated Wharton’s dedication to the West Coast campus, best symbolized by the new campus at the Hills Plaza. Alumni joked that they were “jealous” that current students would be moving into the new space in January. Current students were sad to leave the comfort of the Folgers Building but couldn’t contain their excitement when touring the new campus.

A visit to the new site was part of the Saturday night festivities—despite it being a construction site and visitors needing to wear a hardhat.

Both Dean Robertson and Vice Dean Collom credited many for Wharton | *San Francisco*’s success at the 10-year mark, from those who have been on the ground for the entire time—Vice Dean **Len Lodish** and Associate Director **Juana Droessler**—to Harker and **Dave Schmittlein** (former deputy dean) and alumni **Jon Huntsman, W’59, HON’96**; **Lew Platt, WG’66**; and **David Pottruck, C’70, WG’72**, whose leadership and vision made the 2001 launch possible.

—By Matthew Brodsky

Three Alumnae Make ‘Most Powerful’ List

Three Wharton alumnae were ranked in *Forbes*’ latest list of the 100 most powerful women in the world: **Safra Ada Catz, W’83, L’86**; **Ruth Porat, W’87**; and **Dr. Risa Lavizzo-Mourey, WG’86, HON’10**.

Ranked No. 40, Catz is president and chief financial officer of software company Oracle. She has been with the Redwood Shores, CA-based firm since 1999 and has served on its board of directors since 2001.

With her background in international business leadership, Catz was appointed a nonexecutive director at banking firm HSBC in 2008.

Porat is CFO of Morgan Stanley. Ranking her at No. 90, *Forbes* describes Porat as the “most senior woman on Wall Street,” a position she has attained after a long tenure at the bank.

She started there in 1987 and has held such roles as vice chair of investment banking and global head of its financial institutions group.

During the financial crisis, she advised the U.S. Treasury regarding mortgage giants Freddie Mae and Freddie Mac and the Federal Reserve Bank of New York regarding troubled insurer AIG.

In addition to her Wharton MBA, Porat holds a master’s from the London School of Economics and a bachelor’s degree from Stanford University.

When Lavizzo-Mourey attended

Wharton, she was a Robert Wood Johnson Foundation scholar.

She has since become the first female president and CEO of the Princeton, NJ-based organization, the largest health-centric philanthropic foundation in the United States.

No. 95 on the *Forbes* list, Lavizzo-Mourey oversees a \$10 billion endowment and more than \$400 million in distributions.

She earned her medical degree at Harvard University.



Dr. Risa Lavizzo-Mourey, WG’86, HON’10



Ruth Porat, W’87

Forbes rankings are based on three metrics: “dollars, a traditional and social media component, and power base points,” according to the publication.

Also on the list were three other graduates of the University of Pennsylvania: **Helene Gayle, M’81**, CEO of Care USA (No. 36); **Judith Rodin, CW’66, HON’04**, president of the Rockefeller Foundation (No. 71); and **Drew Gilpin Faust, G’71, GR’75, HON’08**, president of Harvard (No. 83).

—By Matthew Brodsky

San Francisco: 10 Years Down, Many More to Go

ON Saturday, Oct. 29, a party on the Bay specifically marked the 10-year anniversary of Wharton | *San Francisco*, but it celebrated so much more than that.

During his speech to alumni, families and friends at the celebration, Vice Dean of Wharton | *San Francisco* **Doug Collom** outlined the chronology of those 10 years, from former Dean **Patrick Harker’s** vision in 2000, to the first 65 students in Aug. 2001, to the development of programs like the Wharton Customer Analytics Initiative and Nonprofit Board Leadership Program, to the introduction of eight new global modular programs in 2012.

“I think a decade is fairly a good metric by which to measure success,” Dean **Thomas S. Robertson** said at the reception.

He then listed some of the other ways to measure Wharton’s success on the West Coast: a world-class MBA Program for Executives, a thriving portfolio of non-degree programs for executives, innovative entrepreneurship programming and increased brand recognition.

When we interviewed several Wharton | *San Francisco* alumni and students during the celebration, that last achievement came up often. Brand recognition is a point of pride for Wharton’s West

Coasters. The Wharton brand, with its reputation for rigor, knowledge and excellence, has made an impression from San Diego to Silicon Valley, from Arizona to Oregon.

Our interviewees credited Wharton’s brand name and the outstanding education Wharton offers with job promotions and bold career moves, both within their organizations and to new enterprises.

For **Kate Gallego, WG’12**, this brand recognition matters at her job in Arizona. She works at a public utility, and when she returns to work during the week and a problem arises and needs solving, her

ON THE WEB
View all the San Francisco interviews at whr.tn/WhartonVideos.

The Industry of Energy: It Keeps Going, and Going, and Going

Alumni share their knowledge at the 2011 Wharton Energy Conference.

ow manure could be the future of energy in America. The concept of converting methane gas from cattle waste into electricity is not new; however, to the American public, the idea remains novel. The reason: It has not yet been instituted on a large scale. That raises the question of why some sustainable energy sources never make it into mainstream production. Wharton alumni weighed in at the 2011 Wharton Energy Conference. “The most promising nonconventional energy technologies appear to be conventional,” said **Lee Edwards, WG’83**,

president and CEO of Virent Inc. “They make integration into everyday life seem easy and seamless to the customer and convince people it’s viable and economical.” Edwards joined fellow Wharton alumni **Natalie Halich, WG’95**, who is principal investment officer in the International Finance Corporation’s Infrastructure and Natural Resources Equity Group, and **Chris Tynan, WG’08**, an assistant director of project finance for Summit Power Group, in Philadelphia on Oct. 28, 2011, on a panel during the conference’s Innovation Series. One message they shared with Wharton

students and conference attendees: While it is important to develop novel ideas for sustainable energy sources, it is equally important for companies to consider long-term deployment of new technologies. “In the energy space, there is a lot of hype,” said Tynan. “There is a lot of incentive to develop technologies, but not to manufacture and distribute.” Panelists also weighed in with advice for students interested in pursuing careers in the energy industry. “Work at a place where you can learn the most in a very short amount of time, and where they’re willing to take a risk on you,” noted Edwards.

And they discussed how various areas of the energy industry address the triple bottom line. “This has played a big role in the extraction industries,” said Halich. “The most successful companies will be those that increase efforts to demonstrate the triple bottom line.”

Entitled “Energy Frontiers: A Global Perspective,” the day was divided into three tracks—Traditional Energy; Alternative Energy; Regulatory, Policy and Finance—and an Innovation Series. Topics ranged from the challenges of natural gas extraction and constraints of solar energy to government policy in the energy sector.

The Wharton Energy Conference is held annually, led by MBA candidates, and open to alumni and students. Wharton alumni who are working in or are interested in the cleantech and energy field are encouraged to join the Wharton Energy Network, an alumni affinity club. You can find more information about it at www.whartonenergy.com/.
—By Susan McDonnell

WHARTON FOLLY



*Supply Chain Don't Mean a Thing
(If It Ain't Got That Swing)*

NEWS BRIEFS

Wharton Research Data Services Launches Offerings to Corporate Clients

The Wharton School announced that Wharton Research Data Services (WRDS), the leading comprehensive, Internet-based data research service, now provides its services to corporate clients. Currently connecting more than 300 academic institutions and organizations to financial, accounting and economic data from more than 40 vendors on a single platform, WRDS provides one-stop shopping for standardized data. In addition, WRDS offers a computing cloud and consulting services for clients in need of research support.

WRDS also announced that it now carries the FactSet Fundamentals dataset. FactSet Research Systems is a leading provider of financial data and analytics to the global investment community.

Wharton Executive Education Forms New Advisory Board

The Aresty Institute of Executive Education at the Wharton School formed a new Wharton Executive Education Advisory Board. To serve as Chair of the new board, Wharton appointed **Bruce Mosler, WAM’07**, chairman of Global Brokerage for real estate giant Cushman & Wakefield.

The primary objective of the new Advisory Board is to provide leadership, advice, counsel and strategic support to Wharton Executive Education. As Chair, Mosler will serve as chief volunteer and liaison between Wharton, its external constituencies and board members. In addition, he will be the public face of Wharton Executive Education, serving as its local, regional and global ambassador.

Raymond G. Perelman to Receive the University of Pennsylvania Medal for Distinguished Achievement

University of Pennsylvania President Amy Gutmann presented prominent Philadelphia philanthropist **Raymond G. Perelman, WEV’40**, with the University of Pennsylvania Medal for Distinguished Achievement, one of the University’s highest honors, at an Oct. 26 reception celebrating the naming of the Raymond and Ruth Perelman School of Medicine at the University of Pennsylvania.

In May 2011, Perelman and his late wife, Ruth Perelman, donated \$225 million to Penn—the largest single gift in the University’s history—to benefit its School of Medicine. The gift represents the largest single gift to name a school of medicine in the United States.

Debrief



Growing the Global Presence

Mumbai. Regarded as the commercial and financial capital of India, it is home to India’s largest stock markets, the central office of the Reserve Bank of India, the head office of the Securities and Exchange Board of India, numerous corporations and media outlets, and, as of January 2012, Wharton Executive Education’s Accelerated Development Program.

Wharton’s presence in India is not new—Wharton Executive Education has strong ties to India and has provided customized programs for Indian organizations. The Global Engagement Series occurred there in 2011, and numerous Indian business leaders have attended sessions in Philadelphia or are Wharton alumni.

But the launch of an Accelerated Development Program outside of the United States is new. In fact, this is the first program of its kind that Wharton has launched internationally.

“India’s current economic environment is dynamic and fast-paced, and the School has established strong ties there. It was a natural fit for Wharton Executive Education,” says **Maria J. Pitone**, practice leader for General Management Programs at Wharton Executive Education, who works with faculty on the design and development of the curricula. “Successful companies there are looking to expand to global markets, and Wharton is well positioned to provide a relevant program that meets the unique needs of the market.”

The Accelerated Development Program is designed for high-potential business leaders. Participants will receive a certificate upon completion of either three Wharton Executive Education programs in India or two programs in India and one in Philadelphia. The initial courses being offered in Mumbai are Customer Driven Marketing: Strategies for Profitable Growth; Strategic Thinking and Leadership for Growth; and Using Finance for Strategic Growth. Beyond the classroom, the program will provide participants with professional coaching and leadership assessments.

Courses will not be limited to Mumbai—programs will be offered throughout India, including Gurgaon and Bangalore.
—By Susan McDonnell

**Wharton launches an
accelerated Executive
Education development
program in India.**



ON THE WEB
Learn more about Executive Education
at whartonexeced.com

Honoring the Dean's Medal, Distinguished Service Award Recipients

Last October, members of the Wharton Board of Overseers; the Graduate Executive Board; the Undergraduate Executive Board; the Asian Executive Board; the Executive Board for Europe, the Middle East and Africa; the Latin American Executive Board; and the Alumni Executive Board met on Wharton's campus. Handpicked for advice and insight that they can offer to the School, board members converged from locations around the world to discuss issues relevant to Wharton's present and future. They also recognized their outstanding peers.

This year, **James G. Dinan, W'81**, and **Jeffrey S. Katz, WG'71**, were honored with the Alumni Award for Distinguished Service. **Robert B. Goergen, WG'62**, received the ultimate recognition, the Dean's Medal, given to a leader of private enterprise, public service or academia whose contributions to the global economy have helped to create wealth and value while promoting a peaceful, prosperous world.

After talking with the three award recipients and listening to their acceptance speeches, what became apparent was their



Robert B. Goergen, WG'62, speaks after receiving the Dean's Medal.

sense of surprise and humility in receiving these distinctions.

What came through, as well, was their appreciation of all they have already received from Wharton.

Goergen recalled how "remarkable" it was that Wharton had given him a full fellowship to attend. The "very intense" MBA education he received gave him the tools to succeed in his various careers in banking, private equity and entrepreneurialism, in particular his current role as founder and leader of Blythe Inc. As an entrepreneur, Goergen prizes the education Wharton can give to current and future students, in large part thanks to his funding of the Robert B. Goergen Professor of Entrepreneurship and the Goergen Entrepreneurial Management Programs.

Katz was "happy to say" he got into Wharton in the first place. The real estate mogul, chief executive and principle owner of Sherwood Equities Inc., best known for his role in redeveloping Times Square's brightly

lit glory, has been giving back to the School ever since, returning to campus to meet with students and supporting the Wharton Annual Fund. When asked why he contributes, he said that it is the right thing to do and that it feels good, but the word "fun" came up too.

"I feel like I learn more than I give," he said.

For Dinan, who founded and runs the hedge fund York Capital, his time as a student "opened a whole new world to him," an "awakening" that launched his career in finance and made him realize what he was capable of achieving.

Dinan has since created the Wharton James G. Dinan Scholarship Fund and the Dinan Leadership Program Research Fund. Giving back for Dinan is about ensuring that the School can continue to help future generations as it did him.

"I want the School to continue to be a special place," he said.

—By Matthew Brodsky

Mining Your Mistakes

Wharton Magazine: How did you develop the concept of what you call "brilliant mistakes"?

Paul Schoemaker: Two issues have always intrigued me. First, when the founder of Honda claims that success is 99 percent failure, I wonder why we label the necessary steps toward success in such a negative way. Failure and its twin sister "mistakes" often get a bad rap. Second, when executives tell me that they learned the most in their careers from mistakes, I wonder why they don't make a few more. To learn maximally from mistakes, we need to commit more errors than we deem optimal as judged within the bounds of our limited rationality.

WM: How can companies leverage failure, strategically, into success?

PS: Companies that want to compete on innovation are well-advised to become more tolerant of errors in practice and develop better methods for capturing the lessons from mistakes. Such companies should also emphasize that managers (especially younger ones) who are involved in project failures are to be viewed as being on a fast learning track, rather than an exit track.

WM: What are some of the most surprising or unexpected findings or insights from your research?

PS: Successful people tend to have a different view about mistakes than most ordinary people. Not only are they more tolerant of them (in themselves and others), but they often embrace them. Another surprising conclusion is that people



Q&A

A Q&A with **Paul J.H. Schoemaker, WG'74, GR'77**, research director of Wharton's Mack Center for Technological Innovation, about his new book *Brilliant Mistakes* from Wharton Digital Press.



who are more risk-averse should make more deliberate mistakes because they can be used as hedges. This was counterintuitive to me at first. A strong portfolio case can be made for investing in mistakes. Similarly, a deliberate mistake can be viewed as a hedge against conventional wisdom, one that will have a high payoff when the majority view of the crowd happens to be wrong (but a loss otherwise in all likelihood).

WM: Any other issues you'd like to emphasize, regarding your new book?

PS: I describe a long list of past business mistakes—as judged by the conventional wisdom at the time—that proved to be brilliant. These include personal copiers, selling via pet stores, ATM machines, credit cards for students, organic food, fractional jet ownership and tobacco-free cigarettes. Just as these ideas were ridiculed at the time, there are many silly business ideas floating around today that will prove to be brilliant in the future. The challenge for managers is to recognize them, and this can only happen if leaders create sufficient space for experimentation.



ON THE WEB
Buy the book at: whr.tn/BrilliantMistakes.

Bottom Line

Wharton Doctoral Programs offer a tremendous breadth and depth of business knowledge to empower students' research interests. Students work with leading faculty in a collaborative environment that offers unmatched opportunities to find their path as scholars and intellectual leaders. They take ownership of their ideas and discover new multidisciplinary research opportunities.

250+
4-5

The average number of years of full-time study required of students to complete the Doctor of Philosophy (Ph.D.) at Wharton. The first two to three years are spent preparing for admission to candidacy by taking required courses and passing a preliminary exam. The last two years are typically spent writing and then defending a dissertation.

Wharton's faculty members who are available to Wharton Doctoral Programs students.

9

Programs of study for Doctoral Programs students: accounting, applied economics, ethics and legal studies, finance, health care management and economics, management, marketing, operations information management and decision processes, and statistics.

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1,500

Wharton doctoral alumni worldwide.

Tuition for the academic year 2011-2012. All Wharton doctoral students receive a fellowship that covers this cost, as well as health insurance and a stipend.

