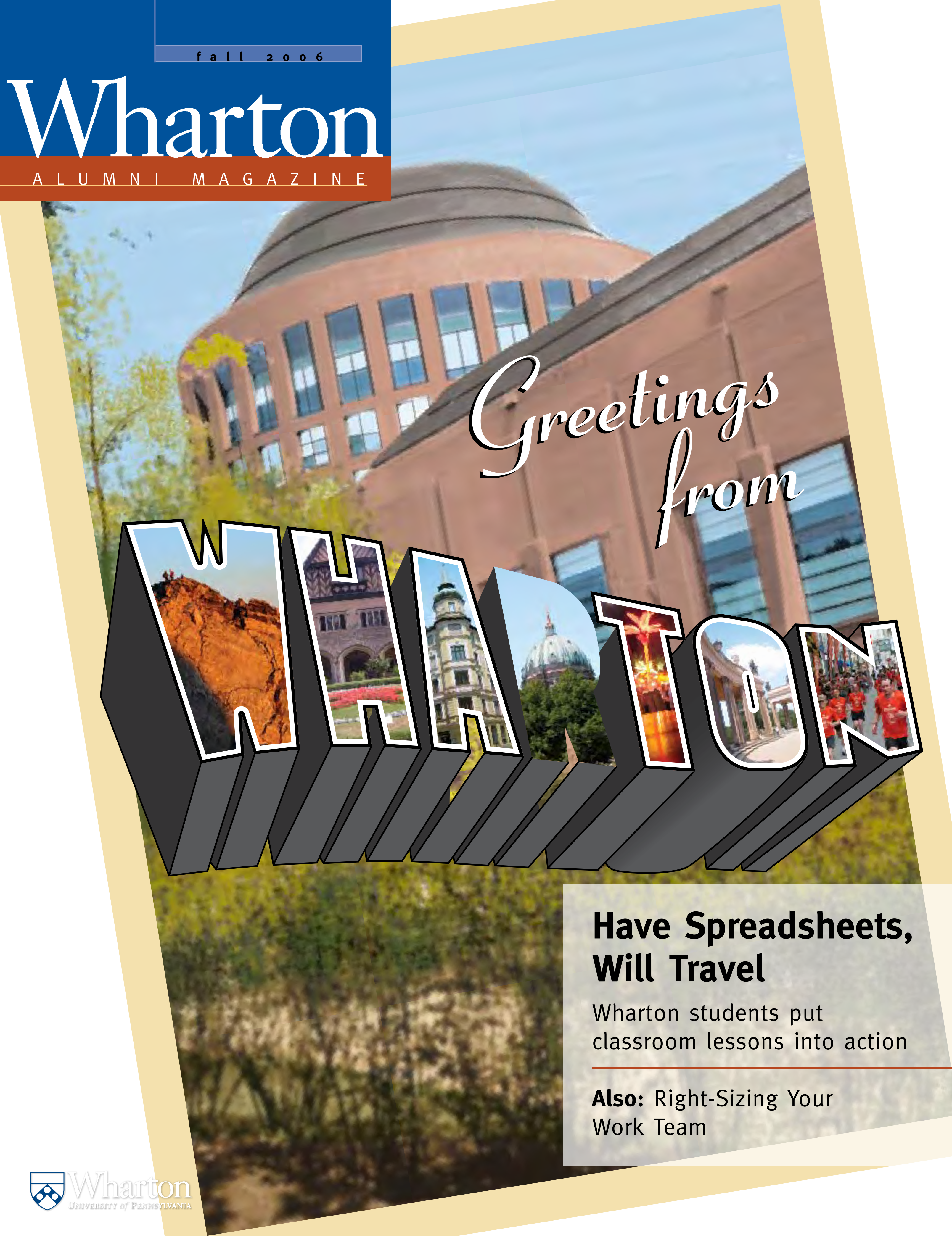
fall 2006

Wharton

ALUMNI MAGAZINE



Have Spreadsheets, Will Travel

Wharton students put classroom lessons into action

Also: Right-Sizing Your Work Team

Wharton
University of Pennsylvania

CHRIS ISIDORO

Eugenio Sevilla-Sacasa, WG'81, Vice President and Managing Director of Ryder Latin America, and Xavier Drèze, Assistant Professor of Marketing, show their colors at the August 10-11 Global Alumni Forum in Rio de Janeiro. The two presented a seminar with Professor Dawn Iacobucci called "From Customer Research to Delivery: The Long Line of Logistics." See page 14 for more photos from Wharton 125 events.

Events Calendar

NOVEMBER 2006

November 2
Wharton 125 Faculty Tour: Marshall Meyer on China's Second Economic Transit
Location: Bejing
‹125th.wharton.upenn.edu/events/›

November 3
MBA Student Conference: Wharton Women in Business
Location: Philadelphia, Park Hyatt at the Bellevue

November 4–5
Wharton West MBA Exec Reunion
Location: Museum of Modern Art in San Francisco

November 7
Wharton 125 Faculty Tour: Richard Herring on Finance
Location: London
‹125th.wharton.upenn.edu/events/rherring.html›

November 9
Wharton 125 Faculty Tour: Richard Herring on Finance
Location: Zurich
‹125th.wharton.upenn.edu/events/rherring.html›

November 10
MBA Student Conference: Global Business Forum: Asia Definining Asia in Transition
Location: Philadelphia, Park Hyatt at the Bellevue
‹www.whartonglobal.com/asia/›

November 11
MBA Student Conference: Global Business Forum: Africa Building New Partnerships, Impacting the Global Economy
Location: Philadelphia, Jon M. Huntsman Hall, The Wharton School
‹www.whartonglobal.com/africa/›

MBA Student Conference: Global Business Forum: IndiaRealizing the Indian Dream
Location: Philadelphia, Doubletree Hotel
‹www.whartonglobal.com/india/›

November 17
MBA Student Conference: Entrepreneurship Conference Start Small, Finish Big
Location: Philadelphia, Union League
‹www.weconference.org/›

November 30 – December 3
MBA Student Conference: Whitney M. Young Conference
Location: Philadelphia, Loews Hotel
‹wmy.wharton.upenn.edu›

JANUARY 2007

January 19
MBA Student Conference: Private Equity Conference
Location: Philadelphia, Park Hyatt at the Bellevue

FEBRUARY 2007

February 16
MBA Student Conference: Health Care Conference
Location: Philadelphia, Park Hyatt at the Bellevue

February 16
MBA Student Conference: Restructuring Conference
Location: Philadelphia, Union League

February 16
MBA Student Conference: Media & Entertainment Conference
Location: New York City

February 23
MBA Student Conference: Technology Conference
Location: TBD

MARCH 2007

March 23
MBA Student Conference: Social Impact Management
Location: TBD

APRIL 2007

April 12-14
125th Anniversary Finale Event: featuring top faculty, alumni, and industry leaders
Location: Philadelphia, Pennsylvania Convention Center
‹125th.wharton.upenn.edu›.

April 15-20
Executive Education: The CFO: Becoming a Strategic Partner
Location: Philadelphia, Steinberg Conference Center
‹execed-web.wharton.upenn.edu/coursecfm?Program=CFO›

Don't forget to visit WAVE to learn about alumni club events that are happening in your region.

For updated information visit **‹www.wharton.upenn.edu/whartonfacts/news_and_events/calendar/›**

COVER . JILL IACOVELLI

Wharton

ALUMNI MAGAZINE

Fall 2006

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TOMMY LEONARDI

NEW FACULTY: CHRIS LEE, VALERY YAKUBOVICH, GUSTAV SIGURDSSON, REGINA WITTENBERG MOERMAN, PAVEL SAVOR, SHAWNDRA HILL, DANA KIKU, GAL ZAUBERMAN, KATJA SEIM

Nine New Professors Add Global Perspectives to Wharton Faculty

What makes people think they'll have more free time in the future than they have today? When do personal connections outweigh educational credentials in hiring? How can businesses use word-of-mouth to their advantage? Where's the best place to build a video store?

These are just some of the innovative questions explored by Wharton's nine new faculty members, who bring additional global diversity to the School, hailing from Iceland, Israel, Germany, Canada, Ukraine, Russia, and the United States.

Joining six Wharton departments in Fall 2006, these professors reinforce Wharton's links to the country's other leading universities and business schools, with graduate work at Yale, Harvard, Stanford, Princeton, Duke, NYU, and the University of Chicago.

Helping Consumers Make Better Decisions

"Why don't people realize that they will not have more time in the future than they have today?" That's the driving question behind a widely reported 2005 study co-authored by Gal Zauberman, an assistant professor at UNC-Chapel Hill who joins Wharton's Marketing Department this year as an associate professor.

In this paper, Zauberman and co-author John Lynch found that people consistently overestimate how much time — but not how much money — they will have in the future. This tendency, Zauberman told *The New York Times* last year, "can lead us to volunteer for trivial tasks, and then not have time to do the things that are really important to us."

Helping people make better decisions also focuses the work of Chris Lee, a new assistant professor in Operations and Information Management. With a Ph.D. in Computational and Mathematical Engineering from Stanford, he designs models of optimal dialysis treatment for patients with chronic kidney disease. His formulas balance a range of factors — including quality of life, treatment cost, demographics, pre-existing medical conditions, and transplant failure — to maximize both cost effectiveness for hospitals and treatment effectiveness for patients.

Helping Businesses Make Better Decisions

Other new faculty members research decision-making from the business side. Katja Seim, a new assistant professor in Business and Public Policy, studies the strategic impact of video store locations. A Stanford assistant professor who spent last year at Wharton as a visiting faculty member, Seim argues that, for companies with highly localized demand such as video stores, geographical differentiation becomes a form of product differentiation, as they use their locations to help shield themselves from local competition.

Shawndra Hill, who joins the Operations and Information Management Department with a background in Information Systems and Electrical Engineering, researches the value to companies of mining data on how consumers interact with each other — for example, in word-of-mouth or "buzz" marketing that the companies cannot directly control.

Hill argues that firms that collect explicit data on these interaction networks can both reduce costs (for instance, by identifying a current customer as one who defaulted in the past) and generate more revenue than they can with traditional methods of targeting customers.

Valery Yakubovich, an economic sociologist who will be an associate professor in Management after four years teaching at the University of Chicago Graduate School of Business, examines the importance of this kind of social network in the Russian labor market. Based on his study of hiring practices in the industrial city of Samara, he analyzes the relative weight of personal connections compared to such other factors as credentials, advertisements, and political or market forces.

New Models of Corporate Finance and Asset Pricing

The Finance department welcomes three new assistant professors to their first teaching jobs, fresh from graduate work at Harvard, Princeton, and Duke. All three specialize in corporate finance and asset pricing.

Pavel Sabor, a graduate of Harvard and Yale, has worked on such topics as short-selling and stock mergers. He was also head and founder of the Mergers and Acquisitions department of Pliva, a Croatian pharmaceutical company with 7,000 employees.

Gustav Sigurdsson, an Icelandic citizen who joins Wharton after graduate work in Princeton's economics department, also specializes in corporate finance — for example, researching the most efficient use of auctions in reorganizing bankrupt firms.

Dana Kiku, a Ukraine citizen who graduated from Duke, has written on long-term asset allocation, investing risk, and the "value premium" in equity markets. She also has a master's degree in Applied Mathematics from the National Technical University of Ukraine.

In the Accounting Department, the work of new assistant professor Regina Moerman investigates pricing in the secondary loan market, focusing on such issues as trading spreads, debt pricing, and the impact of "information asymmetry" — a transaction in which one party (usually the seller) holds more information than the other.

Wharton Seminars for Business Journalists Hit the Northwest

On June 23, Wharton Seminars for Business Journalists (WSBJ) traveled to the city of Seattle for the first time. Organized by the Wharton Communications Office to deliver Wharton insight directly to the journalists who write about business and financial topics, the Seminars have been taking place on Penn's campus for the past 38 years. Since 2003, the School has partnered with the Federal Reserve Bank of San Francisco and the National Press Foundation to hold one-day seminars for business journalists on the West Coast.

A highlight of the Seattle event was a session on financial statement analysis by Adjunct Professor John Percival of Wharton's Finance Dept. His analysis focused on how reporters can gain deep insights into a corporation's culture and strategy by focusing on its public financial documents... Journalists from the *Seattle Times*, National Public Radio, Associated Press, and the *Seattle Post-Intelligencer* were among those who attended.

NATIONAL PRESS FOUNDATION

AT THE SEATTLE WHARTON SEMINARS FOR BUSINESS JOURNALISTS, GARY ZIMMERMAN FROM THE SAN FRANCISCO FEDERAL RESERVE LED DISCUSSION ON THE TOURISM, AUTOMOBILE, AND INSURANCE INDUSTRIES AND HOW THESE SECTORS IMPACT ECONOMIC TRENDS.

The next WSBJ event, in October 2006, is the annual four-day program held at Wharton's Philadelphia campus. Wharton will expand the School's sessions to international venues in the coming year, with possible locations including the Global Alumni Forum locations of Hong Kong, Zurich, and Costa Rica.

MBA Students Take First Global Immersion Trip to Africa

"What's the next great market? What's the next untapped region?" asks Parker Snowe, associate director of international programs in Wharton's MBA program, who helps organize three annual student trips in Wharton's unique Global Immersion Program (GIP).

In May 2006, the GIP organized its first-ever trip to Africa, taking 28 MBA students on a three-week tour of South Africa, Ghana, and Senegal to learn about, and make contacts in, this developing region of the global economy.

The group spent 4 to 6 days in each country, meeting with local industry leaders, visiting major local businesses, and traveling through the region to experience its culture first-hand.

African Businesses Fight Poverty

The GIP's Africa trip was conceived and organized almost entirely by Wharton MBA students, led by **Robert Befidi, Jr., WG'06**, whose goal was "to increase the Wharton community's awareness and understanding of business issues faced by Africa." It included a mix of first-year and second-year MBA students, as well as coordinators for each country and two Penn graduate students from other divisions.