Average age of entering Fall 2011 students.

23

7 Ways Your Smartphone May Be Killing Your Business

Today's smartphones enable business leaders to constantly be in contact with the office and access the Internet or the cloud for needed information on the fly. Unfortunately, it is exactly this constant contact and easy access that often overwhelm the positives and make these devices harmful to the leaders' businesses and lives.

Constant contact leads to a triumph of the urgent over the important. With the emails rolling in and the Internet so accessible, too much time is spent responding to trivial matters or checking the news, stocks or sports scores. These constant interruptions and distractions all but eliminate the quiet time leaders need to think about their businesses.

Constant contact leads to micromanagement. Leaders can know what is happening in their businesses at all times. This lets leaders contribute their two cents on every issue. The resulting barrage of emails, text messages or phone calls to their teams interrupts the day and undermines their authority and autonomy.

Constant contact leads to wimpy teams: Teams know that their leaders can always be reached for an opinion or seal of approval. So even insignificant decisions are run by leaders, with the leaders serving as a security blanket for team members unwilling to make a decision for which they would then be held accountable.

Smartphone usage is often inefficient. Tapping out a response on smartphones, even for texting wizards, is nowhere near as efficient as touch typing on laptops. As such, all but the simplest emails are often read and handled twice, once on the smartphone and once on the laptop.

Leaders should ask themselves, "Am I going to work high?" Constant multitasking that results from excessive smartphone usage reduces their ability to function at peak levels. A study conducted by TNS Research determined that workers distracted by phone calls, emails and text messages suffer greater losses of IQ than people smoking marijuana. These effects



accumulate. Without downtime to recharge batteries, people's stress levels increase with damaging effects on cognition and physical health.

Smartphones also make leaders both absent and rude. Leaders should try having a meeting, casual conversation or meal where everyone is present and listening intently to whomever is speaking. It just ain't happening anymore!

Lastly, leaders are setting a lousy example. Their teams are aping their behavior. Many can no longer work for solid blocks of time and actually require interruptions and distractions to keep things interesting and lively.

Of course, smartphones don't kill businesses, but poor leadership does. Smartphones enable leaders to do more, leading to poor management skills, inefficient work style and weak time management skills that are even more detrimental.

To be used effectively, smartphones require discipline and self-control. Here are some additional tips for business leaders:

- Create time-outs from smartphones, especially during the most productive time of the day, at nights and on weekends.
- Set up rigorous controls on how often emails are received (do not use automatic syncing).
- Set up time locks that prevent access to games, nonwork apps and even the Internet.



ON THE WEB
This article first appeared on the Wharton Blog Network at whartonmagazine.com/blog.

The Entrepreneur Give-and-Take

Celebrating its 10th anniversary, the Wharton School's Entrepreneur-in-Residence program (EIR) has been an overwhelming, and copied, success.

Two-time participant **Nirav Shroff, W'13**, who met with **Nathaniel Turner, W'08**, says of the Entrepreneur-in-Residence program: "[It] allows students like me the opportunity to have a completely open-ended discussion with a proven entrepreneur."

Schroff and fellow classmate **Neal Pancholi, W'13**, discussed with Turner their plan to create a platform that allows financial advisors to build long-term relationships with those seeking sophisticated, qualified advice.

Turner offered several suggestions that stuck with Shroff, such as the importance of focusing on creating, not overanalyzing, and how to recruit technical talent.

The highlight of the conversation came at the end of the session with Turner. "He was adamant that we stay in touch and share our beta version with him," Shroff says.

The Entrepreneur-in-Residence program offers counseling and career opportunities to Wharton students. **Emily Cieri**, managing director of Wharton Entrepreneurial Programs, estimates that almost 200 entrepreneurs will have met with more than 2,000 Wharton students during EIR's history.

Turner's own story as a student illustrates how these meetings have become success stories. During EIR, Turner encountered serial entrepreneur **Josh Kopelman, W'93**.

Kopelman was so impressed by Turner's ideas and prior entrepreneurial experience that he called Turner while driving home from the meeting and offered him a summer internship.

This opportunity helped Turner launch Invite Media, which he then sold to Google for \$80 million.

The alumni's passion and dedication makes such EIR stories possible. **Shelley**



Josh Kopelman, W '93



Nathaniel Turner, W'08

Boyce, WG'95, has mentored many Wharton students during her years of participation.

"First and foremost, I enjoy talking to budding entrepreneurs. It also reminds me when I was there many years ago as a student when I was launching my own company, MedRisk," she says.

One of the benefits of the program is how alumni learn from students.

"I feel like I learn more than I give back," Boyce says, adding that she thinks of herself as a "professional learner."

Boyce makes sure that she remains in contact with the students she meets. "Thirty minutes isn't long enough to spend with most of them, so I've offered on many occasions to provide further support or give them my business card to call me because of the diverse and innovative ideas these students provide."

Boyce is one of the many alumni who returned to participate in the program this past fall. Sponsored by **Robert Haft, W'74**, last semester's session included

entrepreneurs **Ellen Yin, W'87, WG'93; Richard Perlman, W'68; Robert Corrado, WG'00; Joe Zebrowitz, C'88, WG'06; and Troy Williams, WG'06.**

According to Cieri, EIR has been emulated at universities nationwide.

"Imitation is the sincerest form of flattery," she says. "A colleague of mine from the

"I feel like I learn more than I give back."

Kellogg Business School at Northwestern jokingly told me how she stole Wharton's idea for the EIR program, and they loved it." Two years ago, another colleague at Harvard mentioned to Cieri that they were adapting the program as well.

As for the future of the program, Cieri is certain of its continued success. "EIR has become the hallmark of our mentoring programs. This is a program that never gets old. The vibrancy of the alumni keeps it fresh and relevant, and the students' excitement makes it rewarding for the entrepreneurs."

—By Chris Abreu, LPS'11

How to Fund Healthcare Innovation

VISUAL
EFFECTS BY

is difficult nowadays to find funding for an early-stage company in the biomedical and biotech field. As speakers at the Annual Wharton Alumni Healthcare Conference explained, the rules of engagement between investors and entrepreneurs have changed since the financial crisis.

What used to drive investment was the potential for clinical success of an endeavor, said **Andy Weisenfeld, WG'93**, senior managing director of MTS Health Partners. Now, investors are more sophisticated and are forecasting beyond clinical trials to what the market could look like upon approval. They are also increasingly concerned about the costs of trials.

"The last five years have been years of tremendous change in levels of sophistication," Weisenfeld said. "The bar is so much higher than it ever was before."

"The idea of infinite capital is gone," said Dr. **Ali Behbahani, M'07, WG'07**, principal at New Enterprise Associates.

Some investors might still consider an early-stage company if the investing is syndicated, according to Dr. **Ash Khanna, WG'05**, of SV Life Sciences. Corporate venture capital funds are also stepping up in this space.

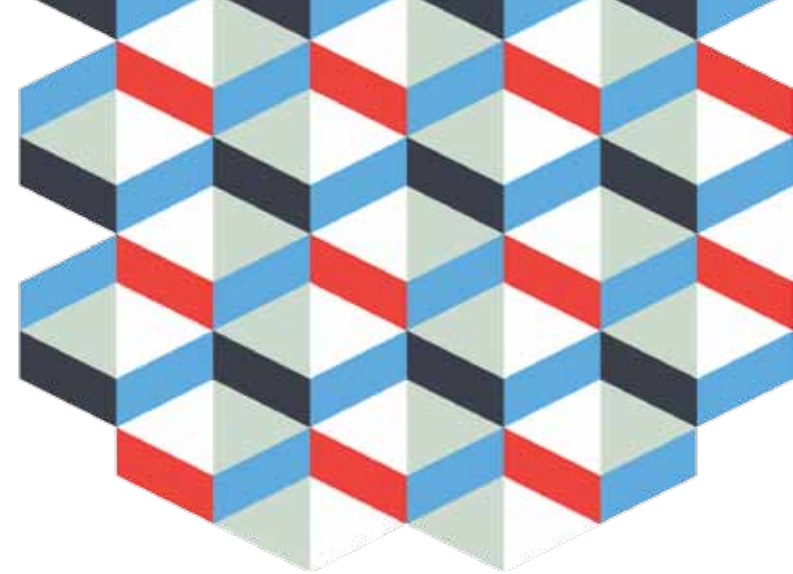
The hot spots where seemingly everyone wants some of the action include any product where early trial data are very predictive of future success, such as medicines for autoimmune diseases or antivirals, said Weisenfeld. Dr. **Gary Kurtzman**, a lecturer in Wharton's Health Care Management Department, suggested that healthcare IT is popular, though it's not clear if enterprises in this space will make money.

Another consideration for buyers and investors, according to the speakers of the "Financial Healthcare Innovations" session at the conference, is the makeup of the company's board.

On the board, the norm is dysfunction, said Weisenfeld. It is getting better, he said, with investment syndicates and groups working together on a "much tighter" basis. And it's not necessarily the board that is causing the dysfunction. Weisenfeld recalled at least three occasions in the past few years where management drained a company's cash without advancing it.

"Once a board has to manage a company, that's not a good situation," said Kurtzman.

—By Matthew Brodsky



Unlocking the Geometry of Strategy

In the perfect C-suite, strategic planning and strategic thinking would go hand in hand. As is too often the case, however, strategic thinking occurs on an intermittent, informal basis. Senior management fails to inform this thinking with its regular, formal strategic planning, and vice versa. **Robert W. Keidel, WG'66, GR'79**, provides a framework to help decision-makers integrate the two in his newest book *The Geometry of Strategy: Concepts for Strategic Management*.

His argument is based in part on the idea that strategy can be broken down into four different "geometries" of thinking: point, linear, angular and triangular. Point thinking involves framing an issue in a black-or-white point of view. With linear thinking, we see within an issue its shades of gray. Angular thinking—illustrated as a two-by-two square grid—takes into account the black and the white of an issue.

Triangular thinking frames an issue in "color," blending the concepts of autonomy, hierarchal control and spontaneous cooperation. It affords the user the ability to consider any complex situation or problem and discern the qualitative choices therein, whether they be about strategy, technology and organization, or competitiveness, growth and organization. Triangular thinking can be thought of as a way to model an organization's nature.

Ultimately, Keidel provides his readers with a "strategic scaffolding" to put together all four geometries of thought. With this scaffolding, business leaders can build the "shared values and concepts, images and frames, metaphors and models," Keidel writes—in essence, both the history and the direction for a company.

Keidel is a clinical professor of management at the LeBow College of Business at Drexel University and serves as principal of an eponymous consulting firm based in Philadelphia. He previously was a senior fellow at the Wharton School, a corporate manager, a program consultant at the National Center for Productivity and Quality of Working Life, and a Naval officer.

—By Matthew Brodsky

Conceiving of Executive Education Through Cooperation

Notable author Daniel Pink envisions executives to be shaped like Ts. The stem of the T represents their core discipline, the top of the T their broad-based business acumen. **David Heckman Jr.**, practice leader of advanced management programs at the Aresty Institute of Executive Education, carries the T analogy one step further to explain why the new **Business Sustainability Leadership program** is an exciting development.

For Heckman, the top of the T represents all of the coursework that Executive Education can offer, while the stem symbolizes the core focus of a program, in this case sustainability.

"It allows the participant the option to say, 'Based on what I do, how much development do I need on the stem of my T, or how much development do I need on my top?'" Heckman says. In other words, the program offers the best of both worlds.

Satisfying both parts of the T, so to speak, is an innovative and unprecedented approach to executive education, according to **Jason Wingard**, vice dean of the Aresty Institute of Executive Education, particularly when it is co-branded and co-funded as is this joint program.

Designed in partnership with the Initiative for Global Environmental Leadership (IGEL), **Business Sustainability Leadership** will feature education sessions to teach business leaders about cutting-edge strategy and metrics that increase corporate productivity and competitiveness while

preserving the environment. Specific sessions will include: Sustainability as a Competitive Advantage; Stakeholder Management; Risk Management; Supply Chain and Sustainability; Scenario Planning; Leadership and Change Management; Marketing and Customer Analytics; Life Cycle Analysis; and Finance and Strategic Planning.

As Heckman explains, this sustainability-focused coursework will afford participants a "deep dive" into the subject matter.

Business Sustainability Leadership is a pilot program for a new series of sustainability programs in development at Wharton Executive Education. It is expected that participants will be able to choose from a combination of open-enrollment executive education programs and Wharton leadership ventures to ultimately earn a certificate from Wharton attesting to their expertise in the

subject area. Heckman foresees the full catalog of general management and senior management programs as being available to certificate program participants.

"After we decided to go forward with it, we went through a very careful and thorough design process," says Wingard, adding that IGEL's advisory board took part.

Expect more instances of such partnerships between Executive Education and centers and initiatives. Explaining that the School has more centers and initiatives than other competitive business schools, Wingard says: "It will be easier for us to replicate this across disciplines."

"There is definitely interest in the model," adds Heckman. Preliminary talks are underway with the William and Phyllis Mack Center for Technological Innovation and the Wharton Customer Analytics Initiative.

For Wharton's centers and initiatives, partnering with Executive Education could allow them to broadcast the depth of their knowledge to executives who can then apply it in the real world.

"This is a much broader, directly applicable way to get their research on the ground," Wingard says.

The inaugural program for **Business Sustainability Leadership** will be held at Wharton | *San Francisco* from June 12-14, 2012. This program is led by **Eric Orts**, Guardsmark Professor and IGEL director, and Wharton alumnus and entrepreneur **Bernard David, C'79, W'79, WG'82**. It was formed in part with generous support from software solutions provider SAP.

—By Matthew Brodsky



MURRAY KIMBER

Princess Eyeballs and The Continuing Case For Business Travel

One of my consulting clients, an animation studio in Los Angeles, was having a problem with its Japanese subsidiary. Typically, before calling it a day in Los Angeles, directors would assign tasks to animators in Japan, who would send the finished work back before the next morning’s first light shone on the Hollywood sign. One day, a seemingly innocuous request turned into serious drama. The directors wanted to change the direction a beautiful princess was facing in a particular shot. They sent a sketch to Japan, but instead of finding the completed work the next morning, they found a note: “We noticed that you did not fill in the eyeballs in your sketch. Does this mean the princess should not have eyeballs in this scene? And should we remove the eyeballs in other scenes as well?”

The Americans hit the roof and responded: “She’s a flipping beautiful princess! Of course she flipping has to have eyeballs!”

Only they didn’t say “flipping.” You can imagine that this did not go over well in Japan.

The real problem wasn’t the eyeballs. Rather, the beautiful princess was a symptom of a larger issue: No one on the American team had ever met members of the Japanese group, and vice versa. Distant colleagues were “others” from across the vast ocean, with unpronounceable names, people yet not people.

Because they didn’t know each other well enough to talk things out, both sides retreated to (passive) aggression, distrust and anger. What should have been a quick fix nearly derailed an entire division. That, ladies and gentlemen, is why we still need business travel.

I actually learned this at Wharton, though I didn’t realize it at the time. It started with the cohort system and spread to the Thursday night pub, Wharton Follies, TalkTalk, study groups, group projects,

grad student dorms, off-campus house parties and the weekend the entire class of 1990 spent at the Jersey Shore. Having been a dyed-in-the-wool liberal-arts undergrad, I enrolled in Wharton half-expecting cutthroat-shark-pinheads for classmates, but instead I made friendships that have lasted more than 25 years—and good business contacts too.

Companies back then sent the same message. After all, if they didn’t think personal connections mattered, why did they spend thousands of dollars sending representatives to campus recruiting receptions overflowing with wine and hors d’oeuvres?

So I’m puzzled at this trendy notion that you can do business with people you’ve never met. Nobody ever gets to be closer colleagues—not to mention friends, relations or lovers—by not spending time together.

It’s the reason conventions still happen. Go, attend the seminars, learn, but know this: You’ve missed the point if you’re not forging and strengthening relationships at that convention. Google will do about as well gathering you the same information for free, but if you think technology can stand in for getting to know someone over a meal or a beer, maybe you should go back to Wharton.

Yes, I understand the need to keep costs down, particularly in these times. I receive daily earfuls about rising airfares, snafued security, airline merger madness, scarce upgrades and how getting around just generally sucks.

As a Wharton alumna and film producer told me when I first moved to L.A., though, “You spend money to make money.” Few investments are better than those that ensure a team loves working together, whether across an office or across an ocean.

About my animation studio client: We fixed the problem by sending delegations from each team to the other. And since they’ve gotten to know each other, they’ve been working, more or less, happily ever after.

Andy Bender, C’85, G’90, WG’90, is a travel and food writer whose work has appeared in Forbes, the L.A. Times, Lonely Planet and dozens of other publications. He also consults with multinational businesses about navigating cross-cultural issues.



update

Strengthening the Wharton Network

Dear Fellow Alumni,

I am honored to write to you for the first time as Chairman of the Wharton Alumni Executive Board. Together with Board President **L. David Mounts, WG’04**, we look forward to working with you to strengthen the alumni experience for all of us.

As graduates from the premier business school in the world, we take great pride in our Wharton heritage. We are members of an elite network of more than 88,000 business leaders around the world. Like any network, our strength is based on our shared bond and commitment to each other. There are many ways to maximize your alumni experience, strengthen the Wharton network and give back to the school at the same time. Here are just a few:

- Attend a reunion. If this is a reunion year for you, I would strongly encourage you to attend. This is a great way to reconnect with classmates, develop new contacts and see old friends. There are also many volunteer opportunities centered around organizing your class reunion.
- Join an alumni club. Wharton has 80 alumni clubs around the world, so wherever you are, an alumni club is bound to be nearby. In addition to geographically centered clubs, a number of affinity clubs focus on specific industries or areas of interest, such as private equity or health care. These are some of the fastest growing alumni organizations and can serve as a great network in your specific areas of interest. You can learn more about alumni clubs at: www.wharton.upenn.edu/clubs.
- Become a Class Ambassador. Launched just two years ago and already more than 100 strong, the Alumni Class Ambassador Program aims to cement connections between alumni and increase alumni engagement and participation with the School. To learn more about this program, please contact Wharton Alumni Relations at: alumni.relations@wharton.upenn.edu.
- Donate to the Wharton Fund. Although tuition certainly seemed high when we were students, you may be surprised to know that it actually only covered about half of the total cost of our education. We were all subsidized by the generosity of the alumni who came before us. Now it’s our turn to repay that debt with our own gifts. Remember, every donation we make helps make Wharton an even stronger institution, which we all benefit from. Visit www.campaignforwharton.com to make a gift.

ON THE WEB

For more alumni news and events, visit WhartonConnect at www.whartonconnect.com.

I hope you all find ways to get involved and improve your own alumni experience. As I begin my two years as Chairman, I will strive to ensure we continue to build the best alumni environment possible.

In closing, I would also like to thank my predecessors. **Craig Enenstein, WG’95, G’95**, has been a great friend and leader, and he will continue to serve on our board as Chairman Emeritus.

I look forward to working with many of you in the years ahead. Thank you for everything you do to make our alumni network the best in the world.



Rob Newbold, WG’99

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May 11-13

LESSONS FROM TOHOKU

The effects of the earthquake of March 2011 have rippled along every link in supply chain management.

BY DAN REYNOLDS

It was a learning experience that corporate leaders in Japan may never live through again. As in any crisis, some leaders proved their mettle when faced with the unique challenges presented by the earthquake and tsunami that struck Tohoku, Japan, on March 11, 2011. According to **Junichi Endo, WG'93**, such leadership could be found at Nissan Motor Co. Ltd.

"Nissan made the earthquake recovery its No. 1 global priority," says Endo, who currently serves as CEO and president of NMKV, a new car company jointly owned by Nissan and Mitsubishi. "It reassigned all required staff to the task and suspended many projects to secure the soonest possible recovery."

The car company assigned the task of recovery to three senior executives and let them do their job with minimal oversight or interference from executive management,

according to Endo. Nissan also brought all of its supply chain management teams from overseas plants to Japan for real-time assessment of the situation and to facilitate communication. One of the company's bolder steps was to adopt a "push" approach to production; it analyzed the damage to its supplier network, cataloged what parts were still available, and made decisions on what cars to produce based on "reasoned and rational judgments," says Endo, who also serves as a member



JUNICHI ENDO, WG'93

“WE MAINTAINED PRESSURE ON THE SUPPLY CHAIN. ... WE KEPT DEALERS STOCKED”

of Wharton’s Executive Board for Asia.

“This ensured we maintained pressure on the supply chain, and it also maintained cash flow to suppliers. It also ensured we kept dealers stocked and their cash flow healthy,” he says.

Of course, we are not here to pick winners and losers after the earthquake. Instead, we are here to learn from both the mistakes and the successes of all enterprises that were impacted. And after all, despite the best efforts of Nissan and other automakers in Japan and elsewhere, the earthquake and its aftermath had traumatic consequences.

Vince Sheehy, WG’85, the president of Sheehy Auto Stores, saw his sources of inventory slip away in the months after

the earthquake and tsunami. He watched as first one, then another, then another supply chain for the some of the most famous names in the automotive world faltered, then cracked wide open.

Shipments from one luxury automaker dropped by about 75 percent during the subsequent three months, says Sheehy, who operates 15 retail automotive franchises in 19 locations in Maryland and Virginia. Three other brand-name automakers shared similar fates.

“We were pretty decimated in terms of the inventory that we received,” he adds.

Sales slumped by 50 percent for months. Sheehy doesn’t expect most of these brands to recover their inventories until early this year.

“I imagine this will be one of the greatest learning experiences for supply chain management that we have ever had in automotive,” Sheehy says.

The 9.0-magnitude quake has impacted many more industries and will continue to be felt in supply chain management, in practice and in theory, for coming years.

The temblor and subsequent tsunami in Japan killed an estimated 15,828 people, damaged and destroyed 125,000 buildings and caused economic damages estimated by the World Bank to be at least \$225 billion. Japan has for decades been viewed as a top-quality producer of parts for the automotive and the electronics industries, and the devastation that struck that country had a global impact, financially and emotionally.

“Obviously, globalization of supply chains has been going on for a long time, and of course that is one of the reasons why this quake has been so devastating because most industries today depend on the proper functioning of a global supply chain,” says **Morris Cohen**, the Panasonic Professor of Manufacturing Logistics in the Operations and Information Management Department at Wharton.

The devastation to the supply chain was unavoidable. No one, according to Sheehy, Cohen and others we spoke with, could have predicted that this natural disaster would strike when it did. Nor could any management expert have been able to implement adequate supply chain risk management techniques or create a theory for a global supply network that has greatly increased in size and intricacy during the past two decades.

Compounding the problem is that many supply chains have been based on only one supplier—so-called single-

sourced parts. This was the main problem, in fact, after the Tohoku event, according to Endo, who spent many of his 27 years in the auto industry at Nissan, working in supply chain management then as a senior vice president of sales and global aftersales.

Adding to the challenge for almost every industry is the speed at which this global network continues to grow. While daunting, that rapid progress also provides a stimulus for some intriguing paths forward for innovations across every industry.

ENERGY AND VISION

What happened in Japan and how it affected various industries is still being dissected, but some things are already clear.

One is that the energy grid for key products manufacturers and suppliers was wrecked and has still not completely recovered. As late as September 2011, 13 percent of Japan’s total electrical generating capacity was still offline. In the most affected areas, that number was closer to 25 percent.

David Jacoby, WG’89, CEO of Boston Strategies International, which consults with the energy industry and other sectors on supply chain management, says the lessons learned in Japan about power supplies in a crisis are being acted upon and will be carried forward.

“The Japanese companies we have been looking at implemented a variety of measures to conserve power during that period,” Jacoby says.

Select measures, such as moving noncritical functions like performance testing to evenings and weekends and restricting the use of air conditioning and

other nonessentials, are tactical short-term solutions to the energy dilemma.

“What they did as a short-term move was sort of real quickly put in a smarter grid using less power, but they did it in very rudimentary ways,” Jacoby says.

What’s coming, he argues, is more general use of a smart grid in which electronic distribution and control equipment are being automated and digitally equipped to monitor and control energy flows. Plant operators will be able to track disruptions to their electricity system in real time and manipulate their system to either pick up alternate supplies of electricity or divert electricity to the parts of their system where it is most critically needed.

In post-quake Japan, many manufacturers scrambled to assemble whatever power source they could.

“We saw this big surge of need for generator systems and uninterruptable power systems and batteries and things like that during this period,” he says.

The energy supply chain that Jacoby is describing is being developed to avoid this need. Of course, not all contingencies are predictable, but it is wise to invest in outcomes that will protect the supply chain.

“If your steam turbine starts to wobble, it creates a variability of power output, and that variability will get transmitted through a whole series of steps in your electricity supply chain,” Jacoby explains.

Creating better data security is also a focus of this effort because the same process that creates improved security in an electric grid can also result in the loss of valuable data if the controlling computer system gets hacked.

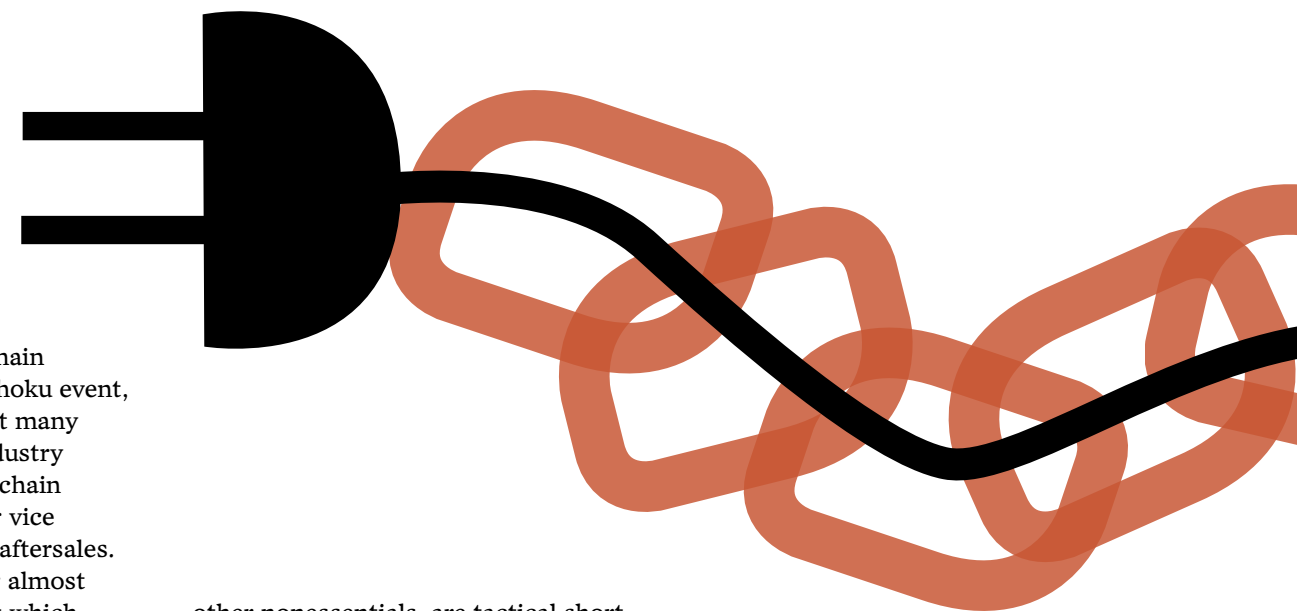
Jacoby isn’t just focusing on energy for energy’s sake. He sees management of the energy supply chain and the products supply chain being sister disciplines to the study of information theory. That being the study of an assembly of bits on one end and the disassembly and ingestion of those bits on the other.

“The whole principle of aggregation and disaggregation and making that happen smoothly is essentially what supply chain management is all about,” he says.

THE PRODUCT SUPPLY CHAIN

The other clear lesson from Tohoku is that, beforehand, visibility into the first tier of manufacturers’ supply chains was generally good, but visibility into the second and third tiers of many supply chains—the suppliers that supply the original equipment manufacturers (OEMs)—was in many cases inadequate.

Sheehy tells the story of Japanese auto manufacturing employees being



sent out on the road after the quake to identify and locate second- and third-tier suppliers to see if they still existed.

“My understanding is that one manufacturer had 800,000 parts that they had to locate in Japan, and they had to farm people out to locate all 800,000 of those parts,” he says.

Measured in time and labor, piecing together a broken supply chain of that magnitude can be extremely costly.

But the investment required to create better visibility into the second and third tiers of supply chains can also be expensive.

Endo credits Nissan’s relationships with first-suppliers as “critical” for its recovery, but he suggests that the automaker needs to do even more to assist its primary suppliers to better understand their own tier-1 vendors.

Another effort to secure a supply chain involves avoiding single-sourced parts altogether. In the auto industry, for example, this could involve moving from specialized parts for specifically designed vehicles to parts that can be used by every vehicle in production.

“We need to progress our strategy of developing common platforms manufactured globally to ensure we have alternative supply options for the vast majority of our parts and materials,” Endo explains.

Enterprises could also invest in additional slack in their supply chains.

“We all know about stock options, and there is something called real options—companies making investments in resources, be they facilities or products or people, that they want to use in certain contingencies,” Cohen says.

Examples of such options in a products supply chain might be investments in an additional warehouse to ensure adequate inventory from a particular supplier or

“I WOULD SAY THAT A LARGE MULTINATIONAL THAT HAS NOT IMPLEMENTED A MULTITIER SUPPLIER MANAGEMENT PROGRAM IS A LAGGARD.”

investing in redesigning a product so a particular single-source material isn’t needed.

FROM THE TOP

Deciding where to make the proper investments to secure a supply chain can be complicated and requires astute management

That’s because there is a natural tension between those who purchase such things as energy and supplies—the procurement arm—and those charged with avoiding losses—the risk management function. The two departments don’t necessarily share the same priorities. Ideally, ownership of supply chain management would reside in various departments, with the responsibility for making the appropriate decisions ultimately residing with senior management. According to **David Mounts, WG ’04**, the CEO of Winston-Salem, N.C.-based Inmar Corp, that doesn’t happen as often as it should.

“It has to come from the top, but in most cases it doesn’t,” Mounts says.

Mounts previously served as an executive vice president of supply chain and chief financial officer for Domino’s Pizza Inc. His current company offers supply chain management consulting and other services.

Mounts says coordination between risk management and procurement is a key task in supply chain management. Procurement managers aren’t usually trained in risk management, Mounts says, nor do they tend to feel empowered to make risk assessments. Often, they’re just looking for the best value.

That’s where senior management needs to step in and make sure that the cost of a possible break in the supply chain is weighed against the investment required to defend against that break.

That risk assessment, according to **Gérard Cachon**, the Fred R. Sullivan Professor of Operations and Information Management at Wharton, may result in a decision to make changes with existing suppliers or bring in new suppliers.

“Both are costly,” Cachon says.

VISION AND RELATIONSHIPS

Another way to decrease supply chain risk is through a new attitude about suppliers and about relationships with suppliers. This new model focuses more on ensuring that key suppliers are stakeholders not only for the purpose of securing the supply chain, but also as partners in the innovation of product development.

Mounts recalls his time at Domino’s

Pizza when the company, facing poor feedback on the taste of its pizza, set about launching a new product. As head of the food and supply chain operation, Mounts was part of an effort that brought in the company’s key suppliers to get their input on improving the product. Those partners were told they were with Domino’s for the long haul and their advice was needed to help the company improve its pizza.

“Ultimately, the decision rested with us on all of the different options that we tried, but we would never have gotten to the outcome we did without their support,” Mounts says.

The goal of improving supply chain security was also part of that discussion, Mounts adds.

“To get to that level of partnership and to get a partner to invest in that type of a relationship and in longer-term results for those key partners, you have to throw the ‘Procurement 101’ handbook out the window,” Mounts says.

That handbook says, for instance, that you take your business out to bid every one or two years.