Snowe and the trip's student organizers chose to visit three distinct regions, to emphasize that Africa contains different markets with specific histories and economic needs:

- South Africa, the continent's largest and best-established economy, still struggling with its history of apartheid;
- Senegal, the former French colony, where, Snowe reports, "the Senegalese would rather do business with Americans;" and
- Ghana, the former British colony once known as the "Gold Coast."

In all these areas, entrepreneurial spirit battles corruption and poverty. In Dakkar, the capital of Senegal, the group came into town on the only paved road, passing booths at which people sold handmade crafts and other small products. In Ghana, a British entrepreneur successfully introduced an internet café (with computer training) for Ghanians who have

PHOTOS BY DUE QUACH

JOBERG APARTHEID MUSEUM IN SOUTH AFRICA

A SCHOOL VISIT IN DARAS, SENEGAL

GIP STUDENTS TRAVERSING GHANA'S KAKUM NATIONAL PARK

STELLENBOSCH MARKET IN SOUTH AFRICA

A BEACH ON GOREE ISLAND, SENEGAL

no computers but still want Internet access.

This ability to create business opportunities extends from the macro-level — a company like Areeba that has introduced cellphone service across Ghana, for a population in which few people have phone service at home — to the micro-level of microfinancing loans to small businesspeople.

"Although the local business environment was thriving," says **John Gadzi, WG'06**, the country coordinator for Ghana, "there was still significant room for growth, which implies attractive opportunities for well-thought-out and executed business models." Or, as Snowe puts it, "There's money to be spent, and there's money to be made."

South Africa Creates Post-Apartheid Opportunities

In South Africa, businesses still struggle to redress the inequities of apartheid. As students learned from a panel of six senior financial services executives in Johannesburg, the country's Black Economic Empowerment (BEE) Program contains provisions for employment quotas, vendor management, and community development, including a mandate that 26% of shares at any public company be sold to a black enterprise.

All the South African businesses visited by the GIP team stressed their BEE-related programs. Diamond giant DeBeers began a Learn to Earn pro-

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gram that trains residents of black townships in such trades as carpentry and sewing. The Rand Merchant Bank (RMB) pioneered a reverse mentoring program to pair young blacks with white senior managers. RMB also sends newly hired employees to stay in black townships.

The GIP team visited the University of Cape Town Business School and the Gordon Institute of Business Science to learn about their efforts to train the country's next generation of black leaders. Equal hiring programs, they learned, can address only part of the legacy of apartheid, since South African blacks, historically denied access to education, may not yet have the skills and training to assume positions newly available to them.

Wharton MBA students taking the program for credit attended a four-part lecture series before they left, under the aegis of Penn's African Studies Center, designed to introduce them to Africa overall and to each country in their visit. These students will write papers in the upcoming semester that analyze key business aspects of the countries and companies they visited.

Each year, the GIP offers three trips to key business areas around the world, at which students meet industry leaders, tour companies, and learn about the region's cultural and economic opportunities. GIP trips in earlier years have taken students to Europe, India, Southeast Asia, Greater China, and South America.

Supernova Conference Debates High-Tech Future at Wharton West

LEGAL STUDIES AND BUSINESS ETHICS PROFESSOR KEVIN WERBACH FOUNDED THE SUPERNOVA CONFERENCE FOUR YEARS AGO.

What's next for search engines? How are wireless technologies and online games changing our media experiences? What are the consequences of online globalization, especially in India and China?

These were just a few of the questions that shaped this year's Supernova conference, held on June 21-23 at the Wharton West campus in San Francisco, where more than 400 leaders of the high technology industry came together to create and debate their industry's newest ideas.

Founded in 2002 by Kevin Werbach, Wharton assistant professor of legal studies and business ethics, Supernova has become a key annual event for high-tech innovators, thinkers, and business leaders to consider their industry's future. In Werbach's words, the conference "strives to bring together people and ideas at the bleeding edge with more practical and established business realities — people who have shared interests but are not going to run into each other anywhere else."

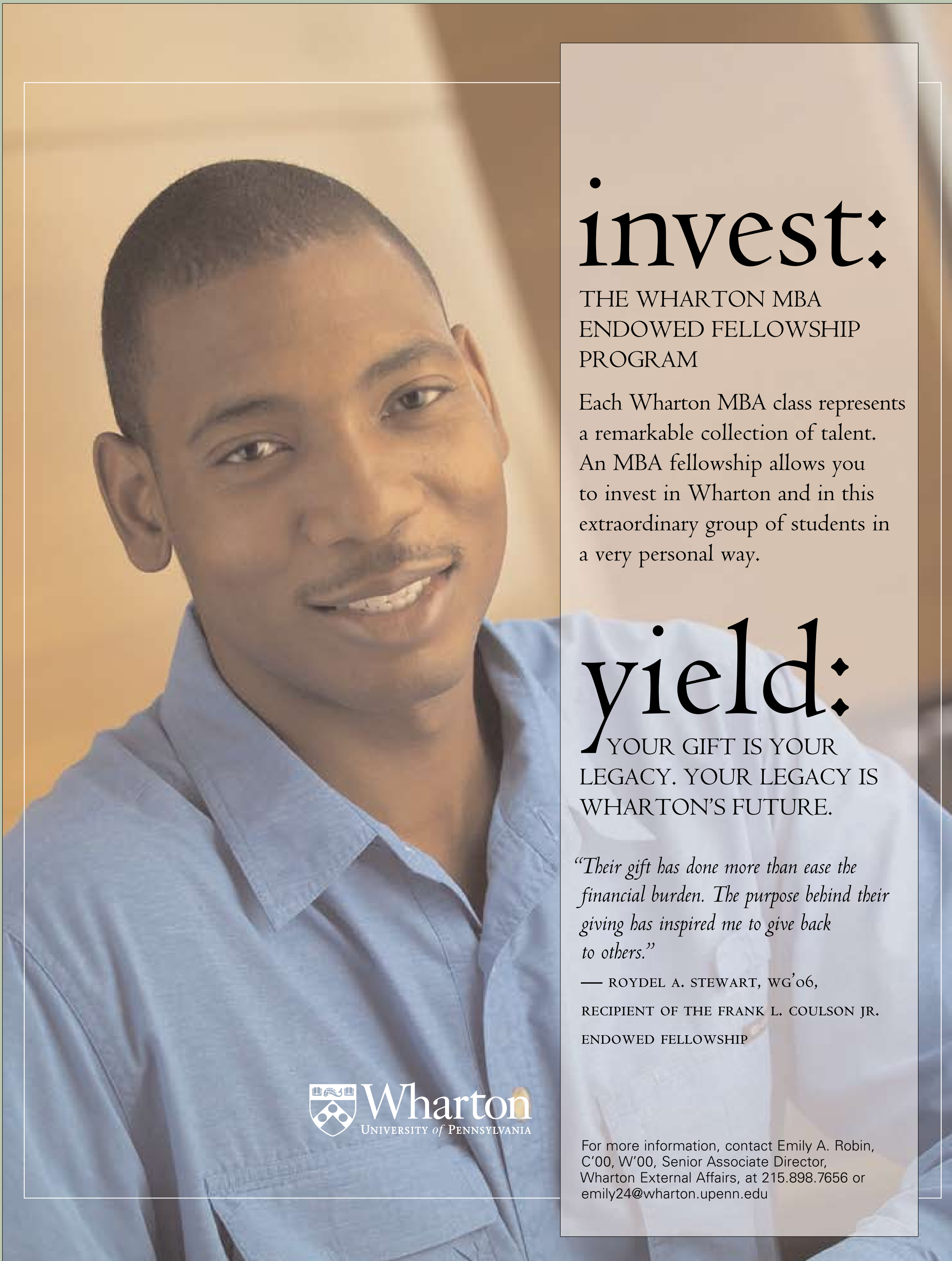
Sponsored by Wharton for the second year, Supernova began with a day of workshops at Wharton West, at which leading innovators offered hands-on exposure to the latest tools and trends, and continued with two more days of panels, perspectives, and workshops.

"We're seeing the innovations pioneered on the consumer web the first time around make their way into a much wider set of contexts," says Werbach, noting the social and business implications of massively multiplayer online games; and services like Ether, Yahoo! ZoneTag, and Skype that use Voice Over IP to meld communications with network-based services.

"I thought the workshop day at Wharton West was a high point of the event," notes Werbach, former Counsel for New Technology Policy to the FCC and advisor to tech guru Esther Dyson. "The workshops were all a great balance of, on the one hand, edgy ideas and technical elements and, on the other hand, solid business discussions involving major players like Microsoft, GM, P&G, Google, and Yahoo!."

This mix of perspectives embodies Werbach's long-term goal for Supernova: creating dialogue between high-tech innovators and established businesses, who need to "see the value of this kind of interaction with people and ideas at the bleeding edge."

After all, he concludes, "The more virtual you are, the more you appreciate the things that can't be virtualized. There's a magic in putting interesting, intelligent, engaged people in a room together."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THE WHARTON MBA ENDOWED FELLOWSHIP PROGRAM
Each Wharton MBA class represents a remarkable collection of talent. An MBA fellowship allows you to invest in Wharton and in this extraordinary group of students in a very personal way.
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"Their gift has done more than ease the financial burden. The purpose behind their giving has inspired me to give back to others."
— ROYDEL A. STEWART, WG'06, RECIPIENT OF THE FRANK L. COULSON JR. ENDOWED FELLOWSHIP
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For more information, contact Emily A. Robin, C'00, W'00, Senior Associate Director, Wharton External Affairs, at 215.898.7656 or emily24@wharton.upenn.edu

Wharton in the News

A small selection from among hundreds of mentions from top-tier national and international print, television, and radio outlets.

Lisa Bolton, assistant professor of marketing, was quoted in a June 6 *BusinessWeek* article about the marketing of weight management drugs. Her research on the effect of weight management drugs revealed that taking the drugs actually leads people to eat fewer low-fat foods and exercise less — the opposite of the desired behavior changes.

• • •

On June 17 *The Economist* quoted **Peter Cappelli**, George W. Taylor Professor of Management, about the control employers have on terms of employment and short-term contracts. In *The New Deal at Work*, he wrote, "While employers have quite clearly broken the old deal and its long-term commitments, they do not control the new deal...it is hard to see what could make employees give that control and responsibility back to the employer." The article also appeared in the *New Zealand Herald* on June 19.

• • •

In the June 10 *Wall Street Journal*, **Thomas Donaldson**, Mark O. Winkelman Professor; Professor of Legal Studies and Business Ethics, criticized the role connections play for students and internship programs, including a trend toward charity auctions for internships. Companies "have an obligation to hire the best people they can — not the highest bidder — so they'll get the biggest return on their investment," he said.

• • •

Mauro F. Guillen, Dr. Felix Zandman Professor in International Management; Professor of Management and Sociology, was cited in a *New York Times* article on June 8, about the expansion in Europe through mergers and acquisitions. In his book, *The Rise of Spanish Multinationals*, he wrote, "Without the skills and managerial personnel of their European counterparts, it is likely that Spanish firms will remain strong in the 10 percent of the world represented by Spain and Latin America, and largely absent from the rest."

• • •

Jack Guttentag, an emeritus professor of finance, was profiled in a June 26 *Newsweek* article about his efforts to help borrowers bypass non-disclosure of costs by mortgage brokers. "Guttentag crusades for transparency," columnist Jane Bryant Quinn wrote. "He wants providers to disclose the loan's wholesale price (the interest rate and points), plus the markup, in writing and in advance."

• • •

On May 12 the *Philadelphia Inquirer* featured the story of how Wharton Global Consulting Practicum was helping a Peruvian chef export his sauces to the U.S. The MBA consulting project was one of 11 the program conducted this year, including clients from Chile, China, Colombia, India, Israel, and Peru. **Leonard Lodish**, Samuel R. Harrell Professor; Professor of Marketing, who founded the program, said that a client from last year, a Colombian brewer, is now marketing one of the fastest-growing imported beers in the U.S. The article also ran in the *Miami Herald* (6/19/06) and the *Kansas City Star* (6/12/06).

• • •

On June 20 Dow Jones News interviewed **Olivia Mitchell**, International Foundation of Employee Benefit Plans Professor; Professor of Insurance and Risk Management and Business and Public Policy, for an article about the Pension Benefit Guaranty Corporation (PBGC), and insurance on private retirement packages. "The PBGC was put together to handle normal risks," she said. "I don't think anybody really expected ... there would be entire swathes of American industry that would have the bottom fall out."

• • •

Witold Rybczynski, Martin & Margy Meyerson Professor of Urbanism; Professor of Real Estate, was quoted in a *Rocky Mountain News* editorial on June 1 about the challenges New Orleans is facing in re-establishing itself as a top tourist attraction. He predicted that New Orleans will be rebuilt as a smaller and very different city: "While cities grow very quickly, they decline slowly. … This very gradual decline has been cruelly accelerated. Half the low-income people in New Orleans were tenants — a very high number. The landlords can't afford to rebuild houses for those tenants. If they rebuild, it's going to have to be for somebody with a lot more money, because rebuilding a house costs more than it's worth right now. That's a quandary I don't see any solution to."

Back to Where He Once Belonged

A returning alumnus reflects on the road to MBA Pre-Term. BY OBINNA OBILO, W'04, WG'08

In retrospect, I always knew that I'd be back.

On my graduation day in 2004, I found myself in a good place. I had a full-time job locked up. I had made more lifelong friends than I ever thought possible. The accomplishments, the parties, the laughs, the lessons learned flooded my mind like a muddled mass of bittersweet memories. I had done everything I had set out to do and more. Now I was finished. I was leaving. However, as I donned my regalia and marched with thousands of other faces down Locust Walk, the one thought that dominated my thoughts was the hope that my name would be pronounced correctly at the graduation ceremony. Obinna Chimaobim Obilo doesn't exactly roll off most tongues so easily.

When my official diploma arrived in the mail that summer, I was left feeling both satisfied and annoyed. On one hand, the Latin inscriptions on the parchment symbolized the fact that I had arrived, that I was a graduate. On the other hand, my father made what I felt at the time was an irritating gaffe when he ordered my diploma frame. He had purchased an ornate frame from the school that included two windows — one for the diploma and one for a fancy sketch of the campus — but failed to order the sketch, leaving the overall image incomplete.