“Well, that is just silly for strategic partners that you want investing in innovation and aligning with you in your goals,” Mounts says. “What I see is that too many companies blindly run everything through a one-size fits all procurement process, and that is bad supply chain management.”

Although more companies should be closer to this model, Mounts believes, the barriers to attaining it are not formidable. Success really requires a mindset on the

“A YEAR AGO WE WOULD NEVER HAVE GOTTEN THIS KIND OF INFORMATION.”

part of senior management to meet with suppliers; communicate the company’s strategy, risk concerns and long-range goals; and rate the suppliers on how well they respond to that meeting. After that rating has occurred, the decision on which suppliers to keep is then shifted to the C-suite.

STRENGTH AND FLEXIBILITY

Cohen’s related perspective is that we are moving from a supply chain theory that values speed and affordability to one that values strength and flexibility.

“If we could produce things cheaply, we could move things cheaply, and if we could move things cheaply and quickly, then that was sufficient,” is how Cohen describes the old way of doing things. “Now, we have seen that agility and flexibility and responsiveness are becoming really important, especially in response to random shocks.”

This new focus on supply chains was only advanced by the scrutiny that the Tohoku quake and tsunami brought to

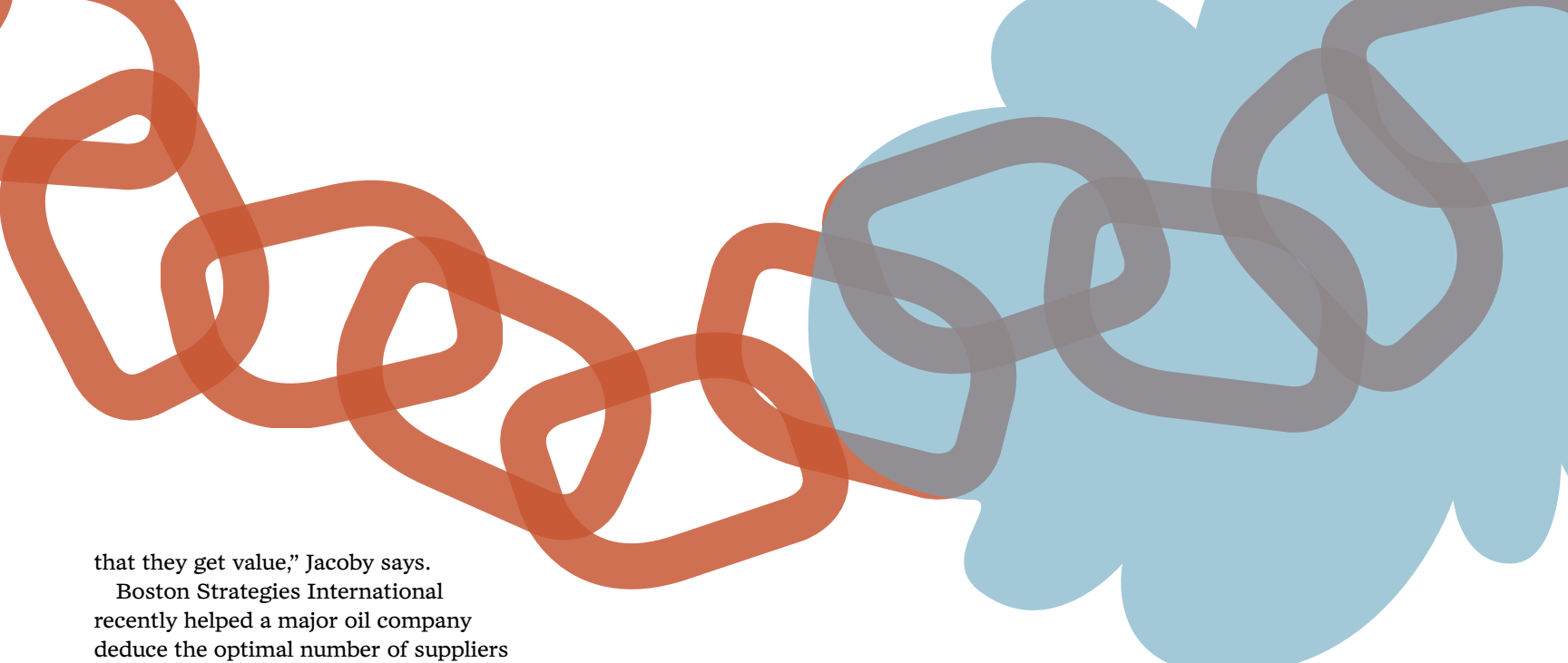
the issue, according to Jacoby.

“I would say that a large multinational that has not implemented a multitier supplier management program is a laggard,” Jacoby says.

Traditionally, enterprises have managed those supplier relationships through contracts that dictate that first-tier suppliers inform end users when there is a material threat to their supply. Those contracts may also stipulate that the first-tier supplier provide transparency on the second- and third-tier suppliers to the end user.

Jacoby, Cohen and Mounts also operate companies that offer clients access to technology to run procurement scenarios or product-recall drills, modeling tools that can help companies create greater visibility into their supply chain vulnerabilities and choose suppliers that provide them the best combination of product value, price and supply chain security.

“We use these different probabilistic approaches and scenarios to help our clients determine what the best way to work with their suppliers is, to make sure



that they get value,” Jacoby says. Boston Strategies International recently helped a major oil company deduce the optimal number of suppliers for procurement contracts worth hundreds of millions of dollars, as well as the optimal contract term and geographic distribution of supply that minimizes overall risk and total cost. The consultancy is also helping a wind-power company decide the best number of suppliers for wind turbines and related capital assets for a large wind farm project, taking into account uncertainties about the future evolution of technology, supply market capacity and lead times.

THE MOTHER OF INVENTION

Then again, increasingly interwoven global supply chains and the Tohoku quake in Japan have made it apparent that current tools, even the more sophisticated ones, aren’t sufficient. “The use of more complex tools would require globally integrated systems,” Endo explains. “Nissan, in common with many large businesses, does not possess such highly integrated systems.” One solution going forward, according to Mounts, is in the clouds. Cloud computing has the potential to create the real-time visibility that many links in the global supply chain currently lack. Where supply chains frequently break down, Mounts says, is over a lack of standards. Different producers describe parts with different names, and it can become very difficult to tell what is what.

“Let’s all talk the same language first, and then let’s all agree on the library where all of the language is going to be,” Mounts says. With more companies moving to the cloud, it will be necessary to comply with standards to integrate and participate with other cloud partners and suppliers. “The other enabler that I think is huge is social commerce,” Mounts says. LinkedIn is an early example of this, where professionals in the financial services and other industries have come together in forums to discuss the best ways to innovate either in operations or customer service. “Imagine, for example, that you had five tiers of supplier for a particular product and it is sold to 100 retailers and you could have a social platform where all of those folks are connected real time with everything that is happening to the product everywhere in the world at that stage. You will be able to provide everybody the same visibility at the same time,” Mounts says. He estimates that it will take five years for the data and the know-how for this type of risk assessment to become available. Sheehy believes that the science of supply chains has already been inexorably altered. “I think what you will see going forward is a much more precise

understanding of what the entire comprehensive supplier system looks like, so that visibility will be there going forward,” he says. In his view, automakers that were directly impacted by the Japan quake and tsunami have already done the heavy lifting to ensure that they have complete visibility into the second and third tiers of their supply chain. “I don’t think they would ever let the situation develop again where they don’t precisely know how to track down the source of each part,” he says. Competitors that weren’t as heavily impacted, on the other hand, may still be in the process of gaining that knowledge. Sheehy also sees that manufacturers are providing much more detailed information in a much more timely fashion to their retailers—about production cuts or delays in the delivery of a particular part. That’s a direct result of the lessons learned from Tokohu. “A year ago we would never have gotten this kind of information,” he says. Then again, as Tohoku proved, companies in crisis mode differentiate themselves not by systems and information alone. It also takes leadership. “The management of emergencies requires agility and rapid decision-making, not complex software,” Endo says. ■

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Lifelong Learning Is...

The Wharton School is transforming and expanding the way it meets the educational needs of its alumni—all of its alumni, throughout their lives.

Charged by Dean **Thomas S. Robertson** to develop an effective and sustainable lifelong learning program, the School’s Innovation Group set out to learn what alumni really need and want.

The Group turned to those who know best: the alumni themselves. Through a formal needs assessment that included alumni interviews and focus groups, the Group was able learn about who Wharton graduates are, how they learn and what they need.

The gathered information confirmed that stage of career is an important factor in shaping learning needs. Post-undergraduate, early-career alumni need to learn different things in different ways than midcareer alumni who are at the helm of an organization.

Providing educational experiences that mesh with learning styles is an equally critically factor. For example, some alumni thrive in sequential systems, are task and goal oriented, and seek long tenures in organizations. Their learning is undertaken to fuel career advancement.

Others are more entrepreneurial in their way of learning. They network in search of collaboration. Scholarly and creative, they tend to learn to advance their projects and to be more self-directed in their education.

Regardless of learning style or stage

of career, alumni sent one very clear message: They want Wharton to be a partner in the process, including Wharton faculty, alumni and content.

EDUCATION VS. TRAINING

The desire to remain connected with Wharton is one of the most important findings of the research: MBA alumni hold the Wharton brand, their fellow alumni and their Wharton education in high esteem. According to all alumni interviewed, any lifelong learning educational offerings must meet a number of criteria to be worth their time and effort. Most important is that the programming is of the same caliber as their on-campus Wharton experience.

“They want to be Wharton students for life,” says **Laura Zarrow, GED’95**, senior project director of Wharton’s Innovation Group and chair of the Lifelong Learning Core Team.

Their MBA experience is the high bar against which they measure all subsequent learning experiences. Other educational opportunities such as traditional continuing education, industry conferences and corporate coursework are viewed as “training,” while their

Wharton experiences exemplifies *real* education. They are seeking more MBA-quality learning experiences—online and in person, in real time and on their own schedule.

Convenience is also important. Alumni want lifelong learning that comes in a mode they find most appealing and effective. It must be easily integrated into their already full lives.

Regardless of how the learning is delivered, they want to tap into the vast theoretical and experimental knowledge of professors as well as the real-world experience of their peers. Many alumni asked for a bottom-up collaborative experience that builds their cultivated personal network and store of knowledge.

“They don’t trust anyone as much as they trust their fellow alumni,” Zarrow explains.

When you translate this insight about Wharton alumni into educational needs what you get is on-demand programming for both professional mindsets and all career stages. Lifelong Learning becomes a resource to keep alumni up to date and help them prepare for the next stage in life or career, to develop the soft skills needed in their current positions and to

help address personal challenges.

Zarrow conducted more than 75 one-on-one interviews with alumni—from undergraduate, WEMBA, MBA and doctoral programs, from the classes of 1981, 1991, 2001, 2004, 2006 and 2009—to gather the raw data that informs the needs analysis. Zarrow and **Don Huesman, GED’06, GrD’10**, managing director of the Innovation Group, gathered additional information during interviews at the 2011 Global Alumni Forum in San Francisco and at alumni panels in New York and Boston. The work was done in conjunction with a cross-departmental Core Team, with members from the Innovation Group, Marketing and Communications, External Affairs, Executive Education, Wharton | *San Francisco*, and Wharton Computing. The quotes that you see on these two pages (under the phrase “Lifelong Learning Is ...”) are actual excerpts from these interviews.

REUNION

MBA Reunion Weekend this May will bring to life the discoveries of this needs analysis, by embracing the innovation practices taught at the School. Some of the topics for this year’s events will be “crowdsourced.”

The plan, according to Zarrow, is for alumni to shape Reunion Weekend programming through an Innovation Tournament. Structured as an online suggestion and voting procedure, the Tournament will take alumni through the process of articulating needs and interests, winnowing them down to those that are most relevant to the most people. The top issues will become the central questions to be addressed at Reunion by “thought teams,” which will be comprised of alumni, faculty and topic experts. The teams will start their dialogue online, ahead of Reunion, meet in person during the weekend, and continue their work as needed online and in person afterward.

“It’s actually going to allow Reunion to start a whole lot earlier,” Zarrow says.

This will not only provide a chance for them to learn what they need and want to learn, but the crowdsourced programming will help them build relationships with fellow alumni who share their interests and concerns. When alumni attend these events in May, the interactions will be all that more meaningful. They will form the basis for strong personal ties that, after they leave campus, the alumni can continue to cultivate online, by phone and in person for years to come. ■

Lifelong Learning Is...

“In person.
On campus.
Online.
Interactive in real time.
Proceeds at my pace.

Join the Inaugural Reunion Innovation Tournament

In order to better serve the alumni community’s needs, Wharton is proud to host an Innovation Tournament for the 2012 MBA Reunion Weekend. In this tournament, you, our alumni, suggest and vote on topics that you find interesting and relevant. The top 10 ideas will become part of the programming for Reunion Weekend. Just follow the steps below and tell us what you want to discuss.

1. Log in to whr.tn/ReunionTournament and answer any of these questions: What business topics or issues are most challenging to you right now? What do you most need to learn to be an even more effective leader? What societal challenges could be improved with the input and talent of the Wharton alumni network?
2. Join the discussion and vote on ideas. Check back as often as you’d like to see what others have posted or add more of your own ideas.
3. Prior to your reunion, we’ll announce the top 10 ideas. Choose your favorite topic and then join a “thought team” of alumni, faculty and business leaders to explore ideas before, during and after Reunion Weekend.

Don’t wait. Log in now to whr.tn/ReunionTournament and help shape your reunion!

Lifelong Learning Is...

“Led directly by faculty.
Led by practitioners.
Self-motivated, but guided by faculty.

Lifelong Learning Is...

“Helping me to switch careers.
Providing advice at a key transition.
Networking to my next job.

The Private-Equity Diaries

Private-equity maestro **Josh Harris, W'86**, leads a team of investors to buy the Philadelphia 76ers. For him, it's another impending success in a long series of professional and personal victories.

BY MATTHEW BRODSKY

When **Joshua Harris, W'86**, was in Philadelphia in mid-October for the Wharton board meetings, he devoted the early Friday morning to a 20-mile run, west on Kelly Drive to Manayunk and back. He was running the course in preparation for the Philadelphia Marathon in November, his third 26.2-miler, which he finished in a personal best 3:48:10. For Harris, waking at 6 a.m. for a run is a regular part of life. Indeed, being an athlete brings balance to his life.

"I would rather sleep 90 minutes less," he says of his morning routine, and he claims to feel less tired because he runs instead.

It's one of two gems of advice he offers to current Wharton students—be sure to have work-life balance.

But you can imagine that for all the relaxation that came with a 20-mile jaunt on an Indian-summer morning along the Schuylkill River, the training also gave Harris time to think about the other pursuits that round out his life. He was in Philadelphia to discuss weighty topics about the present and future of his alma mater with men and women of equal substance and knowledge as himself. His "day job" as co-founder of



private-equity firm Apollo Global Management must have crossed his mind. His family, of course: wife Marjorie, three sons and two daughters. And thoughts about his new "family," the NBA team he recently acquired, the Philadelphia 76ers, probably looped through his brain.

His is a full plate worthy of 20 miles of contemplation, but one Harris appears to balance as skillfully as a basketball player spinning the ball on his index finger.

It wasn't always so. When Harris first got into business, he says, he had to work to achieve this.

"I think that any time you go into a very intense career like private equity, I think one of the challenges is balance," he says. He suspects that many current Wharton students are driven toward a goal like he was.

At this point, Harris has his large family, his focus on fitness and philanthropic work. He's involved at his children's schools, at Mount Sinai Medical Center. He has advised the Federal Reserve Bank of New York and the Council on Foreign Relations. And as mentioned, he serves as advisor for the Wharton School as a member of its Undergraduate Executive Board.

Now add his ownership of the 76ers. Where will he find the time for all this balance?

"I thought a lot about that when I decided to [buy the 76ers]," he says.

He chose to be all-in for his new business opportunity, to make it his "major extracurricular," he says.