Since that time, I have developed the theory that perhaps my dad did not make a mistake after all. It might just be possible that he was actually making the subtle point that he wanted me to further my education at some point to complete the picture myself (I've yet to ask him, but if this turns out to be the case then touché, old man, touché).

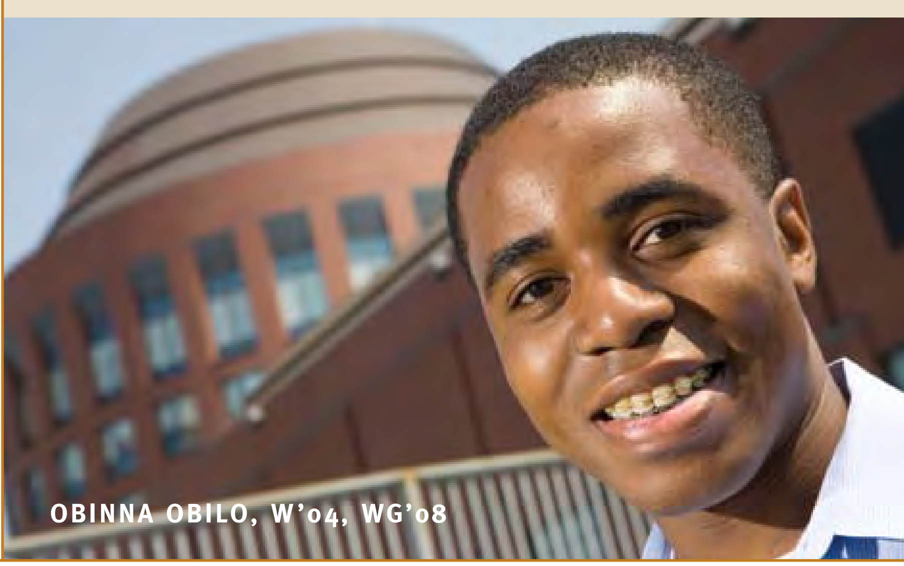
In August 2004, I relocated to Washington, D.C. to work for Fannie Mae. During my analyst rotational experience I had the opportunity to work on several exciting and innovative projects, especially in relation to the company's domestic homeownership initiatives.

I knew that for as much as I enjoyed being at Fannie Mae, my career aspirations lay beyond the scope of the mortgage industry or even domestic financial services. My long-term career goal is to merge my personal and professional endeavors through international development initiatives. Specifically, I want to focus on financial services and strategic management for entrepreneurs and businesses in emerging markets and particularly West Africa. Somewhere in the career mental planning process, the MBA bug bit me. Amazing right? Not even a full two years out of school and I was already back on nerd auto-pilot, clamoring for more.

As I began to review and then apply to graduate programs, Wharton grad remained at the top of my list. Even though I had been through the undergraduate curriculum, I was more than impressed with the nuances of the Wharton graduate program — even in comparison to the other top programs. I became increasingly enamored with Wharton's clear global reach, the extent of which I found truly unique. My only worry was if the school would choose to have me back.

And then it happened. March 16, 2006, the release date for admits, a.k.a. "Wharton Armageddon." I remember pensively poring through the work deliverables while constantly flipping to my Yahoo personal account for any and all updates. After waiting "patiently" for 15 minutes (or roughly 2,250 hyperrhythmic heartbeats) past the scheduled admissions status release, I went to the application website to see if my fate had been revealed. Upon logging into the system, I was greeted with the note: "Congratulations, you have been accepted into the Wharton Class of 2008." No buffer from the truth, no additional buttons to click. In very anticlimactic fashion, I was a Wharton admit again.

I was back inside The Matrix. I celebrated by bouncing up and down in my cubicle, banging my fist against my heart, and lifting my pointer fingers skyward like I had just been handed the Larry O'Brien Trophy from NBA Commissioner David Stern. Then, after



JIM GRAHAM

OBINNA OBILO, W'04, WG'08

“I was a Wharton admit again. I was back inside The Matrix.”

two minutes, I realized how much work I still had to complete — and how much my chest hurt from the exuberant celebration — and decided to call my family to tell them the good news and then dive right back into my deliverables.

Thankfully, I have had plenty of occasions to celebrate my admission and subsequent matriculation to Wharton. I have received countless pieces of mail and even more e-mails. I am still trying to sort through the enormous quantity and quality of information and resources available to the Wharton graduate population. I also received my first bill of many from the University, prompting my parents — who thankfully financed my undergraduate education — to laugh uncontrollably when I complained about how much I would end up owing the school.

Back to School

Last but not least, I finally packed my belongings and left the green pastures of D.C. for the not-so-green pastures of my new apartment in West Philadelphia. One U-Haul truck and a near-herniated disc later, I have settled into the two-bedroom brownstone I share with a friend and fellow Penn alum. Moving is never fun and leaving D.C. was surprisingly harder than I initially could’ve imagined two years ago, but those feelings have been supplanted by the palpable feeling of comfort I get from returning to my second home.

The grads have since completed Pre-Term, a smorgasbord of activity in which I crammed to learn or relearn basic business theory and fundamentals, hundreds of names, and the addresses of various bars over the course of four weeks that felt like four months. Both my brain and my liver can attest to the effects of this whirlwind, for better or worse. I had to frequently stop and check my pulse, the calendar, and (most importantly) my bank account, and I was honestly shocked each time I did.

One of the big highlights during Pre-Term was the Leadership Retreat, held at “rustic” Camp Iroquois Springs in Catskills, NY — so rustic, in fact, that the toilet paper was literally half-ply. About the only thing I knew about the Catskills prior to the retreat was that it was once home to “Iron” Mike Tyson, which I’m sure hasn’t exactly been the strongest selling point since the early 1990s. However, the locale was ideally suited for team building exercises we went through over the two-day excursion. The main takeaway from this retreat was how inspiring it was to be surrounded by and bonding with classmates and peers who will be leaders of commerce and champions of the economy in the not-so-distant future.

About the only thing that dampened our spirits (and our clothes) was the constant downpour that kept us mostly indoors for the first day of the retreat. The silver lining was that the time indoors gave my cohort, and especially my learning team, the chance to truly bond and thoughtfully reflect on how we would work together over the next year in order to achieve success. The retreat allowed me to develop an even greater appreciation for the unique and diverse thoughts, experiences, and backgrounds of each of my cohort-mates. Additionally, I was awestruck and humbled by some of the obstacles that other individuals had overcome in order to eventually find themselves in our class. Some of my classmates already stand as role models I hope in some facet to emulate going forward.

This is what the last year 13 months — from taking the GMAT to writing essays to interviewing — has finally translated into. Prep time is over and the regular season is finally here for Wharton grads and everyone else. And now here I am. A few years older than when I left. Supposedly a “seasoned” veteran, but without question more cognizant of and/or jaded by the real world than before. Once again identifiable by my student ID number and Wharton e-mail address. Still the same handsome, funny, and intelligent guy. Back, yet again, for the first time.

Just like that, fall semester is about to start. The campus is once again bustling. Doe-eyed freshmen are once again lost or wandering in packs of 50. The food trucks that take the summer off are returning to reclaim their spots on Spruce or 38th Street.

As I make my final runs to the bookstore for supplies and textbooks; as I meander through Jon M. Huntsman Hall or up and down Locust Walk; as I bid and auction for courses and prepare for the next two years, I still find myself amazed and surprised that I’m a Wharton student again. But in a way I’m not surprised at all and — knowing my heart and looking at that diploma frame — perhaps I never should have been.

As I said before, I always knew I’d be back.

Obinna Obilo, W’04, WG’08, is the author of a collection of poetry called Within This Welded Spirit.

In Brief

ROB TANNENBAUM

WHARTON BUSINESS PLAN COMPETITION WINNERS CLOSE NASDAQ AUGUST 8.

Business Plan Competition Winners Ring NASDAQ Closing Bell

On August 8, the grand-prize winning team from the Wharton Business Plan Competition (WBPC) rang the closing bell at the NASDAQ Stock Market in New York. It was the second year in a row that the competition winners were honored in this way. The SmartMotion Technologies team of **Rahul Kothari, WG'06**, **Howard Katzenberg, WG'06**, Kevin Galloway, a Penn Engineering PhD candidate, and Rodrigo Alvarez, a Penn alumnus, were welcomed by members of the Wharton Alumni Club of New York and Wharton Entrepreneurial Programs, which runs the competition. Using the name MuscleMorph, the team had impressed WBPC judges with its plan to market a medical device that matches biological muscle movement.

Global Family Alliance Partners with Singapore Management University for Research

The Wharton Global Family Alliance (Wharton GFA) joined with Singapore Management University (SMU) to develop high-level research, thought leadership, and a major curriculum of study related to family business governance, wealth management, and philanthropy. With its previously announced partnerhips with IESE Business School, Instituto de la Empressa Familiar and SDA Bocconi School of Management, Wharton GFA now has research capabilities on three continents — North America, Asia, and Europe — for its studies of family business issues. SMU is Singapore's third university, founded in 2000, with collaboration from Wharton, to offer undergraduate business education, specialized graduate programs, and executive education in Asia. The two institutions already conduct joint research under the umbrella of the Wharton-SMU Research Center.

Penn's Health Economics Exec Ed Programs Now Part of Wharton

Executive education programs offered by the Leonard Davis Institute of Health Economics (LDI) will now reside in Wharton Executive Education. Until now, both Wharton Executive Education and LDI have served clients in the health care industry independently. LDI, the University of Pennsylvania's center for health services research, health policy, and health care management executive education, is a long-standing formal cooperative venture among Wharton, Penn's health care schools, Annenberg, and the Children's Hospital of Philadelphia. This reorganization will formalize the collaborative relationship by clustering the University's health care executive education expertise within the Wharton Executive Education structure.

Wharton Launches Long-Term Leadership Development Program for Dubai World

Wharton Executive Education has begun a three-year partnership with Dubai World to launch the Dubai Leaders Program, a leadership development initiative designed to build a corps of leaders within Dubai World. The executive development program will bring up to 135 participants from across all of Dubai World's corporate organizations to Wharton over a three-year period. Dubai World participants will attend a series of live program sessions and immerse themselves in action-learning projects to enhance strategic thinking capabilities and leadership skills.

Leading with Resilience: Coming Back from Challenge and Adversity

Wharton hosted its 10th annual Leadership Conference on June 13 as part of the School's 125th anniversary celebration. The one-day intensive conference focused on how managers can lead with resilience and come back from challenge and adversity, whether in the private, public or nonprofit sectors. Speakers included author Jim Collins; Peter M. Dawkins, vice chairman of Citigroup Private Bank; Helen Greiner, cofounder and board chair of iRobot; Sylvia M. Montero, senior vice president, human resources at Pfizer Inc.; and **David Pottruck, C'70, WG'72**, CEO of Red Eagle Ventures. ◆

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PHOTOS BY CHRIS ISIDORO

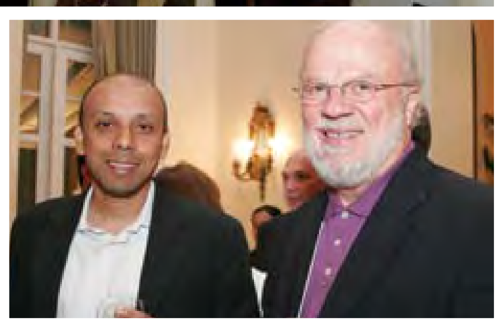
2006 Global Alumni Forums Capped by a Sold-out Event in Rio de Janeiro

Why have Mexican companies become such powerhouses? What are the challenges of family businesses? In markets like India and Brazil, will company efficiency suffice? Wharton's Global Alumni Forum addressed serious questions in a sparkling setting as hundreds of alumni and friends gathered in Rio de Janeiro August 10-11.

This year's Latin American Forum was part of the School's ongoing celebration of its 125th anniversary. **Robert Mangels, WG'75**, chairman and CEO of Mangels Industrial, served as chairman of the Forum's Organizing Committee, which attracted major business and government leaders. Notable speakers included Henrique Meirelles, governor of the Central Bank of Brazil; Alain Belda, chairman and CEO of Alcoa; **Roberto Civita, W'57**, chairman and CEO of Abril Editora; Pedro Henrique Mariani, CEO and president of Banco BBM; Arminio Fraga Neto, founder of Gávea Investimentos; Hector Medina, EVP Planning and Finance, CEMEX; Mary Anastasia O'Grady, member, Editorial Board, *The Wall Street Journal*; Pedro Moreira Salles, vice chairman and CEO of Unibanco; Ernesto Silva, COO of Coca-Cola FEMSA; and Wharton professors Raffi Amit, Xavier Drèze, Dawn Iacobucci, Kenneth Shropshire, and Jitendra Singh.

Odemiro Fonseca, WG'75, President of the Organizing Committee, had a huge impact on the success of the Global Alumni Forum. Set in the elegant beach-front Copacabana Palace Hotel, the event attracted the School's largest contingent in Latin America with 526 registered participants.

Don't miss the 2007 Wharton Global Alumni Forums in Hong Kong, Costa Rica, and Zurich. Visit **<www.wharton.upenn.edu/alumni/forums/>** for updates.



125 YEARS

Wharton Leader

The Long and the Short of It

Cliff Asness, co-founder and managing partner of hedge fund AQR Capital, puts financial research to work for institutional investors.

By Han Hu

Once a financial tool only for the very rich and well connected, hedge funds have proliferated in recent years. With more than 8,000 funds in existence, the industry is becoming increasingly crowded.

And yet, for the average American investor, hedge funds are a mysterious business — how they are managed, and even how to access them. A Wharton alumnus is helping to change that.

In 1998, **Cliff Asness, W'88, E'88**, co-founded one of the largest hedge funds in the world, Greenwich, CT-based AQR (Applied Quantitative Research) Capital, which manages more than $23 billion. Most of those billions do not belong to the elite individual investors who dominated hedge funds in the past, but to institutional investors — especially university endowments and public pension funds.

Asness and his partners founded AQR just as the Internet was bubbling — a seemingly unfortunate time, when the quantitative rigor that is AQR's hallmark seemed stodgy compared to the freewheeling valuations in the new economy. In its first years, AQR leaked money, losing 60% of its value. While AQR's institutional investors stood their ground, many private investors were abandoning other hedge funds.

By 2001, *Forbes* called the hedge fund industry a folly: "You don't have a hedge fund to brag about at lawn parties? That could be because you're too timid to swing for the fences, as these private investment partnerships often do with leverage and exotic derivatives. It could be because you are not well connected… Maybe you are not rich enough… Or maybe you are not in a hedge fund because you know better."

In fact, it was the perfect time for AQR. In 2000 Asness had written a paper of his own — "Bubble Logic," a takedown of nonsensical, unsustainable stock prices — that was never published but ended up being both prescient and influential. It was passed among money managers, read in academia, and quoted in the business press.

And Asness turned out to be right. The power of AQR's market-neutral investment strategy is now benefiting a wider swath of investors who were once left to ride out rough patches in the economy unprotected.

An Epiphany at Wharton

Self-described as a somewhat "disinterested" student in high school, Asness had always thought he would follow his father into law. Instead, Asness found a new passion for numbers ignited by his Wharton experience. As an undergraduate, he double-majored in finance at Wharton and computer science at Penn Engineering as part of the Management and Technology program, finishing the typically five-year program in only four years and graduating *summa cum laude*.

Working as a research assistant in the Finance Department, Asness discovered an interest and affinity for research in finance, specifically in portfolio management, which led him to follow in his mentors' footsteps and pursue a PhD in the discipline. After Wharton, Asness went straight to graduate school at the University of Chicago. There, he became a teaching assistant for Eugene Fama and wrote his PhD dissertation on the performance of momentum trading, buying stocks with rising prices. Years later, Asness would combine the insights from his research with those from his mentors to make money in the financial markets.

After Chicago, Goldman Sachs offered Asness the chance to start a quantitative strategies group to use the latest research to make money in the financial markets. Asness accepted. Asness's group delivered high returns in their first few years, even doubling their money in one year. After

AQR

only two years, Asness's team was already managing $7 billion, and they barely had a month in which they lost money.

In November 1997, Asness decided to leave Goldman and start his own hedge fund, rebuilding his computer models with three other founding partners. Asness and his team had no trouble attracting investors for their fund, AQR. Within five months of launching AQR they raised $1 billion, which was believed to be the largest amount ever raised by a start-up hedge fund at the time, according to the *New York Times*. Today, Asness and his team make money by continuing to apply the latest financial research to finding and capitalizing on inefficiencies in financial markets around the world.

For a man who relies on hard numbers to make financial decisions, Asness surprisingly attributes much of his success to good fortune. "I don't think enough people who are successful give enough honest credit to luck along the way," he said. For example, he almost became a lawyer and would never have considered a career in finance had it not been for his pivotal experiences at Wharton.

Investment Philosophy

AQR's core investment philosophy is the combination of value and momentum investing: buy value stocks with positive price momentum and sell short growth stocks with negative momentum. AQR's strategy combines the insights of Asness's research on momentum trading with principles of value investing. In a famous study, Fama and his colleague Kenneth French found that value stocks outperformed growth stocks more than half the time (in fact, in more than two-thirds of the years), which is more often than expected under the Efficient Market Hypothesis (EMH). (The EMH states that investors cannot beat the stock market consistently because all relevant information is already built into stock prices.) Asness further tested the EMH by studying the performance of momentum trading, buying stocks with rising prices. He found that momentum trading also worked better than the EMH suggested it would.

Today, AQR applies its strategy of buying undervalued assets and shorting overvalued ones not only in the stock market but in 19 other financial markets as well. The key to the strategy's success, says Asness, is accurately and clearly defining value and momentum. To implement his firm's quantitative investing strategy, Asness and his team develop and "apply statistical models through giant computer programs to try to make money in the investing field."

AQR is also widely diversified, usually buying and selling blocks of 400 stocks at a time. The company buys the 400 most undervalued and sells short the 400 most overpriced. As Asness describes, "We are about the ideas of value and momentum and a few other things paying off over time and how to insulate ourselves as much as possible from the vagaries of any one company. A traditional [fund] manager is much more about, 'How do I get the vagaries of any one company right.'"

> "What hedge funds should be doing is separating market exposure from an attempt to add value."

The Future of Hedge Funds

In 2005, Asness was invited to write an article for the 30th anniversary of the *Journal of Portfolio Management (JPM)*. The list of authors is a veritable who's who of leading investing experts and researchers. Among them were Andrew Lo, director of MIT's Laboratory for Financial Engineering and for whom Asness served as a research assistant when Lo was a professor at Wharton, and Bob Litterman, who succeeded Asness as head of the Goldman quantitative trading group Asness started. He later presented his findings to an audience of 85 people at an event of the Wharton Hedge Fund Network in New York.

In his article for the anniversary edition of *JPM*, Asness outlined a balanced account of his vision for the future of the hedge fund industry, detailing both the upsides and downsides of hedge funds. In Asness's opinion, "What hedge funds should be doing is separating market exposure from an attempt to add value. People should be able to buy these separately." Thus, Asness envisions a future in which people's portfolios can include only index funds and hedge funds. The indices capture the returns in the financial markets, thus providing market exposure, and the hedge funds add value in excess of the market returns. However, Asness believes many changes need to take place in the hedge fund industry before investors can hold such a portfolio.

Those changes include transparency issues for hedge funds. As Asness describes, "One sticking point between institutional investors and hedge fund managers that is slowing down progress toward the hedge-fund-plus-index-fund world is the lack of transparency in hedge funds (they often do not tell their investors what they are long and short). Many institutions are not comfortable without transparency." Going forward, institutional investors and hedge funds will need to find some middle ground with respect to transparency and disclosure.

In addition, as more hedge funds try to capitalize on inefficiencies in the financial markets, it will become increasingly harder for funds like AQR to find those inefficiencies. However, Asness believes an equilibrium amount of market inefficiencies will eventually be reached.

If the market contains few inefficiencies, many hedge funds will exit or their investors will take money out, but then inefficiencies will creep back in. "One of my professors once said, and he got this from someone else, that there will be an 'efficient amount of inefficiencies in the market,'" says Asness.

If this is the case, the criticism of top-secret computer models — black box investing — may be misplaced. As Asness told the *New York Times*, "You know, human beings have a black box, too. It's called the brain." ◆

Han Hu, W'08, is a first-time contributor to Wharton Alumni Magazine.

PHILADELPHIA FALL 2006 PA

POSTCARDS FROM WHARTON'S EDGES:

Students write about what they did on their summer vacations.

Have Spreadsheets, Will Travel

LUFTPOST
PAR AVION VIA AEREA

After the last final is over and the last team project is submitted, Wharton students pack up their laptops and exit campus. But they don't leave Wharton behind — when students disperse into the wider world, they take what they learned with them. And for most, summer isn't just vacation.

Whether it includes an internship, immersion experience, or travel, the break between spring and fall semesters is an essential part of the learning experience. It's a time when students can apply what they've learned, try on a career, and stretch themselves.

In this issue, four Wharton students share different summer experiences in their own voices.

Mitchell C. Burgess II, W'08, found himself in an unnerving new environment just by crossing Spruce Street. The health care management undergraduate put on his scrubs to intern in the high-stakes emergency trauma center at the Hospital of the University of Pennsylvania.

Four summers ago **Lyndsey Bunting, W'07**, got a taste of Wharton during Leadership in the Business World, a summer program for high school students. This summer she took those lessons to a higher level as student coordinator for the Grand Teton Mountaineering Leadership Venture.

Selorm Adadevoh, WG'07, president of the Wharton African Students Association and a veteran of a Global Consulting Practicum to Peru, took on more new cultures — the Asia Pacific region by way of New Jersey — as he interned in product development and strategic planning at Avaya, an enterprise communications company.

Daniel Bowermaster, WG'08, G'08, a German-track Wharton/Lauder student with six years in operations at a medical device manufacturer, reported on a language immersion that included class work, business site visits, cultural history, and the all-consuming hysteria of the World Cup.

Four Blocks from Wharton, but a World Away

Mitchell Burgess on interning at Penn Trauma Center.

"Mitch, I need you to exit the chopper and come with us."

I immediately recalled the deplaning procedures I learned in the briefing session only hours earlier. I unplugged my headset and unbuckled my seat belts. While jogging to catch up with Sue Potter, the flight nurse, and Jack Long, the paramedic, I asked myself, "What could they possibly need me for? I'm just an observer... with no official medical education!"

Over the roar of the helicopter propellers, Jack loudly informed me that I was needed to assist the team in transporting an injured patient from an ambulance to our BK-117 chopper. We rushed to meet the ground EMS team that was already on the scene.

The plan was simple: We would carefully lower the patient's gurney to the ground, transfer him to our flight gurney, and push him to the helicopter. However, the patient weighed more than 300 pounds and had sustained an injury to the head, making this task more difficult than we anticipated. After employing some strategic maneuvering and the strength of five people, we managed to complete the transfer and load the patient into our chopper. Jack and Sue performed a quick, yet comprehensive inspection of the aircraft and surrounding area and then took their positions in the rear of the chopper with the patient; I climbed into the co-pilot's seat in the front. Moments later, we were in transit to the Trauma bay at the Hospital of the University of Pennsylvania (HUP).

As we soared through the Pennsylvania skies, I felt a great sense of excitement and accomplishment. Here I was, thousands of feet above ground participating in the delivery of emergency care when only weeks before, I was studying this industry as an outsider in a health care management course. I was really enjoying the experience and for an instant, I imagined my future self in a similar role. Though, this daydream was abruptly interrupted by a familiar question: "Am I trading in my pinstripe suit, pressed white shirt, and tie for a pair of scrubs and a white lab coat?"

This is a question that I often ask myself. Although I have always been certain that I want to build a career in the health care industry, I constantly debate what type of role to pursue. Do I want to serve on the front line of health care as a physician or tackle the issues on a broader scale from the business side?

I first attempted to find the answer by participating in the Wharton Leadership Venture at the Penn Trauma Center in October of 2005. This project allowed me and 15 other Wharton students to observe leadership and teamwork in a high-stress environment like the trauma bay. We then compared our findings to what we have learned about effective team structure and behavior in "business" environments and presented successes and improvement opportunities to the trauma team. I did not realize at the time, but my involvement in this venture would later lead me to an extraordinary and unique opportunity to further explore my interests in this industry.

While going through the familiar, yet daunting process of searching for suitable summer internships, the Trauma Clinical Programs Administrator, Kate Fitzpatrick, MSN, CRNP, offered me the chance to work with the trauma team to critically examine its clinical and administrative operations

JIM GRAHAM

and make recommendations for improvement. This offer outshined all of the others for three particular reasons. One, I appreciated being approached by an administrator who specifically selected me for my skills and talents. (What can I say? It made me feel honored!)

Two, I would be the first intern ever hired by the trauma division. Hence, I would be granted significant autonomy and be in a position to offer valuable feedback. There was also positive pressure for me to perform well on my and Wharton's behalf and set high standards for future interns.

Three, I would not have to choose between the suit jacket and the lab coat. The internship created somewhat of a

JIM GRAHAM

"dual role" which would allow me to wear both. I would function primarily as the "consultant," observing specified aspects of the trauma program, attending closed administrative meetings, and shadowing administrators both at HUP and other facilities within the University of Pennsylvania Health System (UPHS). My secondary role would be likened to that of a "physician-in-training," granting me access to all of the patient care and operating units as well as the research meetings.

My supervisors, Dr. John Pryor and Kate, had several projects for me to get involved in. As the "consultant," the first and most important was a leadership transition analysis. I started at the time when Dr. Patrick Reilly and Dr. John Pryor were moving into their new roles as Vice-Chief and Director of the Trauma Program.

Usually, when a leadership change is in process, there are concerns about the circumstances that led to the change, the morale of the existing team, the acceptance of the new leader, and the future of the organization. Reilly and Pryor were aware of this, and hence, were very interested in getting an impartial perspective of the division and learning how to best continue the great work of their predecessors while being true to their personal leadership goals. The other team members were also intrigued because the analysis afforded them the opportunity to offer feedback to Reilly and Pryor about how they can improve the program and their own leadership capabilities. To conduct the analysis, I closely observed Reilly and Pryor's managerial activities and behaviors. I also set up interviews with every member of the trauma team including the division chief, attending physicians, patient service representatives, and clinical administrators. These meetings were enjoyable because they allowed me to collect candid responses while building a good rapport with the team.

The second project was focused on the outpatient trauma clinic. Andrea Blount, the Outpatient Practice and Education Coordinator, wanted to develop a way to organize and maintain the clinic's medical supply inventory given its space and budget constraints. This assignment was especially interesting for me because I did similar work for the Materials Management department of University Hospital (University of Medicine and Dentistry of New Jersey: Newark, NJ) last summer. I was able to directly apply the skills I acquired there to configure a suitable storage structure and write a proposal for its purchase from a popular medical cabinet/cart dealer. Additionally, I made contributions towards improving the functionality of the resident-maintained patient database, increasing the efficiency of the division's usage of limited office space and storage, and developing a comprehensive strategic plan for the trauma program.

When taking a break from my projects, I took on the role of an unofficial "physician-in-training." On these days, I hung up my suit and sported an authentic set of light-green HUP scrubs and a lab coat. (I learned early on that some clinicians do not respond well to the "suit and tie guys," so my medical attire helped to foster a greater sense of comfort and camaraderie for the team and me.) I was exposed to every graphic phase of patient care. I shadowed one of the PennSTAR flight teams to get a grasp of pre-hospital care. I regularly attended the daily patient report and rounds in the intensive care units with the medical students, residents, and fellows. I also spent time in the trauma bay and operating room observing the attending surgeons and support teams while they performed procedures that I couldn't even pronounce at first. As the summer went on, I expanded my knowledge of human anatomy, clinical terminology, and basic medical procedures. In addition, I have seen the effects of just about every possible mechanism of injury on the human body.