He will need to minimize some other activities in order to find the time, and he won't necessarily manage the day to day of basketball operations. That is why he installed Adam Aron, whose son attends Wharton, as the team's CEO. As managing owner, though, Harris plans to attend a lot of games.

Josh Harris, W'86, stands on stage during the press conference announcing the new 76ers' ownership. He is joined by (left to right) Rod Thorn, president of the Sixers; Adam Aron, CEO and co-owner; and Doug Collins, head coach.

Certainly he wants to get off on the right foot with the local sports faithful.

"It's one thing to say you want to connect to the fans, but if you're not there, it's a lot harder," he says.

He also wants to get his money’s worth, figuratively speaking, as majority-stake owner.

Harris has been a fan since he attended Penn when the Sixers won the world championship in 1983.

“That led to a lasting impression in me,” he said during a press conference when his ownership was officially announced. The event was hosted in the Palestra, a venue with its own history, decorated for this event with Sixers’ banners commemorating division and conference titles and the team’s world championships.

“I wouldn’t be investing in the team if I wasn’t going to a lot of the games,” he says. “As this is an investment by me personally, clearly it’s more than just a business investment.”

From all accounts in sports and business media, Harris is the leader in what is estimated to be a \$280 million investment, a deal to buy the Sixers from former owner Comcast Spectacor. The 46-year-old billionaire is using his own assets along with funds from co-managing owner **David Blitzler, W’91**, a Blackstone partner by day, as well as a team of other minority owners including

Art Wrubel, W’87, founder of Wesley Capital; Hollywood stars Will Smith and Jada Pinkett Smith; Michael Rubin, CEO at GSI Commerce; Martin Geller, CEO of Geller & Co.; and Jason Levien, a former basketball agent and executive.

Harris, Blitzler and Wrubel form the nucleus of the investment group. Harris recounts how he and Blitzler had looked independently at the Sixers as an investment opportunity, became aware of their mutual interest and decided to work together with Wrubel to acquire the team.

Still, Harris is at the helm. “At the end of the day, Josh is the managing partner,” Blitzler was quoted as saying in an *Associated Press* article. “He’s actually a great listener. He’ll take in lots of great opinions. But at the end of the day, Josh gets to make the call. It’s not like there’s 15 people that all have rights to vote and say this and do that.”

With majority power, however, comes a majority of the risk. This is particularly true in the Philadelphia sports scene, which often lives up to its lore of fans throwing snowballs packed with batteries at opposing teams, or actual criminal courts set up in the football stadium for rowdy ticketholders.

At the press conference, some Philadelphia sports writers already questioned Harris about residing in New York (not Philly) and about the current quality of the team. Harris countered with his local roots. His father, **Jacob Harris, C’55, D’58, GD’60**, and mother, Sylvia, a Temple grad, met in Philadelphia. His grandfather was a Philadelphia postal worker.

But wait until the season starts and the Sixers lose a few games. Then this questioning will seem gentle. Harris’ roots won’t mean much when the sports media smells blood and fans begin their attacks on sports talk radio, Internet discussion boards and at the proverbial water cooler.

Harris understands that at the moment he’s getting the benefit of the doubt, but that fans want a winning team. He knows it’s important to “underpromise and overdeliver,” though he is not shy about saying that a championship is

the ultimate goal. And he has weighed the risk of this new spotlight—and the occasional personal and crude attacks surely to come—even though he is used to being a financial celebrity who manages to avoid too much mainstream attention.

“I have gotten my head around playing a more public role to connect with the fans and to make sure that Philadelphia knows that I’m working very hard to put a great team together,” he says, adding: “I’m expecting press volatility. I’m not excited about it. But it’s part of what you take on realistically when you do this.”

One reason that Harris is willing to put himself out there is that this investment is a good one. After all, he’s not just in it to get the best seats to Sixers’ games and see himself on the Wells Fargo Center’s Jumbotron. The deal stood on its own, according to Harris. Despite the now-resolved labor dispute between owners and players, Harris is optimistic about the NBA’s long-term growth, particularly overseas. He also cites the fact that the Sixers reside in a top-five U.S. market and have the third-most wins in league history, yet are nearly at the bottom of the NBA in “nearly every category,” including ticket sales and revenues.

He won’t call the Sixers a distressed property—more that the team is not living up to potential. At Apollo, that is what Harris specializes in. You uncover opportunities in sectors where profitability looks like it will improve over time. You take that company, dislodge it from its parent, unlock its potential and then breathe new life into it. Harris is confident he can do the same here. He *has* been in business for 25 years.

“I’m not expecting a straight line up,” he says. “Generally speaking, though, I’ve been successful pretty much across the board.”

His most notable success has been Apollo, the firm he started in 1990 with Penn parent Leon Black and **Marc Rowan, W’84, WG’85**. In 2011, the company was listed on the New York



“I’m expecting press volatility. I’m not excited about it. But its part of what you take on.”

Stock Exchange. As of June 30, 2011, according to the most recently available quarterly statement, the firm had \$71.7 billion in assets under management. Apollo’s 500-plus employees are spread across the globe in New York, Los Angeles, London, Frankfurt, Luxembourg, Hong Kong, Singapore and Mumbai.

Senior Managing Director and Co-Managing Partner Harris focuses on investing, something he knows is one of his best strengths. Private equity is also something he loves. The people in the business are part of the reason; private equity attracts highly motivated, energetic and super smart people such as himself. He’s enjoyed the intensity of the environment too. And the power. As he explains, private equity can give a younger businessperson the opportunity to run an acquired company, rather than climb the ladder from within.

“At a very young age, you can make decisions that are important and fundamental to the strategies and strength of these companies,” he says.

Harris made these considerations when

launching Apollo after graduating from Harvard Business School as a Baker and Loeb Scholar. Previous to his MBA, he had been in the Mergers and Acquisitions Group of Drexel Burnham Lambert Inc. There, he joined the “special forces for finance,” the bank’s two-year analyst program that gave him a broad grounding during 90-hour workweeks on Wall Street.

This was after Wharton. As a Penn undergrad, he took Econ 1A and B and decided to transfer to the School. Here, he received the business and analytical framework and built the relationships that have carried him to his current success.

For Harris, each play he has made—from his educational choices to Apollo to the Sixers—has set up the next. This

wouldn’t have been possible if he “slacked off” as a young adult, he says, instead of “orienting” early and putting a lot of effort, creativity and energy into his early years.

It is a life lesson, his second, that he offers to current Wharton students

and young alumni. Work hard, be focused. Does this contradict his earlier advice about work-life balance?

“This is sort of an asterisk to the balance thing. Maybe shy away from that a little bit if you have to until you settle down,” he explains to students on the make.

“I played hard, and I also worked hard from the ages of 18 to 28,” he says.

Now that he’s returning to Philadelphia as the owner of the Sixers, Harris considers how his Penn and Wharton education will intertwine with his new endeavor. They are “world-class institutions,” he says, and he has carried those values to everything he’s done since, including basketball.

“Our motto at the Sixers is that we want to be world-class in everything we do on the court and off the court,” he says.

If they do become world-class, and world champions, then he’ll be able to run 20 miles in broad daylight in Philadelphia without worry about being chased along the way by rabid, snowball-wielding Sixers fans. ■

Starting a Trend?

Ken Shropshire, the David W. Hauck Professor of Legal Studies and Business Ethics and director of the Wharton Sports Business Initiative, would not discourage **Josh Harris, W’86**, in his purchase of the Philadelphia 76ers.

He believes that private-equity professionals can apply their experience turning around all sorts of companies to the art of turning around a professional sports team. The formulas for reaching the highest level translate from one sector to another.

In most other industries and in business, however, there can be multiple winners at the highest level. In professional sports, only one world champion survives each season.

How can you get to be the greatest of the great? That’s what drives team owners and coaches crazy. You can think you have all the right pieces in place, Shropshire says, but it still doesn’t happen.

Still, being private-equity people might help Harris and company for many reasons, he notes. Typically, professional sports teams in the United States are owned by individuals or by corporations (the Sixers were previously owned by Comcast-Spectacor). The downside of the latter is that a sports team can be just a “blip” on the corporation’s radar. The downside of the former is that individuals might view the team as a hobby, or they might not have the resources to support it.

Private-equity owners have resources with the added benefit of an investor’s acute attention

to improve an asset. It’s a “middle path” of ownership that is beginning to look like a trend in U.S. professional sports, particularly in the NBA, where private-equity buyers have been involved in the purchase of the Detroit Pistons and the Boston Celtics.

“This is a real business that we’re trying to maximize, and we have a lot of resources to do it,” is what Shropshire imagines private-equity owners thinking.

To that end—maximizing the investment and improving the team—Shropshire offers some advice to Harris. The first is to avoid flashiness.

“The biggest risk in sports is getting caught with trendiness and not being agile enough to change,” Shropshire says. He points to the New England Patriots as an organization that knows how to “facelessly” sustain success.

One mistake would be to rush out and deal for a huge-name player with an even bigger contract, just to grab short-term headlines.

Shropshire recommends that owners first understand the team structure and the broader fan base, before positioning the team for success with big-name acquisitions and trades and the release of high-priced players. Of course, the formula for understanding the fans and getting them in your court can seem as deceptively simple as a layup.

“Winning ultimately gets people back in,” Shropshire says.

—*Matthew Brodsky*



More Wharton grads are taking the skills they learn—and the connections they make—to pursue their entrepreneurial dreams.

And some of their startups are receiving a lot of attention.



left to right: Jeffrey Raider, WG'10; David Gilboa, WG'10; Andrew Hunt, WG'10; and Neil Blumenthal, WG'10

Making Waves on Their Own Ship

BY ANNE FREEDMAN

Classmates. Friends. Business partners.

That is the progression for a growing number of Wharton alumni as they act on an entrepreneurial vision that often has its roots in their undergrad or graduate years. According to Wharton's MBA Career Management office, the number of students starting their own businesses at graduation more than doubled from 2010 to 2011, from 30 to 61. In 2007, the number was 13.

The alumni featured here have launched recent startups in publishing, fashion, romance, food and finance, but one unique link ties them together: the Wharton network. These new entrepreneurs, who are drawing some major media attention for their enterprises, praise their classmates, professors and fellow alumni who have generously offered advice, support, insights, connections and positivity.

The entrepreneurial vision for **Neil Blumenthal, WG'10; David Gilboa, WG'10, GEN'10; Andrew Hunt, WG'10; and Jeffrey**

Raider, WG'10, was Warby Parker, an online eyeglass boutique that has since gained attention in national media, including the *New York Times* and the *Financial Times*.

All four co-founders had complained to each other about the high cost of eyeglasses, with Gilboa actually going half a semester without glasses because he couldn't justify spending the money to replace a lost pair and Raider, at one point, using a paperclip to keep his in one piece, Blumenthal recounts.

Coupling that frustration with Blumenthal's knowledge of the industry—having been involved with VisionSpring, a nonprofit that helps launch eyeglass businesses in developing countries—their concept of radically transforming the optical industry was born during their first semester at Wharton.

"A lot of the professors were incredibly helpful," Blumenthal says, reserving special thanks for **Evan Rawley**, an assistant professor in the Management Department; **David Bell**, the

Xinmei Zhang and Yongge Dai Professor in the Marketing Department; and **Peter Fader**, the Frances and Pei-Yuan Chia Professor and co-director of the Wharton Customer Analytics Initiative.

"We would just set up meetings and chat with folks," Blumenthal says. "They helped us think through how do we think about our customers, how do we raise awareness, how do we make customers happy and increase customer lifetime value. And they continue to be helpful today, even though we have graduated."

As the Warby Parker co-founders learned about creating a deliverable business plan and participated in a variety of entrepreneurial-focused programs and classes, they also visited factories in Asia and used their classmates as focus groups.

In the second semester of their second year, they launched the company's website. Soon after, they were featured in *Vogue*

and *GQ*, sold out of their top 15 styles in the first month and had a waiting list of 20,000 people within a few more.

Now, the company employs 50 people, has an office in midtown Manhattan and just closed a round of \$12.5 million funding. And, as part of the "buy a pair, give a pair" program, the company has donated more than 125,000 pairs of eyeglasses to people in need, Blumenthal says.

"I think that the four of us feel so lucky that we had the opportunity to go to Wharton," Blumenthal says. "There's no question, the fact that we were able to grow so quickly was through the support of our classmates, our professors and the community in general."

STARTUPS MADE EASIER?

Creating a startup has definitely become easier over the years, says **Alex Lorton, W'06**, who co-founded cater2.me with **Zach**

Yungst, C’06, W’06, to connect chefs in the San Francisco Bay area with clients in need of catering, such as high-tech companies that provide lunch for employees.

“You can essentially start a business with a laptop,” Lorton says, “and it doesn’t often require much more than that.”

Lorton, who worked in management consulting, and Yungst, who went into investment banking after graduation, were recently featured in the *New York Times*, which noted the pair’s success in connecting chefs and clients.


Wharton not only teaches the hard skills, such as accounting and finance, Lorton says, but it teaches “the network and how to leverage the network,” which his company used in building a client base. “People were very responsive and helpful.”

“One thing I always tell people,” says **Mike Melby, WG’10**, CEO of PayDivvy in Irvine, CA, “is the biggest education at Wharton comes from your classmates, not from your classes. That doesn’t mean education doesn’t come from classes as well, but the caliber of students is so high and the backgrounds of your fellow students are so impressive and complex.”

It essentially equates to a budding entrepreneur having an entire student body filled with “free advisers to your company,” he says.

PayDivvy is an online tool that allows users to manage, organize and pay their bills in conjunction with roommates or anyone else who shares payment of expenses. It has already been featured in the *Los Angeles Times*, *CNN Money* and Mashable, among other places.

The concept grew out of Melby’s own difficulties in managing bills with his roommates while working long hours. “I wanted every single bill I pay to be paid from one solution,” he says. “I also wanted to be able to split bills and only pay my fair share.”



Alex Furmansky,
ENG’07, W’07

His idea was a 2009 Wharton Venture Award winner and 2009 Wharton Business Plan Competition finalist, as well as part of the Wharton VIP incubator program.

AN ENTREPRENEURIAL ECOSYSTEM

Such competitions are valuable, says **Rohan Deuskar, WG’11**, whose firm Stylitics was the Michelson Grand Prize winner of the 2011 Wharton Business Plan Competition.

“The Business Plan Competition really helped us in our thinking about market-sizing, the competitive landscape, as well as our financial model and projections,” he says. “It was also useful to have feedback from the judges.”

Stylitics, which is still in the beta phase, is a “real-time aggregator about what clothes people are buying and wearing,” Deuskar says. Individuals use the online platform to keep track of their wardrobe uses, while brands and retailers use the aggregate information to better understand customer behavior. It’s like Nielsen ratings for fashion, he says. So far, Lucky Brand Jeans and market-research firm Gilt Groupe have signed on to the concept, and media such as Inc., *The Wall Street Journal* and *Economic Times* have written about it.

Deuskar is encouraged that Wharton is “coming into its own as having an entrepreneurial ecosystem that is vibrant—that has people who are committed to entrepreneurship and are actively engaged in it.” For instance, the Wharton Entrepreneurial Club—of which he was co-president—is one of the biggest clubs on campus and growing.

The more Wharton focuses on the entrepreneurial vision, says **Josh Wais, W’11**, the more it will help students make the transition from imagining themselves as business owners to actually becoming them.

“The more that Wharton can help people tip over and actually help people start [enterprises], the better,” he says.

Wais has partnered with **Lauren McDevitt, W’11**, on WantWorthy, a fashion-based startup that was recently identified by *Ad Age* as one of four startups to keep an eye on. Its website allows women to browse fashion for fun, create a wish list and eventually purchase the items they desire. Wais handles the business side, while McDevitt is “the brains behind the operation,” according to Wais.

CHALLENGES AND INSPIRATIONS

Startups, says Wais, are “extremely challenging,” but he likes the freedom as well as the creativity.

“It’s not set up for you. You have to figure it out on your own,” he puts it.

That’s not to say, however, that entrepreneurs shouldn’t develop a network of people who have done it before. They should, even if searching for advice doesn’t come natural to an independent entrepreneur.