"I learned early on that some clinicians do not respond well to the 'suit and tie guys.'"

The third installment of this internship consisted of a series of amazing shadowing opportunities. At HUP, I met several clinical administrators and learned about the various types of care offered as well as initiatives to improve clinician performance and reduce the amount of firearm injuries in the Philadelphia area. A few of my adventures led me away from the trauma office. For example, Kate Fitzpatrick invited me to accompany her at a Pennsylvania Trauma Systems Foundation (PTSF) board meeting in Harrisburg, PA, where I learned about new state-wide trauma regulations and initiatives from a phenomenal group of seasoned nurses, doctors, and health care executives. Some of my other amazing hosts included Garry Scheib (COO of UPHS/CEO of HUP), Albert Black (COO of HUP), and Diane Corrigan (CFO of HUP), all of whom imparted great knowledge of health care systems operations and finance upon me.

The most gratifying part of any internship is the reflection at the end. When I look back over the past three months, I recall countless extraordinary experiences and realize that I could not have asked for a better job. It was rewarding not only because of the scientific facts I picked up or the great people that I met, but also because it helped me put my life in perspective. As I stated earlier, I accepted this job for a reason; I hoped that it would help me decide which road to take after graduation. Unfortunately, I enjoyed everything so much that I still cannot choose.

So, the question stands: “Do I want to pursue a career in medicine or in the business of health care?” I am honestly not sure, but that no longer bothers me. This industry is so vast and there is no reason for me to limit myself to only two options. I am just grateful for the experience and I believe that my newly acquired understanding of health care will help me make the most informed decision when the time comes.

Teamwork on the Mountainside

Lyndsey Bunting reports on the Grand Teton Leadership Venture.

“Stand up away from the rock and lean back” Kent, our mountain guide, told me.

“Come again?” I replied as I gripped my handholds a little tighter.

“You’re on belay. I need you to trust your team, yourself, and your gear to not let you fall. So try and fall.”

Business is obsessed with climbing metaphors. And it’s easy to see why. Climbing offers the obvious symbols of reaching the summit, the necessity of individual talent and teamwork and the elements of risk and reward amid serious challenge.

This summer, Wharton Undergraduate Division’s Leadership Ventures and Merrill Lynch Chief Financial Office sponsored a one-week program in Jackson, WY, for 12 selected undergraduate students to attempt to summit what is considered one of the world’s classic climbs, the 13,770 foot Grand Teton. We were joined by Christopher Maxwell, who teaches Management 100 at Wharton and organizes Wharton Leadership Ventures for the Undergraduate Division, his wife Kathy Maxwell, and Merrill Lynch vice presidents John Sims and Andy McGinnis, in hopes of bridging the gap between theory and practice of leadership and teamwork on the mountain and in the business world.

The Sunday of our arrival, we arrived at the Jackson Hole Airport and traveled to the Murie Ranch, which served as our headquarters for the week. The nonprofit ranch was previously home to Olaus and Margaret and Adolph and Louise Murie — founders of the Wilderness Society and later backers of the Wilderness Act, which protected designated lands as national forest wilderness. As part of the project, we would be preparing recommendations at the end of the week that would enable the Center to spread its message of sustainability to a larger audience, specifically corporations. It appeared as though our days would be packed with hiking and climbing and our evenings with group discussion regarding our service project.

Learning the Ropes

This year was my second as a participant of the Grand Teton trip. A participant in the 2004 trip, this time I was the

CHRISTOPHER MAXWELL

Student Coordinator. Having an idea of the personal and group challenges that lay ahead, I was curious to see what this year’s participants would take away from the program as compared to what I had taken away from the program two years earlier. In the new position of Student Coordinator, I found that my task was more about facilitating team development rather than leading the team. I observed as my teammates rotated from leading different aspects of the trip — on the trail, during project group discussion, or even making sure everyone was awake and ready to go in the morning. In spite of the differences in physical strength and skill levels among the group, because of the nature of uncertainty in the venture, no one could say, “I’m the most qualified and will be leader of this trip.” The uncertainty leveled the playing field, forcing everyone to take roles leading and following.

But before we could climb, each participant was required to pass basic and intermediate school organized by Exum Mountain Guides, one of the most famous and prestigious guiding services in the United States. There are typically fewer than five guides who train with Exum each summer and at the end of the summer, the Senior Guides determine who should be invited back to continue their training the following year. When not guiding in the Tetons, the majority of the guides disperse to lead climbing or extreme skiing expeditions around the world, including Patagonia, France, or the Himalayas.

Our basic mountaineering school consisted of the fundamental aspects of climbing, including the intricacies of the safety lines — belaying, anchoring, bouldering, and rope management. The necessity of teamwork and trust in climbing becomes glaringly obvious. You realize that you're all tied in together, and each person is responsible for the safety of his or her teammates. At one point, John, a Merrill Lynch Vice President with a wife and four children, jokingly yelled up to Dan who was belaying him, "Six people are counting on you and you definitely don't want my mortgage!" Communication becomes of the utmost importance.

Basic school is followed by intermediate mountaineering school, which included more difficult multi-pitch climbs, several overhanging rappels, anchoring on exposed terrain and advanced climbing techniques. Each movement requires more attention and concentration, whether it's placement of your foot around the boulder or remembering your belaying position so as not to let the person below you freefall should he or she lose their grip on the rock.

After passing basic and intermediate climbing school, our group was ready for the two-day ascent of the Grand Teton. Our first day of the ascent included an eight-mile hike that began at 9:30 a.m. and ended nine hours and 5,000 vertical feet later at the Lower Saddle (elevation 11,650 feet). We observed the change in topography and climate from the mild weather and meadow near the trailhead to the barren and winter landscape at the saddle. At the Lower Saddle, we added several layers of clothing and quietly munched on whatever dinner we could hold down. By 9 p.m. that evening we all packed into the tiny Exum hut where they keep mats and sleeping bags and tried to settle down for the night.

Day two of our ascent of the Grand Teton began at 3:00 a.m. the following morning as everyone was awakened from a restless few hours of sleep. After a silent, anxious breakfast, we grabbed our packs, put on our harnesses and headlamps, and headed out in the dark in groups of four.

The sun was just coming up as we reached the first of our 12-pitch climb up the Owen-Spalding route. We roped in, checking our harnesses as the first of the group began to climb and then belay. I watched as my rope disappeared with Carlos along the first of the multi-pitch climb known as the Belly Roll and Crawl. The name comes from the route's first ascent by Glenn Exum, who literally crawled along the narrow ridge with no rope or belay to reach the other side. Several minutes later my rope tightened and I knew that Carlos was on belay.

"That's me, Carlos!" I yelled, trying to project my voice above the wind.

"Climb, Lyndsey!" he yelled back.

"Climbing, Carlos!"

This was the simple dialogue that we had practiced over and over in climbing school to let each other know that we were in position to accept responsibility for each other's safety. While I had just met Carlos that week, I knew that if I should slip, he would not let me fall to my death. Carlos and I practiced several of these exchanges as we slowly fought our way up the mountain. I also exchanged this dialogue with Riya, who I would belay after I finished each climb. This continued down the line as the team slowly progressed towards the summit.

We reached the 13,770 foot summit by 10 a.m. There was little time to enjoy the view of Wyoming, Montana, and Idaho from the lofty perch that we had pushed ourselves so hard to reach. Our trip was far from over. The most dangerous part was about to begin — the descent.

Twenty minutes later we began our downclimbing as we carefully tried to step around the loose rock and shale. The descent is dangerous because everyone is exhausted and more likely to make inane mistakes.

When we reached our 120 foot rappel, the temperature was freezing and we were completely exposed to all the elements. The rappel was the easy part, and we continued our downclimb reaching the Lower Saddle by 1 o'clock. After a brief lunch break, we were heading back down through Garnet Canyon and reaching the trailhead and car by 6:30 p.m.

The Element of Risk

Perhaps one of the greatest differences between teamwork and leadership on a mountain and in the classroom is the element of risk. Risk implies that there is something significant at stake. It is obvious enough that the consequences of falling or failing to belay your teammate are exponentially higher than any consequences that may be incurred in a classroom leadership or team-building exercise. By increasing the stakes you are forcing that critical moment where leadership and teamwork abilities and deficiencies are exposed. And there's no question that the experience we had working together to successfully manage exposure on the mountain will help all of us as we encounter uncertainty in our future work in the business world.

One of our guides said, "There's no place to hide in climbing."

When you fail, whether it is failure to summit or simply reach the next handhold, it is painfully obvious to you and your entire team. Every climber has failed at some point in his or her career. The system of pulleys and ropes is there to prevent them as best as possible from serious injury or death every time that they fail.

When Kent asked each of us to step back and fall, he knew that the best climbers were the ones who have fallen but have learned to trust themselves, their teammates, and their equipment. The ability or degree to which we take risk becomes entirely dependent on trust. In the dia-

CHRISTOPHER MAXWELL

logue between climber and belayer, one person is consciously saying, "I trust you with my life." The other person responds with "I accept your trust and I will not drop you."

The amazing thing was that this dialogue was going on between 16 people that didn't know each other a week before. While we may not have the opportunity to put our lives in our co-workers hands in the corporate world, I don't know how many people would if given the chance. In trusting our teammates, we become free to try more difficult routes or attempts. We are no longer focused on falling and blind to other potentially better opportunities.

And by forcing participants into a leadership and follower role, each person becomes more aware of how he or she acted while in the position of leadership, what the current leader is doing well, and what he or she would change by strengthening their leadership skills.

On Friday evening, we finished preparing our recommendations to the Murie Center about their capacity to engage business in conversations about sustainability. The project not only assisted the Center, it also allowed us to translate what we had learned on the mountain into practice. On Saturday, we presented our service project outcomes to Brooke Williams, Director of the Murie Center, who was enthusiastic about our suggestions. That evening we headed into the town of Jackson for our closing dinner — a tribute to everything that we had accomplished that week as a team.

I've found that climbers tend to be a unique and self-selecting group. They push themselves physically and mentally to the critical moment again and again where they know they may fail. Their capacity for calculated risk is matched only by their ability to trust and their sense of adventure. After a week in the Tetons, I am still processing everything that has happened. I hope that I will be able to take what I've learned from the trip and apply it to my personal and professional life.

A New Way of Thinking

Selorm Adadevoh explains the value of business education to his skeptical father.

The day after my internship ended, I didn't get far in a phone chat to update my dad. In true Ghanaian style he proceeded to interrogate me instead.

"So, son, what exactly about your first year Wharton education contributed to your internship experience?"

"Well, Wharton taught me a new way of thinking," I replied. "It's amazing and hard to describe or explain. One simply has to experience it to know."

Dad, a retired gynecologist and obstetrician, retorted in a hoarse mutter, "Son, are we still talking about your first year in *business school*?"

I spent the next two hours redeeming myself. I had to explain how I could possibly have learned a new way of thinking in one year especially when he and Mum had tried and failed for several decades.

JIM GRAHAM

Before I begin, here is a bit of background:

I spent my summer working in Product Development and Strategic Planning with Avaya in Basking Ridge, NJ.

I worked on three main projects. The first one was to align the fiscal year 2007 research and development investment plan with Avaya's corporate strategy and recommend ways to maximize the investment while maintaining and growing our competitive position. My second project was to look at Avaya's channel-support model and recommend new ways of affecting channel effectiveness. My third project was a high-profile project initiated by the COO to develop a competitive strategy against one of our key competitors.

I had to explain to my father — a scientist and skeptic — how my internship really brought it all together.

I told him my new thinking is made up of three main things. Firstly, my learning team experiences and several experiential activities have provided me with teamwork and leadership skills in risk-free environments to learn and try new things. Secondly, the myriad of analytic tools have built a sound foundation for problem solving and finally, the exposure to new and solid ways of communicating have taught me how to get my point across. I realized that explaining Wharton to Dad would be a critical test of that last skill.

"Dad, before you ask any questions, let me just tell you how these helped with my summer experience…"

As a new member to the team working with established project managers, program managers and general managers, one of my first tasks was to fit and become a "member."

"Even my dreams took shape as PowerPoint slides!"

How does one become a "member"? Technically, I was assigned to the team by management, but to be effective, I had to make the rest of the team trust me. I proactively reached out to get to know some key people. This helped enlighten them about me and my projects and gave them a good degree of comfort also. This changed the "guilty until proven innocent" notion of the new boy to "innocent until proven guilty."

Before long, I started receiving unsolicited e-mails with critical information that I definitely needed for my projects. I also got invited to several Executive Leadership Team (ELT) meetings and even got a special invitation to the product group's week long annual global ELT meeting in Boston. Being the only summer associate there was an honor, but more importantly, I got to experience intense intellectual discussions on past quarter performance, alignment of results with expectations, and global strategy, and I also met some very smart leaders from different parts of the world.

Despite the intensity and demands of my internship, I remained true to the unrelenting Wharton spirit to find time to engage in regular out-of-work social events. This was a way to further the bond with my colleagues including several other MBA students from Tuck, Columbia, Fuqua, Kenan-Flagler, and Chicago.

I set up frequent after-work social drinks, a tennis league, weekly "out of office" lunch meetings, and several trips over weekends. Surprise: The 45-minute wait in the rain in a queue on Philadelphia's South Street for a Philly cheesesteak was a more exciting event than our gambling trip to Atlantic City and our pub crawls in New York.

One of the other things that helped with my settling in process was what I learned from being in a learning team with colleagues that I had very little in common with; I learned to be humble. Even though my learning team, Magnificent Seven, was truly magnificent, it wasn't all hugs and kisses. Yes, others are much smarter than me, and they are not few. That was just one of many humbling experiences in my first year. This humility helped me listen to and show respect to my colleagues at Avaya and eased my settling in process a great deal.

Before long, I was a recognized "member." The coffee guy knew my order (tall iced white café mocha), the launderette manager wouldn't stop calling me Shalom, and the invitations to several management meetings continued. I believe a lot had to do with the humility I showed throughout.

I've always been a great admirer of humble leaders and try to live by this principle myself. I believe that while you need to look forward to top executives, you also need to recognize that it is those behind you who will support you when you get there.

This message has been reinforced by a few leaders I listened to during my first year. I remember listening to Jim Donald, Starbucks CEO, in a Wharton Leadership Lecture, and thought about how he emphasized the need to show humility and get to know your colleagues well, both those at the top and those at the bottom. Even as CEO, he sometimes spends the night in the roasting plant to have one-on-one interaction with his employees. Todd Thomson, chairman and CEO of Smith Barney, on his visit to our leadership class stressed the same point. These accomplished leaders exhibit humility and great leadership at the same time.

"Dad, I look back at my summer internship and I'm even more grateful for the rigor, the many experiential opportunities and the learning team experience that are all inculcated into the Wharton education. This is not all though — teamwork and leadership is just one of three things."

Yes, we Whartonites love numbers — the analytics.

In my first week, I spent most of my time in full-day meetings, getting very excited each time a class concept was applicable. (The rest of the time I was lost trying to figure out the meaning of yet another acronym. Is Avaya the only company plagued with this acronym epidemic? Understanding the lingo was one project in itself.)

I was reminded of sitting in one of Professor Franklin Allen's Finance 601 class when he cautioned that as long as you are from "The W," you will always be the "finance guy" anywhere you go. It was therefore not surprising when within an hour of starting my internship at Avaya, I was lumped with building a three-year P&L forecast for the product division and developing the R&D investment strategy for fiscal year 2007 to meet the revenue targets set by the CEO at the time, Don Peterson.

Franklin was right. It didn't take long to see that activity-based costing stuff was actually very important and had huge implications. About 40% of my work involved heavy-duty analytics drawing on core finance and marketing skills.

SELORM ABADEVOH

For instance, in determining Avaya's competitive position, I had to use primary and secondary research methods for data gathering. I developed a template to capture specific information and contacted more than 40 product managers from all verticals and regions. This process had several challenges, especially getting managers to understand the timescales I was working to, but on the whole it went smoothly. I was able to leverage my past experience doing similar tasks on my Global Consulting Practicum (GCP) project and on my one semester fling with the Wharton Community Consultants (WCC), both of which had huge market research components.

At this point in the story, Dad broke in.

"Son, wasn't your GCP project about Peruvian sauces? What do sauces have to do with anything else?"

Actually, the skills were the same. As part of a for-credit international marketing consulting class, my GCP team project involved developing a market entry strategy for a line of Peruvian sauces. As part of this, we were tasked with developing marketing research tools to capture consumers' sauce usage patterns, purchasing drivers including gauging price points, and most importantly purchasing intent. The objective of the research was different from that on my internship but required the same fundamental thought process to develop an effective tool linking responses to the analytics required to yield insights and recommendations. On GCP, it took us a few tries to get this right. With that experience behind me, at Avaya it was all smooth sailing.

With all my analytics under the belt, I needed to be able to get my point across effectively in glossy, juicy, and insightful PowerPoint slides. If my analysis were going to be appreciated at all, then it was imperative that I convey the message well. Even though this involved both verbal and written communications, for the most part it was all about written communications. This is where my love for PowerPoint was born.

"Love for PowerPoint? That's what your internship taught you?"

Oh yeah. I have grown to love PowerPoint because frankly, I had no choice. Even my dreams took shape as PowerPoint slides.

Being able to communicate effectively was key, especially since my boss had a "catch me if you can" label on his back. I saw him not more than 10 times in 12 weeks, so each minute spent with him was like gold dust.

In my opinion, the one area where I could have done more work in is communications. The Wharton core does not have many communications courses, but I get the opportunity to make up for this through electives in my second year. Dad interrupted, "Alas, a negative… Finally we are back on earth."

Like most Dads, this one had to have the last word. So I let him.

After our conversation, I took a deep breath and started to reflect on the entire journey…

More than a year ago, prior to leaving for Wharton, I had been riding on a red double-decker bus on Oxford Street in London, holding a fruit bowl of skepticism about my decision to pursue an MBA, close to my mouth…

My reason for going to B-school was to get the right tools for strategic consulting and eventually become a telecom entrepreneur in Africa. I didn't know then about the full experience Wharton truly offers, and how much it was going to prepare me to meet my goals, with the toils of recruiting, school work, and club responsibilities straining my every muscle.

Riding that red bus on my way to Starbucks for another tall iced white café mocha, I was full of conviction that I made the right call. My first year gave me the basis to survive in the business world, and my internship gave me the opportunity to apply these skills to the telecommunications industry. My final recommendations for my projects were received well, and some were even transitioned into an implementation project before I left. I knew that I was on the way to achieving my ambitions.

Today, as I reflect over this, I have no doubt that my walk through Jon M. Huntsman Hall has transformed me into a new person and added a totally new dimension to the foundations of my thinking. I cannot imagine what else could have prepared me better for life ahead.

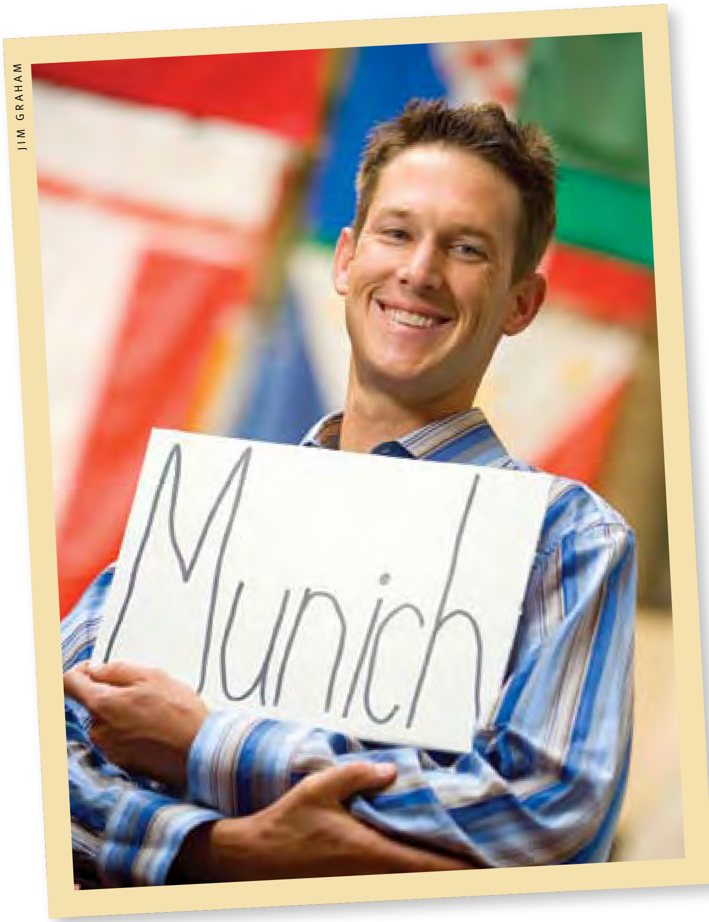
Joining the World in Germany

Daniel Bowermaster journals from Belgium and Germany during his Lauder immersion.

The World Cup. Everything stops for World Cup games. It's crazy. Fans from all over the world mix with the Germans, who grow increasingly proud with their team's every win. Big screen TVs and projector screens are everywhere — cafes, bars, restaurants, hotel foyers, train stations, and plazas. Fans surround the TVs, cheer on and yell at players, as well as at each other. Strangers — who otherwise would ignore each other — discuss the day's games and pontificate future results. The police close down streets to let the masses celebrate in the open. Cars displaying German or Italian or Brazilian flags honk their horns as traffic ceases to move. Ardent fans — often wearing not much more than colorful painted faces — wave flags, blow whistles, and cheer for their team all night long. It's amazing. What a rush.

But wait. I'm here in Munich for school as part of the Wharton/Lauder German-track summer immersion following our May term in Philly. May included: taking three classes, passing the math test, establishing the electronic Penn accounts for email, IT access, financial aid, and health insurance, making the necessary trips to Home Depot and Lowe's, painting the great room wall, hanging shower curtain rods and towel bars, figuring out where to buy a bottle of wine, and taking a class field trip to the Estee Lauder headquarters in New York. And May term is the slow part of the Wharton/Lauder program. It's going to be a quick 24 months.

JIM GRAHAM



Lauder is a dual-degree program that culminates in an MBA from Wharton and a Masters of Arts in International Studies from Penn's School of Arts and Sciences. The background and talents of our 61-person Wharton/Lauder class both humble and inspire. Some served in the Peace Corps in Mongolia, Kyrgyzstan, or Guatemala. One student set up and still manages Iraq's first post-conflict private radio station. Another managed investments for clients in Central and South America. Another worked for USAID in Afghanistan. Another taught English in Japan. Another ran the operations of a family design business. Others traded in New York, London, or Shanghai. People speak four or five languages fluently. And me? I delivered newspapers, dog sat, and flipped burgers as a kid in northwestern coastal California before working at a medical device firm.

Prior to my arrival here in Munich, the four French and six German track students spent three days together in Brussels. We attended an international conference with other MBA students prior to starting our summer programs in our respective countries. On Friday, June 2, my flight left Philly for London. Thankfully the British Airways agent gave me an exit row; otherwise my 6'6" frame would have had a tough flight. I arrived in Brussels around 1 p.m. on Saturday, June 3, and headed for the tiny hotel near the European Union Commission. The neighborhood contained some great bars, cafes, and restaurants. My French skills are abysmal, but good enough to order some food and make the wait staff laugh. Political rhetoric aside, most Belgians seemed happy when you would try to speak French, one of two official languages of Brussels. Due to previous immersion in dialect-heavy parts of Germany, I could understand Flemish (similar to Dutch) fairly well, but most people in Brussels prefer French.

The conference disappointed me. The goals included analyzing the current state of the E.U. while increasing communication, specifically focusing on international trade and politics. Although the goals were noble, applicable, and interesting, we just finished our outstanding European history class at Penn where we debated these issues in greater detail. Plus the conference's moderators struggled to run an efficient, yet effective program. Three of the panelists spoke clearly, concisely, and directly, while the remaining two dozen got lost in rhetoric and minutia.

Here in Munich we have a full schedule. Each day commences with individual language instruction at 7:30 a.m., followed by grammar class, then our German cultural and politics class, and ends with myriad company visits. Cultural activities are also planned on some late afternoons as well as weekends. My favorites include a walking tour of Munich university and surrounding neighborhood, the bike tour of city led by a guy with espresso instead of blood in his veins, and a day trip through southern Bavaria, complete with driving on the autobahn (one unnamed driver in our group decided to ditch the guide and miss the exit), walking through little Bavarian villages, touring a museum, a castle, a monastery, and — of course — a biergarten.

I'm not an art or art history guy, so some of the activities have been rough… including a Sunday morning tour of the art of the Residenz, and a four-hour Sunday night theater piece. I'd much rather go for a run in the English Gardens, see "*Rent*," or sit in a café and write a few postcards than check out hundreds of Post-Expressionist works of art. Patience. Our plan includes visiting the technical Deutsches Museum in a few weeks; that's more my style — I'm an engineer at heart. Interspersed throughout the week, local experts have given lectures on anything from the history of German political parties to the history of German banking. Our little group is also busy working on our summer project for the international business strategy class we took at Wharton in May. This included analyzing the marketing strategy of a Munich-based document storage company.

Today we have class in the morning, during which two of us are giving presentations on Siemens and BMW, and then we will travel down to an eclectic museum on Starnberger See via U-Bahn, train, ship, and S-Bahn. This weekend is the Muencher Stadtlauf; three of us are doing the half marathon on Sunday morning, plus the Germans play the Swedes here in the Achterfinale of the World Cup on Saturday afternoon. This town won't sleep on Saturday night. I can hardly wait.

Frankfurt

We left Munich on Tuesday and just finished our week in Frankfurt. We lived in Munich; we visited Frankfurt — a significant difference. The change surprised me. It was tough to leave our lives in Munich — good friends, the lively neighborhood of Schwabing, the English Garden, favorite cafes, and an energetic Italian landlady — to move into a tiny, non-descript hotel in outer Frankfurt with reduced contact with Germans. Change. Many in the group plan to do an internship next summer in Europe. Vienna, Zurich, or Munich would be ideal for me.

Our initial days in Frankfurt proved uneventful, if not uncomfortable. The temperature often exceeded 90° F with equal humidity. On Wednesday we took a two-hour drive to Ludwigshafen and spent the day touring the chemical behemoth BASF. We sat in various rooms listening to different presentations and walked around the impressive facilities. Few German businesses have air conditioning, including BASF. We were miserable, sweating profusely in our business attire and dreaming of cold.

In the evening, everything changed. We ended the day with a stop at BASF's wine cellar (you can order any of their 1.2 million bottles of wine at www.basf.de/kellerei), then headed to a late dinner with two group presidents at the BASF's regal company restaurant. How regal? The restaurant occupies an entire historic castle-like building and served caviar as appetizers. It certainly wasn't McDonalds.

On Thursday we toured the Frankfurt Stock Exchange, the derivative trading company Archelon, and Citibank's retail and investment banking divisions. On Friday we checked out Deutsche Bank, including their trading floor. This last weekend I visited some good friends in Pforzheim near Stuttgart. On Sunday evening a local guide led a walking tour of the historic Frankfurter Altstadt, which ended at a local restaurant in Sachsenhausen. There we imbibed in the local specialties, including apple wine, "Ebbelwoi," served in clay jugs and diluted with sparkling water.

On Monday, we visited Goldman Sachs in downtown Frankfurt and the VC firm Qventures in Bad Homburg. The opulence of the 66th floor of the former included marble-tiled elevators, Bose speakers in the conference rooms, and arguably one of the world's best restroom views. The latter is a $500M venture capital company founded by the Quandt family, the majority stakeholder in BMW. The CEO of Qventures graduated from Wharton in 2000 and clearly loved his job. Private equity is very interesting industry, and it looks like a lot of fun.