“You have to be more proactive asking for advice. Some people have trouble doing that, but you will never be able to do it by yourself,” says **Stephan Jacob, WG’11, G’11**. He encourages

budding entrepreneurs to seek out feedback and advice, because there is a lack of structure and support systems in startups.

“I think a lot of people, especially coming from the corporate world, have to appreciate that it’s very difficult and hard to be an entrepreneur—and it’s true, it’s not easy,” Jacob adds.

Jacob and **Cherif Habib, WG’11**, are co-founders of Kembrel, an online platform targeted to college students. It offers access to events and discounts on shopping and services.

Then again, don’t take all advice either, says **Alex Furmansky, ENG’07, W’07**, whose New York-based Sparkology online dating site is geared to an elite audience of young professionals. As he transformed his concept into something tangible, Furmansky sought advice from those knowledgeable about the industry.

He learned that some individuals give positive feedback, others negative. You have to look at their biases and outlooks before acting on advice, he says.

Besides seeking advice, another preoccupation with would-be entrepreneurs is funding, though it doesn’t have to be. Jacob believes that, particularly with Internet-related startups, entrepreneurs have many ways to get started without much cash—one way being to simply build a small prototype, have people use it and get feedback that way.

Such power and freedom from rapidly developing technologies has inspired some of Wharton’s graduates.

It prompted **Jon Feldman, WG’10**, to focus on his current venture, the for-tablets-only Open Air Publishing. *Speakeasy Cocktails*, the first of Open Air’s several planned books, received kudos from *The Wall Street Journal*, *New York Times* and Gizmodo.

Feldman’s first hire was **Alison Go, WG’11**, who says about her experience: “You learn more in two to three months as an entrepreneur than two to three years in a consulting gig.”

Fair Observer, an online platform for global insights and analysis, is another Wharton online startup. **Atul Singh, WG’10**, launched it in June 2011 with co-founder and former classmate through the Wharton-INSEAD partnership, Fabian Neuen, because he wanted to be a “visionary,” not a “functionary” working for someone else. The site already has more than 200 contributors from more than 30 countries.

“Entrepreneurship is a leap of faith,” Singh says. “You must make sure you have faith in yourself and can retain it even in your direst hours, despite all of the challenges. ... It’s inspiring, and it’s something that keeps us going despite the loss of hair and muscle.” ■



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The Many Faces of the Mission-Driven

Wharton students and alumni are playing ever-more prominent and prevalent roles in social impact, thanks to the fundamentals of a Wharton education and the School's focus on social impact.

BY AMANDA D'AMICO

In 2007, newly appointed Dean Thomas S. Robertson invoked Joseph Wharton's pioneering vision when he declared that the School should be not only a haven for the best business minds in the world but also a "force for good."

"At Wharton, we believe the role of business is to advance society as a whole, creating new wealth and economic opportunity for all people, in developing regions as well as the developed economies," he told *USA Today*.

Gianna Driver, W'04, is using her Wharton education to do just that. Driver's own entrepreneurial venture, **GIANNA**, is a mission-driven for-profit that currently operates in Laos, Thailand, the Philippines and India. It teaches artisans basic business skills and provides forums in which their work can be sold. Driver credits Wharton with giving her the skills



Chris Balme, C'03, W'03,
co-founder of Spark



Jeff Henretig, WG'09,
business development
associate at Next Street

PETER MURPHY

needed to create the business plan for GIANNA, but, more pointedly, she credits the School with giving her the confidence and wherewithal to consider such a venture.

“I said, ‘If I could do anything in the world, what would I do.’ I think it was because of my Wharton education that I felt empowered to ask myself [that question]. I know going into it, before Wharton, there was no way I would have had the courage and the confidence to ask such a bold question,” she says.

Like Driver, **Kelly McCrystal, WG’06**, took the time after Wharton to re-evaluate her career path and chose to transition from the for-profit world into a nonprofit.

“It’s not as difficult as a switch as people think it could be,” she says.

As a country director for the Clinton Health Access Initiative, which works to expand access to health care in the developing world, McCrystal is essentially the CEO of all its operations in Tanzania.

“There’s not a day that goes by, in fact there’s hardly a minute that goes by, where my education that I got at Wharton isn’t coming to bear in what I’m doing,” she says.

Alli Myatt, WG’06, agrees that her Wharton education guides her choices each day, even though she works in an unusual industry for a Wharton graduate. A recipient of the John M. Bendheim Loan Forgiveness Fund for Public Service, which helps Wharton alumni who pursue social impact careers pay back their student loans, Myatt currently works with the New Teachers’ Project, a nonprofit organization that seeks to increase teacher effectiveness within the United States.

“One of the greatest things that you come out of Wharton with is a real strategic way of problem-solving and applying framework. I went to Wharton because I wanted to build my strategic skillset and build my analytical skillset. I think that in the role that I’m in now, that’s been really important,” Myatt says. “For me, it was really about being able to think differently.”

For **Chris Balme, C’03, W’03**, Wharton opened his eyes to a different way of thinking about entrepreneurship. He credits Wharton with introducing him to the idea that an entrepreneur can solve any problem—be that “a market problem, product problem or a social problem.”

“I felt I would be most motivated, most excited to solve, really help to solve, a social problem,” he says.

To accomplish this, Balme co-founded Spark, a nonprofit that seeks to “provide life-changing apprenticeships to youth in underserved communities across the United States.” Spark has student apprentices in San Francisco, Los Angeles and Chicago, and is building a partnership with Wharton to begin a program in Philadelphia. In 2011, Spark oversaw 670 apprentices, a remarkable increase from the 11 students it began with 2004.

Like many other alumni, Balme credits Wharton and the University of Pennsylvania more broadly. He argues that more

“And you learn:
Is winning everything, and, if so,
how do you define winning?”

Wharton graduates are needed in the nonprofit and social impact arena.

“There’s often a lack of the kind of quantitative leadership skills that Wharton focuses on,” he explains. “Wharton skills are so needed.”

The Triple-Bottom Line

To utilize the Wharton skillset for social good, alumni need not be social entrepreneurs like Driver or Balme or staff members at a nonprofit like McCrystal or Myatt. Many alumni are making an impact by combining more traditional post-Wharton careers and the social sector.

Jeff Henretig, WG’09, is one such alumnus. Henretig works as a business development associate at Next Street, a merchant bank that provides guidance, support and capital to urban businesses that are too large to receive government help but too small to afford many essential services. Next Street services this “missing middle” through four practice areas: advising, talent, agency and capital. As a previous small business owner in an urban environment, Henretig understands the difficulties that many of his clients face, as they seek to bring goods and services to an underserved community. Henretig argues that Next Street’s clients have traditionally been “denied the opportunity to grow” due to a lack of access to capital.

“Depending on what ZIP code and what neighborhood it’s in, a lot of these companies had been historically written off by banks,” Henretig says. Next Street provides the capital and support for these organizations.

Dan Skaff, WG’87, also believes that access to capital can help address social ills, including poverty. Skaff, president of Oakland-based One Pacific Coast Bank, defines the mission of One Pacific Coast Bank broadly: “to help foster prosperous communities through what we call beneficial banking practices.” Beneficial banking transactions are “fair, transparent, economically just and are not extractive but are supportive of the communities we serve.”

Skaff credits Wharton with more than the hard business skills he uses each day.

“You learn value sets that are important to you. You learn how you’re going to approach business. And you learn: Is winning everything, and, if so, how do you define winning?”

he says.

While a for-profit bank, One Pacific Coast is unique in that it has a triple-bottom line—financial, social and environmental. The bank is organized so over time profits support it and ensure that the organization is sustainable and adequately capitalized. Beyond that, the One Pacific Coast Foundation receives dividends and excess profits to reinvest in the community in support of the bank’s mission.

Skaff has also served as a board member for nonprofit organizations throughout his career, including the Sierra Club Investment Advisory Council, the Bay Area Children’s Discovery Museum and the Marine Community Foundation. In fact, Skaff’s first work for One Pacific Coast was as a board member, which led to Skaff’s current position.

Educating the Next Generation

Like Skaff, many Wharton alumni serve their communities through board service. In recognition of this, the School has created the Nonprofit Board Leadership Program. This program offers second-year MBA students the opportunity to serve on the boards of local Philadelphia nonprofits as “Visiting Board Members.” Students provide the nonprofit with their business expertise while gaining precious experiential education.

According to **Rebekah Horowitz, WG’12**, who sits on the board of the Center for Advocacy for the Rights and Interest of the Elderly (CARIE) in Center City Philadelphia, this program is ideal for students who intend to go into the corporate world but still want to be involved in philanthropic service because it gives students a foray into an area of philanthropy that they do not usually get this early in their career.

This program is one of many socially focused programs on campus. The Wharton Program for Social Impact, overseen by Managing Director **Sherryl Kuhlman, WG’01**, coordinates social efforts across Wharton’s campus, including events and student-run organizations. This office, formed in the fall of 2010, has been well-received by Wharton alumni and students.

“The Program for Social Impact is about leveraging Wharton’s distinctive competencies to provide thought leadership, experiential learning opportunities and career development in areas such as stakeholder management, impact investing, social entrepreneurship and improving the effectiveness of social enterprises,” comments **Len Lodish**, Vice Dean for

Gianna Driver, W’04, smiles with two artisans in Laos, MaeCam and Anong (and son). Driver’s organization helps artisans learn basic business skills and then sell their products online and through other avenues.



Social Impact, Samuel R. Harrell Professor in the Marketing Department, and leader and co-founder of the Global Consulting Practice.

“The experiences of our alumni are a reflection of the complexity and innovation evident in the field, and the Program for Social Impact plays a vital role in harnessing Wharton resources to help address some of the pressing social problems facing society,” he says.

During her tenure at Wharton, **Vivian Chen, W’11**, noticed a “big change” in the student body’s level of awareness of the social sector. As former president of the Penn Microfinance

Club, Chen credits the social impact concentration for undergraduates and social impact courses that mix undergraduate and graduate students, in addition to the many other resources available on campus to student interested in the social arena.

These resources are growing.

For the past year, **Marijn**

Spillebeen, WG’12, and **Feyi Olopade, WG’12**, have been hard at work enhancing and expanding the Wharton Social Venture Fund. Spillebeen and Olopade, along with other MBA students, are creating a course that focuses on impact investing, whereby investors focus on corporations and organizations that have a positive social impact. The course will teach students about impact investing and good financing practices, with a fund made up of the students’ own money as a learning tool.

The Wharton Social Venture Fund “is combining the social impact experience with [Wharton’s] traditional background ... in finance,” Olopade says.

This integration has certainly made the Wharton Social Venture Fund a popular idea. Spillebeen estimates that they have had more than 100 people apply this year, about 12 percent to 13 percent of the incoming class.

Another student-led organization, the Wharton Social Impact Club, overseen by co-presidents **Rebecca Bailey, WG’12**, and **Katie Picarsic, WG’12**, offers its members resources and connections to alumni, as well as substantive programming. The club seeks to educate all MBA students about the importance of the social sector—not just those students who wish to pursue a career in the nonprofit world.

“[Social impact] can touch every different student in a multitude of ways,” Bailey says.

No matter what occupation a Wharton graduate may move into, social impact will play a role.

The Spread of Social Impact

Kuhlman agrees: Social impact permeates all organizations and corporations as their customers, employees and other stakeholders expect some level of corporate social responsibility. She envisions a future where corporate social responsibility will not be optional.

“It’s going to be required,” she says.

That future might already be here. According to **Rita McGlone**, senior director of Wharton Executive Education’s partnerships for social impact, corporations realize they must pay attention not just to shareholders; they must manage

multiple stakeholders too.

“If they don’t, they’re not going to be successful businesses,” says McGlone, who works with corporate and nonprofit partners to organize executive education programs.

And corporations don’t need to work alone. McGlone’s ideal scenario is when “the public sector, the private sector and the educational sector [come] together to work on a common goal, each bringing their own resources to the table and leveraging what they have to offer.”

Driver, the social entrepreneur, believes such an ideal scenario is necessary for success.

“It’s the interplay and the dance between for-profit, nonprofit and NGOs that has to happen seamlessly for us to overcome poverty and social injustice,” Driver says.

Certainly, a Wharton education helps to facilitate this interplay and address these broad challenges. Many students and alumni seek to change the world using their business skillset.

“I wanted to align my goals and my morals with the thing that I’m doing on a day-to-day basis,” Bailey says. “What is nice is that now there is a field that is developing that can allow people to do that.” ■



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What Is the Real Cost of Cheap Energy?

Our public policy debate explores the extent of government's role, and questions the fairness and transparency of mandating one form of energy over another.

BY GREGORY DL MORRIS ■ ILLUSTRATIONS BY MIKE AUSTIN

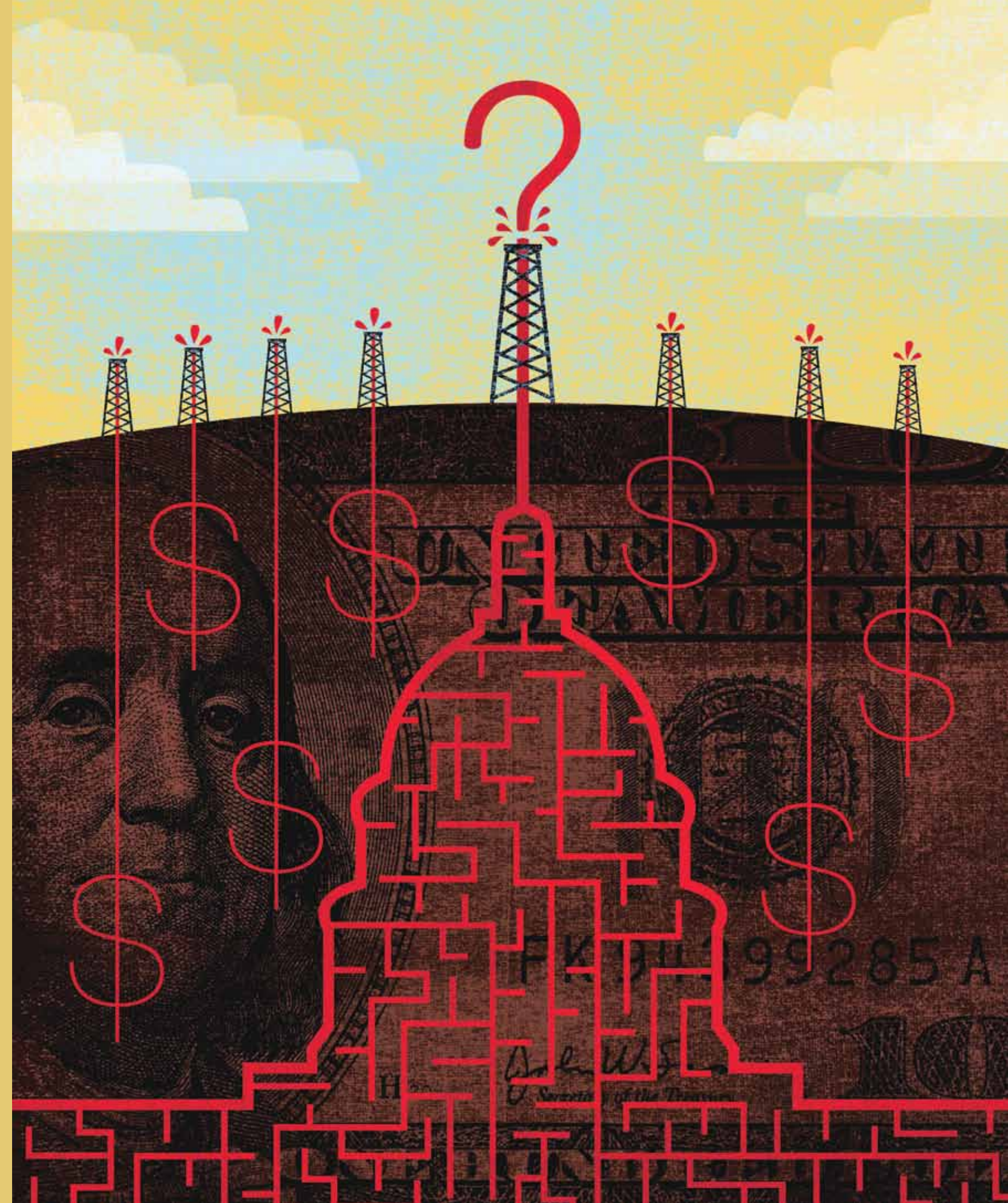
Fierce public debates and partisan rancor are all too common when energy policy is discussed. Within the Wharton community, we've uncovered a conversation that is more tactical: at what level should public policy be set, and how can the government's role be fair and effective.