Weimar and Buchenwald

Welcome to Weimar — home of Goethe, Schiller, and Buchenwald. The former pair spent the bulk of their artistic lives in this bucolic college town on the banks of the Inez River, while the world knows the latter as a vast concentration camp in the forest just outside of town. Despite Buchenwald's primary function as a work camp (in contrast to the extermination camp Auschwitz, which consisted of three camps with huge gas chambers and crematoria), of the 250,000 imprisoned here during World War II, 60,000-plus prisoners perished.

Today Buchenwald consists of restored Nazi officers' quarters outside the camp gates, and well-preserved iron main gate, electric fences, the torture bunker, a small crematorium, stables (where 8,000 Soviet prisoners of war were killed), the disinfection and sanitation building, and a large multi-story warehouse spread out over acres of former camp grounds. Visitors can still see outlines of the prisoners' simple wooden barracks.

Buchenwald's museum clearly addresses the anti-Semitism present not only in Germany, but also throughout Europe in the 20th century. It also states how the Nazis used these prejudices to come to power and advance their agenda. The display also accepts full societal responsibility instead of absolving the general populace as bystanders. The causes of the Holocaust remain complex and multi-faceted, and German society struggles with the guilt of the Holocaust even today.

Berlin

The last stop on our tour vibrantly mixed art, history, culture, and politics with one significant omission. Little industry exists in Berlin; the city is currently running a 70M Euro deficit to support itself. The café and museums are filled with people at all times of the day; even the graffiti is artistic. We visited the federal Economics Ministry, toured the Reichstag, and visited a slew of museums: German History, Berliner Gallerie (modern art), Pergamon (archeological), and the well-preserved Stasi (Cold War-era East German KGB) prison deep in East Berlin.

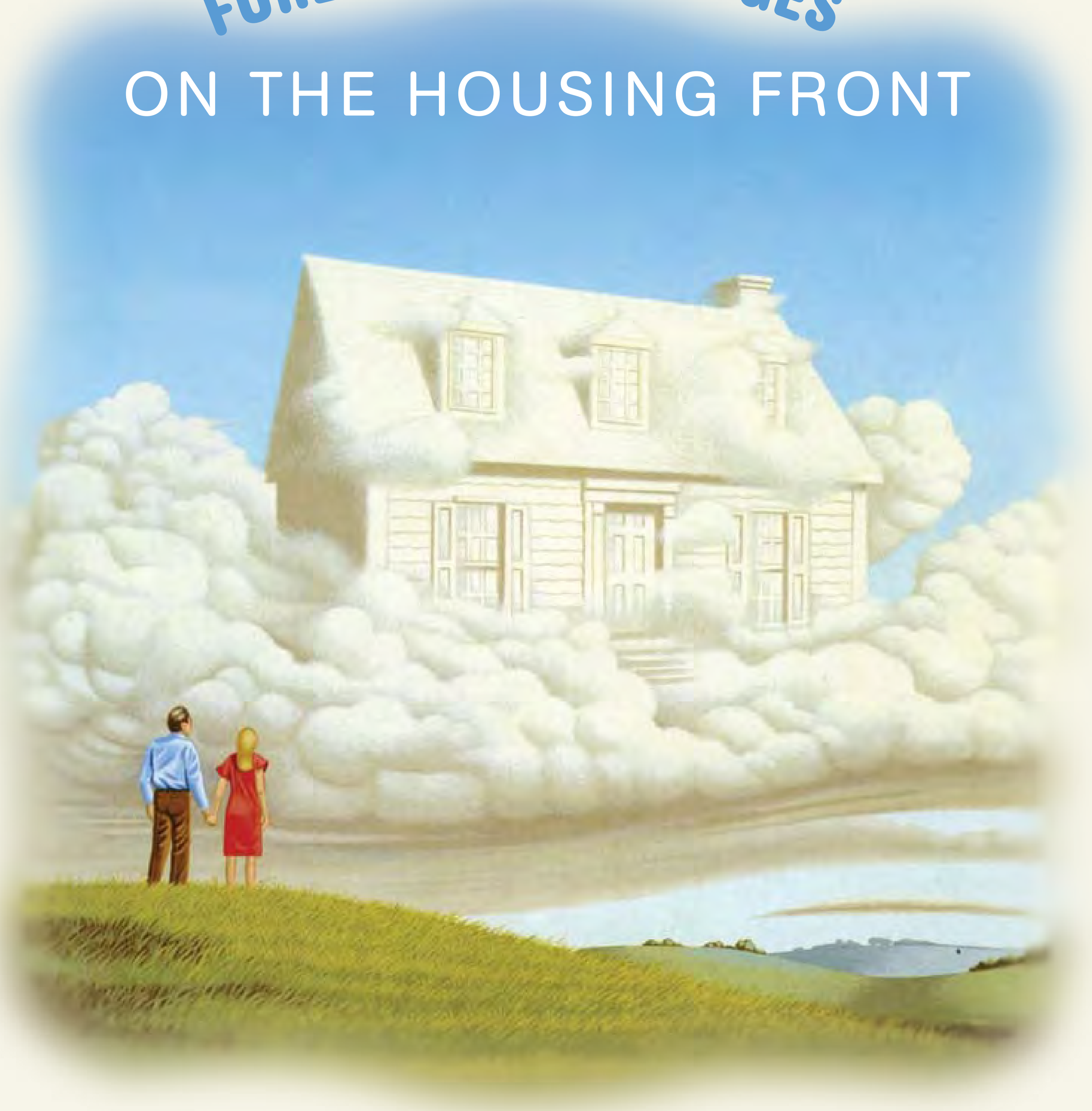
There a former prisoner showed us the facilities while outlining in great detail his experiences in the prison. Especially moving was his anecdote of the day of his capture starting with the phone call, meeting with the Stasi, the car trip with a hood over his head through Berlin in the middle of the back seat flanked by two Stasi officers, arrival at the prison gates, and his first vision of the prison when his hood was removed: surrounded by a semi-circle of yelling East German prison guards in a windowless garage. The only door out of the garage led into the prison wing. Most disturbing were the four medieval torture rooms in the basement (known as the U-Boot) of the prison. I couldn't even take a picture.

This summer immersion ends tomorrow. As much as I'm looking forward to starting Pre-term and meeting our Wharton classmates, it's sad to leave Germany because this summer was so outstanding. Once again, change remains a fact of life. Here's to the next two years. ◆




DANIEL BOWERMASTER

FORECASTING CHANGES ON THE HOUSING FRONT



Real Estate Professor Todd Sinai With Unconventional Wisdom on Cooling Home Prices

BY NANCY MOFFITT

ILLUSTRATION . PAUL REOTT

Todd Sinai is a master of understatement, describing his explosive research on the recent residential real estate downturn as little more than "a fairly fortuitous time to be undertaking this exercise."

Indeed. The Wharton real estate professor and two colleagues set off a torrent of media attention with their September 2005 op-ed in the *Wall Street Journal*, a piece that disputed widely held beliefs about recent sky-high housing prices.

"For the past several years, Chicken Littles have squawked that the sky — or the ceiling — is about to fall on the housing markets," Sinai wrote with Columbia professor Chris Mayer and Fed research economist Charles Himmelberg in the article, titled *Bubble Trouble? Not Likely*. "And it's tempting to believe them… The rampant growth of house prices over the past decade, the rising price of houses relative to rent and the astonishing gap in many cities between price and income are almost unprecedented in recent history. The last time things felt this way, in the late 1980s, real house prices subsequently dropped by one-third in cities like Boston and Los Angeles.

"Yet basic economic logic suggests that this apparent evidence of a bubble is anything but. Even in the highest-price cities, housing is, at most, slightly more expensive than average. Here's why: While house prices over the last decade have gone through the roof, the annual cost of owning a house has not," Sinai wrote in the *Wall Street Journal* article, which was based on a study of 46 single-family housing markets from 1980 to 2004 that has since been published in the *Journal of Economic Perspectives*.

From MSNBC to Bloomberg Business News, the financial press swarmed on the story, most reporting Sinai's research the way he intended it — as information that would reassure skittish buyers and make sense of recent real estate trends. A few, however, such as BusinessWeek Online columnist Peter Coy, took issue, arguing with Sinai's conclusions, insisting that the bubble was real. "It feels to me like San Francisco, San Diego, Los Angeles, New York, Miami, Boston, and other costly markets are pricing themselves out of reach," he wrote. "It seems at least possible to me that other people will start to reach that conclusion. If they stop expecting rapid house appreciation, their willingness to pay will fall. And the market could drop rather suddenly."

Sinai has been studying housing markets long enough to be unfazed by the business press's view-of-the-moment. He explains that he and co-author Mayer didn't begin their research thinking they would prove or disprove the widespread media reports of a real estate bubble. Instead, they'd simply hoped to create a measure that could be used, down the road, to gauge whether real estate markets were overheated. In fact, he admits, he'd even sarcastically advised a friend in 1999 — before doing research on house prices — that buying a boat was a better investment than a house in San Francisco. "Whoops!" he laughs.

JIM GRAHAM

"If you think of a house like a bond, when the yield is low, the price goes up. People are willing to pay more for a house when they don't require as much yield on their money."

"We didn't have an agenda or any idea really how things would look when we started this research," he says. "I've been studying housing markets for a long time, and while I've learned to be skeptical of media reports, house price bubbles do happen."

But what Sinai and his colleagues found after looking at housing data in various markets going back 25 years was that recent growth in housing prices are largely explained by basic economic fundamentals such as low interest rates, strong income growth among high-income Americans, and unusually low housing prices in the mid-1990s — not a bubble.

Further, their research found no evidence that most buyers were bidding up housing prices based on unrealistic expectations of future price increases, and that the conventional metrics for assessing the housing market — such as price-to-rent ratios and price-to-income ratios — ignored the effects of lower real, long-term interest rates, thus failed to accurately reflect the state of housing costs.

DISPELLING COMMON MISCONCEPTIONS

Each year, Sinai teaches a second-year MBA segment on real estate markets. His work on house price bubbles grew from teaching this course — and wanting to be able to give students good advice on whether to buy a house when they graduated.

"When I put together these classes, the holes in our knowledge of housing markets became very clear," says Sinai, who earned his PhD from MIT and his BA degree from Yale. "How can one teach about the relative riskiness of owning versus renting if the conventional wisdom is wrong and no one has done the research to figure out the right answer? How could I tell students whether a housing market was too pricey or not if no one had correctly calculated the true cost of owning? Realizing that the 'conventional wisdom' is frequently wrong and wanting to convey the correct way of reasoning to my students has motivated a large chunk of my research agenda."

In his "Bubble Trouble" study, Sinai and his co-authors hoped to dispel several common misconceptions, including the belief that the rising price of housing necessarily means that home ownership is becoming more expensive. The study calculated the actual cost of owning a house relative to rents and incomes, and found that the ratios were well within historical norms. During the mid-1990s, after the bubble of the late 1980s burst, housing prices were actually somewhat undervalued.

He also addressed the view that soaring prices imply a bubble, explaining that when the real cost of long-term borrowing is low, as it has been in recent years, changes in long-term interest rates have a disproportionately large effect on housing prices. Given the trend in recent years toward declining long-term interest rates, the surge in housing prices is not surprising, Sinai argues.

"If you think of a house like a bond, when the yield is low, the price goes up," he explains. "So what we had in the early to mid 2000s is a historical low in after-inflation interest rates, and people are willing to pay more for a house when they don't require as much yield on their money. A low yield in the marketplace drives the prices of housing just like all of the other assets have high prices. And that effect gets magnified as interest rates continue to decline."

The bottom line according to Sinai: for many markets, housing prices were just where they should have been. "What does that mean today? It means that you really can't expect continued growth in housing prices unless that growth is explained by rising incomes or further declines in interest rates," he says. "Additional increases in real interest rates, if other fundamentals don't compensate, could lead to a decline in house prices especially in the hottest markets."

And not surprisingly, the red-hot market has begun to cool. "To my eye, prices have leveled off," Sinai says. "My sense is that when people are putting houses on the market this year, if they are extrapolating previous growth and marking up their houses by 10 percent, they are not selling. But if they are putting them up for sale at prices of 12 months ago, then they are selling. We have seen an increase in real interest rates as well, but we've also seen the economic fundamentals doing OK."

TODD SINAI

Associate Professor
of Real Estate

EDUCATION

PhD, Massachusetts Institute of Technology, 1997; BA, Yale University, 1992

RESEARCH AREAS

Risk and pricing in housing markets; taxation of real estate and capital gains; commercial real estate and real estate investment trusts; air traffic delays; real estate and public economics

OTHER POSITIONS AND LEADERSHIP

Faculty Research Fellow, National Bureau of Economic Research, 1999-present; Visiting Scholar, Federal Reserve Bank of Philadelphia, 2000-present; Co-organizer, Public Policy and Real Estate sessions at NBER, 1999-present

CAREER AND RECENT PROFESSIONAL AWARDS; TEACHING AWARDS

Edwin S. Mills Best Paper Award, 2004 Post-Doctoral Fellow, Homer Hoyt Institute, 2001; Ballard Teaching Award, 2001; HUD/AREUEA Best Paper Award, 2001

BACK TO NORMAL

"The market as a whole has returned to normalcy," he continues. "But we've not seen normalcy for the last decade, we've not seen houses sitting on the market for several months before they sell. Normalcy means not getting multiple bids on your house, that there's no bidding war, houses don't sell in a day — all these things that many people have become used to. You should see 'For Sale' signs on your street, and they should be there for a while. That is a normal real estate market."

Sinai also challenges the belief that "superstar" markets — those with the highest price increases such as San Francisco, Boston, New York and San Diego — are the most overvalued. These cities, Sinai argues, have enjoyed higher-than-the-national-average appreciation for at least 60 years. In cities with higher long-term price appreciation rates, the annual cost of owning is lower, hence house prices should be higher (relative to rents or incomes). But house prices in pricier cities are also more sensitive to real long-term interest rates because more of the value of owning a house comes in the future, he adds.

"I believe that large differences in house prices across locations in the U.S. not only can be sustained, but can grow even larger, as the growing population has to bid ever-higher amounts for desirable places to live," Sinai says. "If you don't believe that, if you believe at the end of the day that no one is going to be willing to pay a larger premium to live in San Francisco versus living in Cincinnati, then you would say that all houses in the U.S. have to over the long run appreciate at the same rate."