The current administration in Washington, D.C., recognizes sustainable energy as a target area of investment. The \$787 billion federal stimulus program enacted in 2009 included an allocation of \$27.2 billion, or 3.5 percent, for green energy initiatives. The largest portion of that, \$6 billion, was designated for loan guarantees, whereby money is not spent unless the borrower defaults. This has not happened in many

cases, though one notorious situation involved \$545 million and solar-panel maker Solyndra, which filed for Chapter 11 at the end of August. Opponents of the stimulus pounced on that as an example of how government involvement in energy investment can go astray.

When it comes to what sections of the energy sector are the "next big thing," and where investment dollars should go, our Wharton experts in the field believe that the rules that determine this should be clear and stable.

"The proper role of government is to set the rules under which the free market economy can operate," says **Peter Robertson, WG'71**, retired executive vice



chairman of Chevron Corp., who now sits on several corporate boards of directors. “The role of the government is not to pick winners and losers.”

“Free market forces should determine what energy technologies are brought to market, and how they are developed, priced and used,” agrees **Bill Montgomery, WG’89**, who is managing director in Houston at Quantum Energy Partners, a private-equity firm. “But if the government is bound and determined to spend \$760 billion on stimulus, I would like to see at least a better distribution.”

If policymakers give loan guarantees to solar-panel makers, he argues, why not some for building compressed-natural-gas filling stations? Funding a variety of initiatives in the energy sector could result in more high-tech, well-paying jobs, meeting the public policy goal of decreasing rates of unemployment. Montgomery points to the oil and gas production generating “good jobs in previously depressed areas” in North Dakota and Pennsylvania.

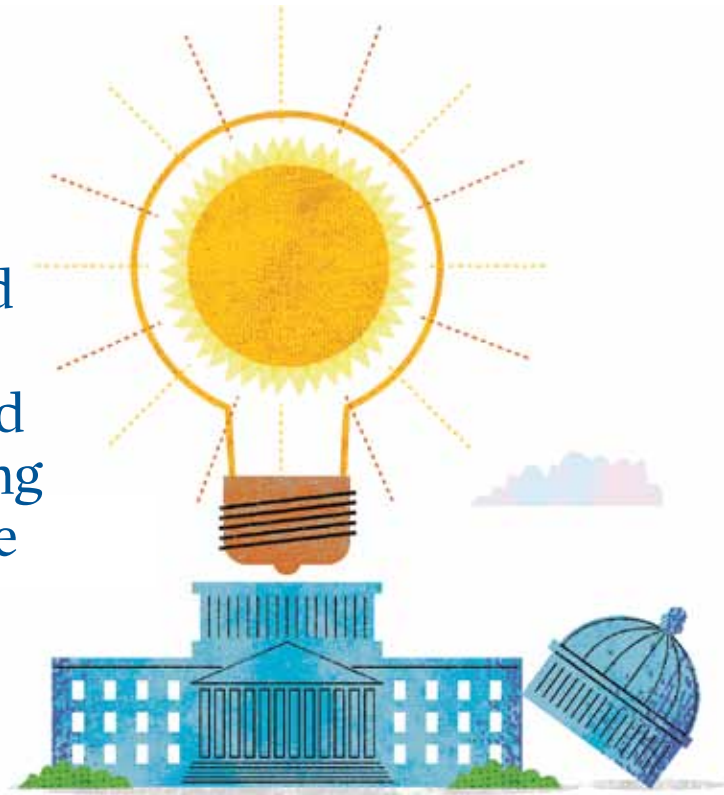
“We have to accept the limitations of our own intelligence,” Montgomery adds. Business and government officials alike cannot predict which technology will generate the best returns over time. Instead, government should set fair rules and allow industries to compete. “Let the best technology flourish and win. You don’t want situations like the ethanol mandate with all its unintended consequences.”

He is referring to the current federal Renewable Fuels Standard that mandates that 35 billion gallons of ethanol-equivalent biofuels and 1 billion gallons of biomass-based diesel be consumed in the United States by 2022. A report issued in October by the National Research Council suggests that those mandates are not likely to be met. Still, 14 billion gallons are being produced, diverting enough crops, such as corn and soybean, to be blamed for increased prices for food and livestock feed.

Another energy investor, **Billy Quinn, W’92**, managing partner at Irving, TX-based private-equity firm Natural Gas Partners LP, argues that, in an ideal world, government involvement in the energy sector would be on a “limited basis.”

“Unfortunately, we don’t live in utopia,” Quinn says. “The economical animal in me, the skeptic, finds it difficult to believe that government can get involved in anything in a small way.”

“There is a need to address the carbon issue, and that overwhelming reason is climate change.”



Still, Quinn notes that the free market has successfully driven long-term energy trends.

“The economics of the energy business should dictate where to drill oil and gas wells and where to build power plants. And in most cases it has,” he says.

On the same page, Montgomery describes how the high prices of energy just a few years ago—with oil at \$140 a barrel and natural gas at \$13 per thousand cubic feet—resulted in increased investment in exploration and production. Oil prices have since gone down more than one-third, and gas prices dropped more than two-thirds from those peaks.

“That is the market at work,” Montgomery states.

Ravi Viswanathan, ENG’90, WG’98, general partner at venture-capital firm New Enterprise Associates in Menlo Park, CA, believes that the market ultimately will prove certain clean energy technologies a winner. For the most part now, however, it is a “nascent” field.

“Subsidies are very helpful in cleantech, particularly given how the industry is still in very early days,” he says.

Viswanathan adds that fossil fuels received subsidies for many years and that the “basic energy” industry still receives more subsidies than clean technologies do.

Clean technologies will need to stand on their own two feet eventually, without subsidies. But when?

“That’s the real challenge, and that’s one of the Holy Grail questions,” he says.

THE COSTS OF REGULATION

Public policy can impact certain energy sources not only through subsidies, but it can encourage and discourage through regulation. But the costs added by regulation aren’t something

policymakers should enter into lightly, Robertson says.

“If costs are added, that should only be done transparently, and for good reasons, like environmental protection,” he says. Other valid reasons for increased costs are energy security and efficiency.

Still, he admonishes policymakers. “The question should always be if the gain is in proportion to the cost,” he says. For example, current proposals to raise taxes on domestic oil and gas production could drive users to imported fuels. Or take how billions in stimulus money was allocated to clean coal research while the natural gas industry has had to spend its own money enhancing supply and developing new markets. Where is the transparency in reasoning there, Robertson asks.

His conclusion is that some form of carbon control, possibly a form of cap-and-trade program or carbon tax, could be viable if done in an evenhanded way.

In late October, California adopted a statewide cap-and-trade program. Beginning in 2013, the largest carbon emitters in California will have to meet the caps or buy credits to account for the difference if they exceed those caps. By 2015, the program will comprise 85 percent of California’s emissions sources.

The Economic and Allocation Advisory Committee estimated in its 2010 report that California’s measures could lead to a net cost increase of \$3.7 billion. This would be offset by \$8.7 billion in savings from California’s initiative to reduce automobile vehicle miles by 4 percent by 2020.

There have been efforts to limit greenhouse gas emissions by groups of states in the Northeast, but they were voluntary; meanwhile, numerous federal cap-and-trade bills have been advanced, but none have been adopted.

“There is a need to address the carbon issue, and that overwhelming reason is climate change. ... If we as a country do decide to limit carbon in some way, then the rules should be clear and simple and allow for free-market competition,” Robertson says.

Montgomery sees positive regulatory trends and acknowledges that it is “entirely appropriate” for public policy to “make companies bear the burden of the costs they are imposing on the communities around them that they would not otherwise have to bear without taxes, or regulations, or remediation mandates.”

As an example of a balanced approach to regulation, Montgomery points to initial EPA efforts to regulate carbon as a pollutant, which would have taken many coal-fired power plants out of service without any ready replacement. Regulators appear to have lengthened the timetable for that type of regulation, which will allow power plant owners and operators more time to prepare and allocate capital accordingly.

“The challenge is to ensure that forms of energy compete head-to-head with their true costs reflected,” he says, adding that regulators must do that in such a way that is not overly disruptive or punitive.

Conceptually, Quinn agrees with the idea that the full development, production and remediation costs of energy should be part of the price. But he warns that “the full lifecycle cost of anything” is challenging to measure. Nuclear power generation doesn’t emit pollutants, he explains, but the costs for its facilities and fuel processing and disposal are huge. Wind power also emits nothing and its source is free, yet it requires acreage and weather is unreliable.

“What is the cost of not having power when you need it because the wind isn’t blowing? Shouldn’t that be included in the cost of electricity generated by wind?” Quinn asks.

Whatever costs are incorporated into delivered energy, they have to be done incrementally and intelligently, Quinn stresses.

“With any form of energy, you can always spend more money to get it cleaner. But you have to ask, how much more money to get how much cleaner? Does that make economic sense?” he says.

ARGUING AGAINST THE MARKET

Clean energy is a misnomer, counters **Robert Giegengack**, professor emeritus of earth and environmental science at the University of Pennsylvania. “No energy extraction is clean and beautiful. They all have an environmental and economic and social cost,” he says.

Particularly, Giegengack takes issue with the supply-side solution to energy policy. The only way to make energy green, he says in essence, is to use less of it.

“Having markets controlling these questions has not worked well, especially if we are concerned with preserving economic quality, because the market solution is always to produce more energy, not to use less. Access to energy at close to zero cost is not a rational policy.”

That said, Giegengack does not have much to say for government control to date either. “We have a very long history of regulation, but that has not given us an energy policy that is

“The role of the government is not to pick winners and losers.”

at all coherent or viable in the long term. Officials will pay lip service to environmental protection, but they are just trying to balance the economic interests of their constituencies.”

An unapologetic redistributionist, Giegengack would impose a federal energy tax that would increase 1 percent every month, so that the price of energy doubles in a little more than eight years. The proceeds would go to fund mass transit and renewable energy.

“People always scream at any increase in gasoline taxes because they say it hurts people who drive to work. But there is no right to drive. Individual mobility is a choice, and one with costs to the environment and to society. Those costs should be borne by the users,” he says.

Giegengack’s fundamental tenet is that “the scarcity in our economy is not money, it is energy. Our unit of currency should be the BTU. We started to see this in the oil shocks of the ’70s when people were trading goods and services for fuel. But then the energy industry started to produce more, and the Arab embargo was lifted. But the future will lead us to value energy as the fundamental unit of exchange.”

Perhaps not, as long as market forces drive energy policy.

A focus on short-term gains can lead to exactly the kind of inconsistent and inefficient policy that everyone decries, says **Howard Kunreuther**, the James G. Dinan Professor at the Wharton School.

“People shy away from high up-front costs, be that installing solar panels or a high-efficiency furnace or even a compact fluorescent light bulb. That myopia makes it a real challenge to support new technology and to achieve any meaningful conservation,” he says.

Viswanathan counters that clean technologies will be cheaper or as cheap as fossil fuels in the long term and that, in the short term, up-front costs are already decreasing in technologies like wind and solar. Within the next one to three years, he foresees multiple clean-tech IPOs—with fundamentals to back up their feel-good stories.

As the discussion returns to the topic of the market, Quinn is willing to ask the tough question.

“If land has been farmed for generations, and now it can generate much better returns by producing oil and gas, or generating wind or solar energy, why not? Ultimately, the economic best use wins out,” he says. ■



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Why It's Always Sunny in Philadelphia

The name of Mayor Michael Nutter, W'79, is being dropped more and more outside of Philadelphia. We talk with him about his relevance in the national political scene, as well as the power and limits of public policy.

By Matthew Brodsky • Photos by Ryan Donnell

It is one thing to talk about doing something, another to actually do it. It's a lesson that **Michael Nutter, W'79**, learned during his first term as mayor of Philadelphia.

When *Wharton Magazine* interviewed him shortly before his election in 2007, then-candidate Nutter said that, through his business acumen—and his Wharton knowledge—he knew he could run the city as a corporation. We sat down again with Mayor Nutter after his 2011 re-election, and he admits that things are a little more complicated than that.

Yes, he still sees himself as a CEO figure leading the nation's fifth largest city. And, yes, he still praises his Wharton education for preparing him for his current role.

Philadelphia is buffeted by trends larger than itself—much like a corporation would be—including national and international macroeconomic forces, public opinions and political movements. And much like a CEO, Mayor Nutter has done everything in his power to steer his ship through these headwinds beyond his control.

His efforts have attracted national attention, both praise and criticism.

He's been called everything from

a “blame-game politician” to one of *Esquire's* “2011 Americans of the Year.” Some critics assail him for not living up to the boldness of his campaign promises, while supporters laud him as a model for other elected leaders in these tough times.

Now that his first term has come to a close, we decided it was a good time to open our pages to him again. What follows are excerpts from a conversation we had with Mayor Nutter in his City Hall office.

WHARTON MAGAZINE: Do you see yourself as a role model for other mayors?

MAYOR MICHAEL NUTTER: I don't sit around thinking about the fact that I might be a role model. I'm clearly aware that all of us [mayors] talk to each other on a regular basis. ... We have a network and recognize that all of us are pretty much in the same business, have many of the same issues and challenges and problems, and utilize that network and those ideas on a regular basis. ...

And if someone thinks I'm doing something particularly noteworthy, certainly, that's humbling and I appreciate that. But I'm a real public servant, and my obligations are of course first and foremost to the citizens of this city.

But also, as a true public servant, if we're doing something that is working or is helpful, part of my job is to share that with other people. And if some component of what we do is applicable or can be adapted to their use, then have at it.

WM: Should more political leaders have your view, that you're a CEO of the city?

NUTTER: First and foremost, that's a personal choice. Every city is different, every circumstance is different. That might not be the mindset of the people in that city. The mayor may not want to force that particular point.

Whether it's the CEO model, whether it's running government as a business, whatever it may be, the mayors share, I believe, a common interest and concern: high productivity, low cost, deliver high quality services, make the city better for the citizens and taxpayers and children, seniors and many, many others. I think those are the fundamental, core values that the mayors I know hold true. Whether they think of themselves in that CEO role, you know, I think that's a personal issue and a comfort level that any of those mayors would have to have.

I am very comfortable with that model.

MAYOR NUTTER ON

the urban mood:

“Cities I believe are living, breathing entities. They have a certain mood to them and an attitude. And people often look again to the mayor, the chief executive officer, for, what's our overall feeling today.”



MAYOR NUTTER ON
civic pride:
“I want people to feel
the same sense of
pride of the city as they
have in their home, and
they care for it in
the same way.”



WM: Some critics say you did a good job in your first term, but didn't accomplish anything bold. Please comment.

NUTTER: I think that part of the boldness here was that we guided this city through what has been characterized as the worst recession since the Great Depression. Didn't decimate the government. Didn't decimate services. And have restored a level of fiscal stability to this city while managing an organization that was constantly, because of the economy, losing money.

It is pretty easy to govern and to do big, bold things when you have resources.

I think one of the bold things we did was, even in the midst of the recession, we lowered the crime rate unlike anything that had happened in the previous 10 to 20 years. That we've dramatically improved the perception and raised awareness about public education here in Philadelphia. That we continued to invest in some of our critical core assets like education and medicine and continue to support their efforts, which provide a lot of job opportunities here—while also again holding on to and attracting new businesses to come to Philadelphia—again at a time of great economic turmoil.

I think we have dramatically transformed the issue of ethics in government and taken away virtually this whole pay-to-play culture here in the city, and really transformed the city government into a place where people know: There are consequences to inappropriate actions.

I think that accomplishing those kinds of things in the midst of tremendous economic upheaval and turmoil, quite honestly, has been pretty bold and pretty dramatic.

WM: You mention attracting new

businesses to the city. Do you think that business leaders have an easier time approaching you, given your business education and background?

NUTTER: I think that my fellow CEOs, if you will, know and understand that I have that kind of background, that I have both the legislative and executive record of being supportive of the business community, that I come from that orientation, and that, quite honestly, I attended one of the best business schools in the world. That's helpful.

WM: Given the international scale of the macroeconomic forces affecting the city, how can a mayor address their effects on a local level?

NUTTER: First, obviously ... virtually no city can take on the enormity of the national and international economic crisis. Even though I might not be able to do something about that, I can do something about policing, I can do something about schools, I can do something about jobs and the economic climate here, I can do something about integrity, I can do something about taking on issues like the green economy or clean-tech energy research, or supporting education and medicine.

There are some core fundamentals that happen at the local level that the city government has to make some decisions, critical decisions, about investment and support. ... I think we have to be mindful of the things that we can actually do something about. I don't have anything to do with international monetary banking policy. But if there is a business that needs a loan, then I need to figure out: How do we get them the financing that they need? How do I get more officers in the police academy? How do I call on the civil community to get actively engaged in the

lives of their children? All of those things have value, and all of those things have meaning.

WM: Why did you go into public service? Was it something you got a taste for at Wharton?

NUTTER: What happened with me was, because of my finance background, while I was in my early stages in politics, I met someone who was actually a Wharton MBA grad, **Malcolm Pryor, WG'72**, who had a firm here in Philadelphia. He was friends with an elected official, John Anderson, who I had started volunteering with and then worked for. One thing led to another. I started working with Malcolm, and that's really how my public finance career got started. It actually came through the political realm of having known someone who knew someone else. Maybe before networking was a term or a phrase, I kind of networked into that.

WM: What would your advice be to students and alumni looking to go into public policy?

NUTTER: One, I would encourage it. I think that public service is one of the greatest callings ever. It's the knowledge that you can positively effect change in people's lives on a regular basis, and make this city, this state, this country and this world, quite frankly, a better place for other people. For me, there's just a tremendous psychic benefit to that, personal benefit to that. ...

I think a public service experience is pretty much good for everyone. Whether you stay for a year, 10, 40, whatever the case may be, it's a good background, it's a good level of experience that's going to help you do whatever it is you ultimately decide to do. But for me, I chose public service and I couldn't be happier. ■



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When Your Job Makes You Sick: Employees Find Little Leverage in Today's Workplace

Consider these signs of the times:

- The Gallup-Healthways Well-Being Index registered 47.1 in August for the category titled “work satisfaction”—the lowest it has been since the measurement was introduced in January 2008. The number means that less than half the respondents surveyed last month answered “yes” to four questions: Are you satisfied with your job; are your natural aptitudes aligned with the job you are asked to do; does your supervisor treat you like a partner, and does he or she create an environment that is trusting and open? “We thought we had reached the bottom back in the latter half of 2010 when we were in the 47 and 48.5 range,” says Dan Witters, the Index’s research director. “I would be surprised to see it go much lower than it is right now, but I’ve been wrong before.”

- Judith McKenzie, Director of Clinical Practice and Associate Residency Director in Occupational Medicine, at the Perelman School of Medicine at the University of Pennsylvania, treats workplace injuries ranging from broken bones to back sprains to repetitive motion injuries. Over the past few months, she has noticed two trends: First, some injured employees are taking longer to seek medical attention. Second, injured employees often insist on going back to work sooner than advised because they

want to protect their jobs. “They are worried that if they lose their job, they won’t find another,” McKenzie says. “They don’t want to draw attention to themselves as being injured in the event of a downsizing by their employer. They don’t want to be on [anyone’s] radar.”

- Massive layoffs once again dominate the headlines—12,000 jobs cut at Merck, 30,000 at Bank of America, 120,000 sought by the United States Postal Service, and 1,000 (if not more) at Goldman Sachs, to name a few. Smaller layoffs are more frequent and usually pass unnoticed: In the space of one month in spring 2011 in the Philadelphia area, Sara Lee announced 62 local layoffs; J.C. Penney announced 109; specialty chemicals company Cognis laid off 30; and Liberty Resources, a nonprofit advocacy group for the disabled, cut 112.

- According to a *Wall Street Journal* article this summer, the founder of Square, a mobile payments company based in San Francisco, not only asked employees to give up vacations, but also told an engineer to skip his own bachelor party so he could help meet a new-product deadline. In an article commenting on the *Journal* story, *Business Insider* wondered whether the “skewed work-life balance” at Square would help beat the competition, or lead to employee burnout.

With millions of people looking for

employment, the workplace these days is an increasingly unhealthy environment for those who still have, and are trying to keep, their jobs. One key reason—a stagnant economy that reduces the leverage employees typically have when they attempt to negotiate improved working conditions, move up in their organization or find better jobs outside the company.

“It used to be that when there were layoffs, things didn’t change much for the people still employed,” says **Peter Cappelli**, director of Wharton’s Center for Human Resources. “But now everybody is worse off. The company doesn’t just lay off a few people and leave you alone. They increase your responsibilities, increase your work hours, and cut your pay and benefits. It’s pretty obvious why people are stressed and dissatisfied.”

Studies looking at employee health in the workplace approach this issue from many different angles. One of the best-known examples is the Whitehall Study, conducted over 10 years beginning in 1967, which looked at heart disease and mortality rates among 18,000 British male civil servants. The researchers found that men in the lowest job grade level—messengers, doorkeepers, etc.—had a mortality rate three times higher than that of men in the highest grade level (administrators). In other words, “being at the bottom of the hierarchy can make you sick,” says Cappelli.



More recently, a study published this year titled, “Work-Based Predictors of Mortality: A 20-Year Follow-Up of Healthy Employees,” led by Tel Aviv University professor Arie Shirom, looked at the workplace’s effect on employees’ health. Its main conclusion: The risk of mortality was significantly lower for those reporting high levels of peer social support—i.e., the support of their co-workers. The study also found that high levels of job control—defined as “the perceived freedom permitted ... in deciding how to meet the demands” of the job—also reduced the mortality risk for men (but increased it for women, a finding the study’s authors say may be caused by differences in the types of jobs held by men versus women).

While higher death rates are clearly the most extreme evidence of workplace stress and job dissatisfaction, mental and physical ailments are also increas-

ingly common, ranging from high blood pressure and heart disease to depression, ulcers and Alzheimer’s. Employees faced with long hours, demanding bosses, unsupportive colleagues and unfulfilling work are typically advised to change supervisors, find another job, start their own company or consider other decisive moves. Today, because of the economy, these options are much less realistic.

When the economy turns sour and companies feel heightened pressure to perform well, this typically means two things, according to Wharton management professor **Iwan Barankay**: First, employees are required to do certain jobs even if they don’t like them. Second, employees may be told to come up with something new and to make sure it is an immediate success, even though the constrained environment does not allow the luxury of conducting additional research or engaging in trial and error. “This puts

“It used to be that when there were layoffs, things didn’t change much for the people still employed.”

“It’s like hiring an artist and telling him to make a masterpiece. That’s unlikely to happen.”

a lot of stress on an employee. It’s like hiring an artist and telling him to make a masterpiece. That’s unlikely to happen.”

And when employees feel they have little autonomy in their jobs and little hope of leaving to find new ones, the result is that “firms have more purchasing power than the employees,” says Barankay. “The companies, in the lingua of economists, purchase labor on the market to [fill job openings]. They have a lot of bargaining power compared to their employees.” For example, an employee looking for a new job could have significant costs associated with that search. Managers “can exploit that. They know they don’t have to accommodate the desires and dissatisfactions of the employees because they know it is costly for them to find an alternative. Employees are in a weak bargaining position.”

If stressed employees cannot vote with their feet, the question becomes: What can they do to make their workplace less toxic?

The Importance of Small Wins

Wharton management professor **Adam Grant** has done extensive research on the importance of designing work that provides individuals with a sense of control, a feeling of autonomy and the ability to develop specialized skills. He has also demonstrated how a person’s knowledge that his or her work has meaning and impact on others can result in increased well-being and productivity. One example: Lifeguards who read stories about other lifeguards saving people’s lives worked harder than those who were given stories to read about lifeguarding as a way to advance personal goals.

Grant recently co-authored an opinion piece for *Knowledge@Wharton*, along with management professor **Jitendra Singh**,

in which they blame excessive reliance on financial incentives for many of the corporate scandals and ethical lapses that have weakened the U.S. economy. Grant cites author Daniel Pink’s book, *Drive: The Surprising Truth About What Motivates Us*, as providing a good summary of the evidence that intrinsic motivation—rather than extrinsic motivation, such as financial incentives — is often supported by three key factors: autonomy, mastery and purpose. Grant also cites the importance of a fourth factor: a sense of connection with other people.

In Grant’s words, autonomy “involves freedom of choice in what to do, when to do it, where to do it and how to do it.” Numerous studies, he notes, “have shown that allowing employees to exercise choices about goals, tasks, work schedules and work methods can increase their motivation and performance.” Mastery, he says, “involves the chance to develop specialized knowledge, skills and expertise,” which leads to employees “naturally pursuing opportunities to learn and contribute.” And purpose involves “the experience of contributing to a meaningful effort or cause.”

Baranky agrees with the need to find ways that employees can more actively shape their jobs. Much of the research on happiness, he points out, looks at factors—such as income—that help explain variations in employees’ subjective well-being. But the one factor “that comes out very robustly is whether people have any autonomy over their workplace — in other words, some discretion about how their work is done and what they can focus their energies on.”

Achieving that in a sluggish economy suggests the need for a more proactive approach on the part of employees. Grant points to research being done by **Justin Berg, GrW’13**, and others on the subject of job crafting, which Berg defines as “active changes that employees make to their jobs to better suit their own motives, strengths and passions, resulting in more engaging and fulfilling work.”

Easier said than done, but Berg offers a visual framework that asks employees to think about the tasks in their job as a set of building blocks, and then to reconfig-

ure the blocks to emphasize productive aspects of the job and reduce sources of stress and dissatisfaction. The process opens people’s eyes to opportunities for small changes that “can go a long way, especially if they are small wins,” he says. An example of a small change would be limiting the amount of time spent on an unappealing task, thereby freeing up time and energy for more desirable tasks. Another example would be carving out some time each day or week to work on something new.

Employees can also benefit from reframing how they think about their jobs. Berg cites one research study by Harvard psychologists Alia Crum and Ellen Langer that divided hotel room cleaners into two groups: One group was asked to look at their work as exercise, the other as just a regular cleaning job. After a month, members of the group who viewed their work as exercise actually had better objective health outcomes than those who didn’t, including a decrease in weight, blood pressure, body fat and body mass index. Yet, the two groups carried out the exact same behaviors at work; the only difference was the meaning they ascribed to the job.

One of Berg’s research studies, co-authored with Grant and University of Michigan professor Victoria Johnson, is titled, “When Callings Are Calling: Crafting Work and Leisure in Pursuit of Unanswered Occupational Callings.” It looks at how people fold interests from “unanswered callings” — or occupations that have long intrigued them — into their current jobs. People can be “very creative and clever about incorporating their unanswered callings into what they do now,” Berg notes. “A lawyer who always wanted to be a teacher, for example, might take on the training of new employees or mentor an intern.”

In the interviewing process for his research, Berg turned up other cases of employees pursuing “unanswered callings” through job crafting. One factory mechanic who has always wanted to be a process engineer pitches ideas for improving processes to top management, even though his job is equipment main-

tenance. A brand manager pursues her calling to be a stand-up comic by using humor in her marketing campaigns. A university lecturer reframes his teaching to be like a musical performance, allowing him to pursue his calling to be a rock star. “By job crafting, these employees did not have to switch jobs to fulfill their unanswered callings,” says Berg. “They found a way to work in a different occupation without leaving their current one.”

Organizational politics, of course, are always a concern whenever the workplace status quo is challenged. Berg advises anyone engaged in job crafting to beware of encroaching on someone else’s territory. “You want to do the opposite. You want to think about how to job craft in ways that are good for you and others, including not just managers but also co-workers.” Indeed, employees should explain to others “the kinds of changes they want to make and the rationale behind them,” Berg says. Even if all the suggestions are not approved, “again, a few small changes can make a big difference.” For high-level jobs that are already quite complex, he adds, “the strategy should be to not only reduce the number of undesirable tasks, but also to add projects and develop new skills to help those projects succeed. This allows for bigger, more meaningful changes.”

Speaking Up, or Not

Nancy Hanrahan, a professor in the University of Pennsylvania’s School of Nursing who specializes in healthy work environments, suggests that “the magnitude of the work-stress problems is much worse than it has ever been before.” Nurses are burned out “by hospitals that do not have sufficient support in place for them to do the practices they have been taught.” The consequences of that for patient healthcare are obvious.

Hanrahan is studying five areas that hospital managers can focus on to help nurses better cope with stress as well as improve patient outcomes. Two are applicable to any workplace environment. First: Involve employees in policy discussions so that they understand what they are being asked to do.

This also makes people feel that they are important members of the decision-making team. “Many hospitals have dropped that approach by the wayside,” Hanrahan says. Second: Ensure that managers “are trained and educated.” Unskilled and uninformed managers can add to the stress of an already understaffed workplace. “The environments are so complex and intense, and the volume [of work] is so high,” according to Hanrahan, “that you need someone there who is making logical decisions.”

Yet even when employees can help shape the meaning and nature of their work, a depressed job market limits their options. For example, employees stuck working with too many unproductive or incompetent colleagues may find little relief. “The fact is, sometimes there is nothing you can do about it,” says Cappelli. “You could try going to your supervisor and saying, ‘This person is not doing his job.’ But there is likely to be some reason your supervisor doesn’t want to [take any action]. So it comes down to Eastern religious notions of ‘letting go’ and accepting that this is not your problem.”

In circumstances where an employee feels overloaded with work, “it’s easy to say you should just speak up, but the problem is, you are in a down economy,” Cappelli adds. “People are getting laid off all around you. You need to find a way to phrase your [complaint] in a positive way. Say something like, ‘Here is what I think would help me do a better job.’”

Whether people actually do make such suggestions may be related to whether, and under what circumstances, employees are motivated to speak up. **David Lebel, W’02, GrW’10**, studies “interpersonally risky proactive work behaviors—those that may come with negative consequences and risk for the individual despite being intended to benefit the organization.” An example would be employees who offer suggestions of how to improve the workplace but

“So it comes down to Eastern religious notions of ‘letting go’ and accepting that this is not your problem.”



find that that their bosses or co-workers resent or disagree with these suggestions.

A focus of Lebel’s research is exploring how emotions and organizational conditions influence whether employees voice their concerns and also to whom they voice them. Existing research, Lebel says, suggests that workplaces marked by fear and distrust will lead employees to remain silent. His own research, however, challenges that assumption by exploring the conditions under which fear may lead to an increase in employees’ willingness to speak up.

Lebel’s main finding so far is that when employees are worried about their jobs, they will, in fact, voice their concerns—but only when their boss is supportive. “It’s what we would expect,” Lebel notes. “People are comfortable speaking up when there is support to counteract feelings of fear.”

It is hard to overstate the benefits of having such conversations, Lebel adds. Speaking up, even if one’s idea is never implemented, “gives one a sense of control, and of coping. You are also expressing some of the negative emotion, even if you are not speaking up for yourself but for a team member.”

In tough economic times, says Berg, thinking in new ways is crucial. “A bad economy makes everything harder. We live in less abundance, and it’s difficult to switch jobs. That makes job crafting more important but also more risky. ... The key is to do things in your current job, even small things, that make the most of what you have. That is fundamentally what job crafting is all about.” ■



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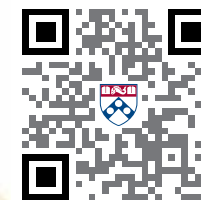
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