Sinai's current research will tackle this issue, explaining the hows and whys of long-run house price growth in superstar cities such as San Francisco, and that for these cities, prices may well be above the national average in perpetuity. Some startling consequences can follow this trend, he believes. In a city like San Francisco, for example, which has essentially run out of land to house its growing population, the rich have begun to crowd out the poor. "For most of the country's history, there was plenty of room in any housing market," Sinai says. "It's only a fairly recent phenomenon that certain cities have begun to fill up and people have to compete to live there."

And while most people have long accepted the reality that only very wealthy can afford to own a home in a "fancy resort town" like Nantucket Island, the very same phenomenon — wealthy people outbidding one another for a limited supply of homes — is now taking place in several U.S. cities. "It raises lots of questions," Sinai says. "If you keep replacing low-income or moderate-income people with high-income people, what kind of place does that city turn into?"

OVERTURNING
CONVENTIONAL WISDOM

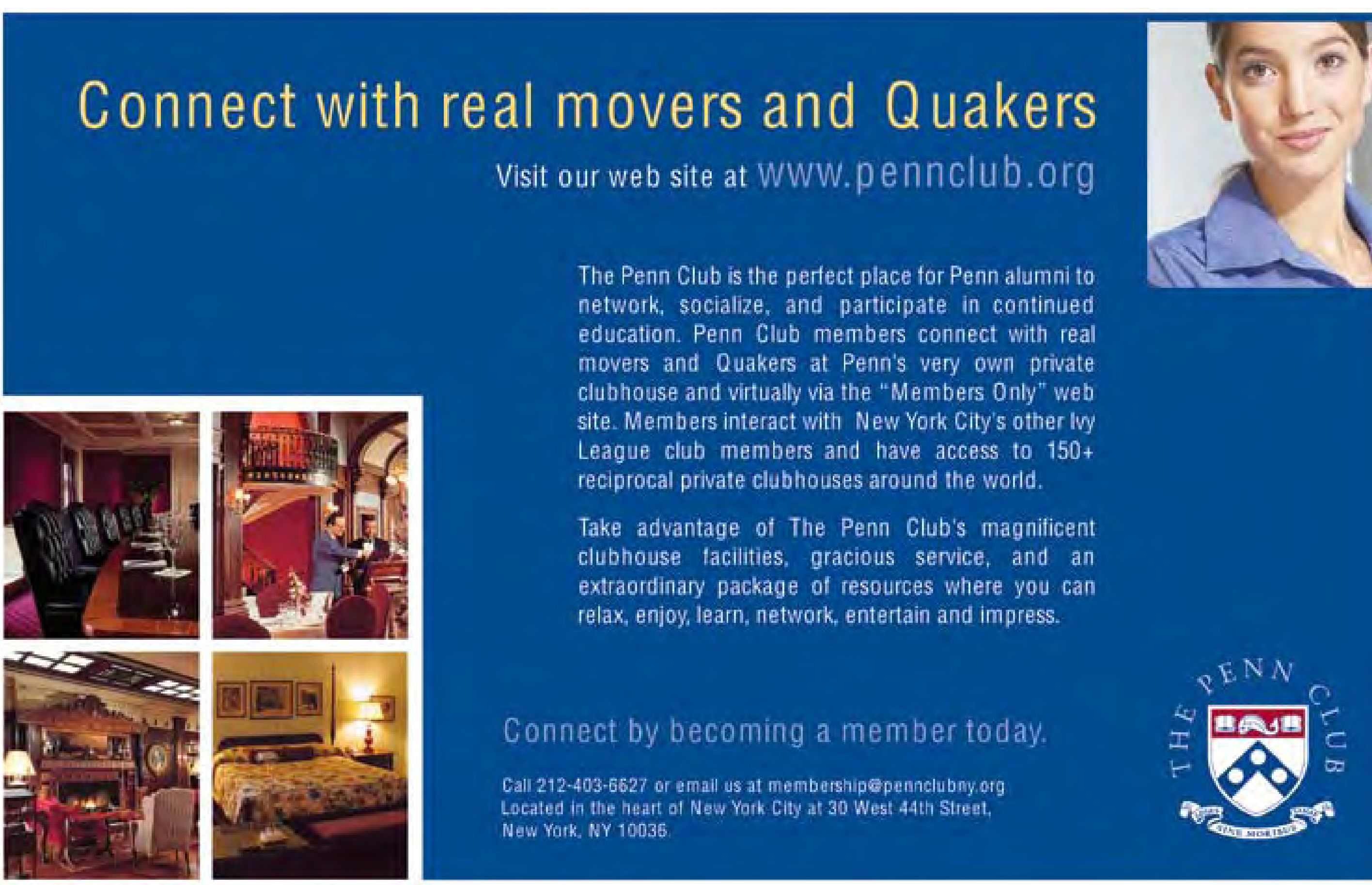
Sinai's other research has touched on topics from owner-occupied housing as a hedge against rent risk to geography and the Internet. Much of his research evolves from a personal epiphany, Sinai says, when he realizes that the conventional wisdom on some topic is not right.

His high-profile research on airline delays, for instance, came after Sinai and colleague Chris Mayer found themselves sitting in the Philadelphia Airport, waiting for their delayed flight to depart. "The conventional wisdom was that airport delays were due to many airlines scheduling flights that overcrowd airports," Sinai explains. "Since each airline has no incentive to reduce delays for their competitors, they schedule flights even though the resulting congestion will delay other planes. There is a clear policy prescription for solving that problem, too — you impose landing fees on aircraft to disincent airlines from scheduling too much."

> "You should see 'For Sale' signs on your street, and they should be there for a while. That is a normal real estate market."

But as he looked out the window at the Philly airport, Sinai and Mayer counted 16 planes waiting in line to take off, and 15 of them belonged to USAir. And that reality didn't fit with conventional wisdom, since USAir "knew that scheduling too many planes would delay its own airplanes, and it was choosing to do so," Sinai says. Why would it do that? Answering that question (using data on 67 million plane flights) led Sinai and Mayer to conclude that most congestion delays are due to hubbing: USAir overschedules an airport so passengers can have quick connections and reach more destinations, and delays are a price one pays for frequent service to lots of destinations. The two published their conclusions in a 2003 *American Economic Review* article. "In that case, you do not want higher landing fees because the airline already is taking the delay cost into account because the delays accrue to its own passengers," Sinai explains. "For me, it's tremendously useful and fun to find something like this. It's why I love what I do." ◆

Frequent contributor Nancy Moffitt is a former editor of the Wharton Alumni Magazine.



Achieving Success in Both Life and Business

A book from legendary Wharton professor Russell Ackoff leads off the three newest titles from Wharton School Publishing.

Wharton School Publishing presents three sets of authors who offer unique perspectives on how to create a meaningful life, realize an ideal business plan, and take your financial future into your own hands to build a lasting legacy of wealth.

Work Backwards to Move Forward

Idealized Design: How to Dissolve Tomorrow's Crisis...Today
By Russell Ackoff, Jason Magidson, and Herbert J. Addison

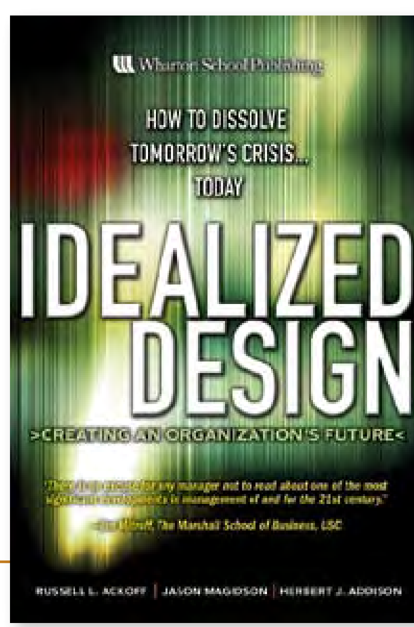
What's the best way to drive fundamental, transformative change within your organization? Envision your ideal solution, then work backwards to where you are. It's called idealized design, and as executives in hundreds of organizations will testify, it's one of the most powerful techniques you'll ever use.

Authored by its legendary creator, Russell Ackoff, Wharton's Anheuser-Busch Professor Emeritus of Management Science; leading practitioner Jason Magidson, director of innovation processes at GlaxoSmithKline, and consulting writer Herbert J. Addison, *Idealized Design: How to Dissolve Tomorrow's Crisis…Today* covers every facet of this breakthrough methodology. Organized to give you a roadmap for customizing the idealized design process for your own needs, you'll learn how to prepare for it, organize it, and execute it from start to finish. The authors reveal the fundamental differences between idealized design and traditional process re-engineering, and show how idealized design eliminates many conventional obstacles to change.

They also demonstrate how to "dissolve" problems by designing systems that prevent them from arising in the first place. You'll see idealized design at work in enterprises, not-for-profit organizations, and government; then learn how to use it to improve processes, design new facilities, increase productivity, even save lives.

"Applying idealized design can and does create breakthrough solutions, to both immediate problems and longer-term strategic goals," says Andy Callopy, Business Marketing and New Markets Director, Downstream Procurement, BP.

The book includes three start-to-finish case studies: Energetics (Business Enterprise), Academy of Vocal Arts (Not-for-Profit), and the White House Communications Agency (Government). Plus, there is an extensive collection of real-world examples from hundreds of companies, non-profits, and government organizations, including the General Motor's launch of the OnStar system. You'll see how GM used idealized design to turn OnStar into a profitable, affordable system that increased its subscriber base from 30,000 (1998) to 300,000 (2005), and has now made it available to not only GM customers, but also select Lexus, Audi, Acura, VW, Honda, Subaru, and Isuzu models.



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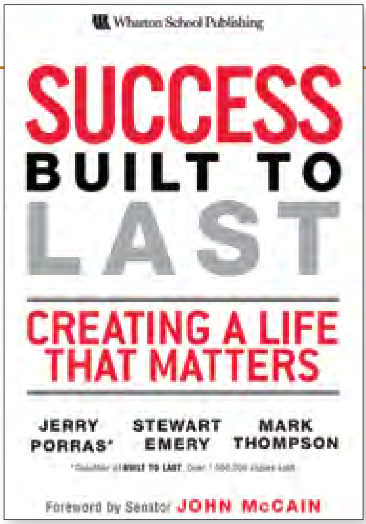
Idealized Design helps you clear your mind to identify the best possible outcome and get beyond the "can't be done" attitude. It presents concepts through practice, not theory. The authors show you six steps to success that that will help you bring your plan from idealization to realization. You'll learn how to redesign systems to "dissolve" problems and prevent new ones. This is the book that will help you imagine your organization's future and make it a reality.

Magnify Your Lifetime Impact

Success Built to Last: Creating a Life That Matters
By Jerry Porras, Stewart Emery, and Mark Thompson

Imagine meeting hundreds of people who've made a profound difference: not for weeks or months, but for decades. Imagine discovering what they've got in common, distilling it into a set of simple practices, and using them to transform your life. You've just imagined *Success Built to Last: Creating a Life That Matters*.

Authored by three legends in leadership and self-help — including Jerry



Porras, co-author of the best-selling *Built to Last* — this book challenges conventional wisdom at every step. The culmination of the world's most thorough research project on lifelong success, this book draws on the experiences of hundreds of the world's most remarkable human beings who have sustained personal success and fulfillment over a lifetime

The authors personally interviewed more than 300 extraordinary human beings, some famous, some not, who share powerful patterns of lifelong success. You'll meet world-renowned leaders Nelson Mandela and President Jimmy Carter, television and movie personalities Barbara Walters and Sally Field, business leaders Michael Dell and Steve Forbes, philanthropists Carol Reinhart (Community Change) and Donna Katzin (Shared Interest for Africa), and many more inspiring individuals from all walks of life. You can learn their patterns of thought and patterns of action, and deliberately weave them into your life.

The book opens with a foreword from Senator John McCain, who says, "*Success Built to Last — Creating a Life that Matters* provides practical wisdom drawn from the stories of hundreds of the world's most remarkable and enduringly successful people who the authors actually interviewed. This is a book that will make a difference." Senator McCain isn't the only already-successful leader who is impressed by *Success Built to Last*. Sir Richard Branson, Steve Forbes, Frances Hesselbein (Chairman and Founding President Leader to Leader Institute, Formerly the Peter F. Drucker Foundation), Greg Foster (President of IMAX Films), Herb Kelleher (Cofounder, Southwest Airlines), and dozens of other respected, successful leaders in business and in life have given their endorsement to this inspiring book.

The practical lessons you'll learn from these interviews will help you discover how to harvest all your successes, failures, strengths, and weaknesses, and how to use them to live your passion for the rest of your life. No matter how you define success, this book can help you achieve it, keep it, share it… and gain the deep happiness that only comes from a life well lived.

Your Roadmap to Financial Success

Wealth: Grow It, Protect It, Spend It, and Share It

By Stuart E. Lucas

More people are creating wealth today than at any time in history. Even with the market dip from 2001 to 2003, the number of people with at least a million dollars in net worth is growing at nearly a double-digit annual rate. The dollars that they accumulate are growing even faster. The top 10 U.S. wealth management firms already employ 44,000 advisors to oversee $2.8 trillion in assets.

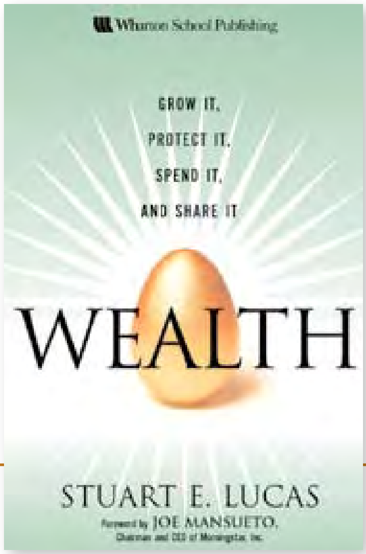
America is also bracing for the largest intergenerational transfer of wealth in history. Reasonable estimates show an average of $1 trillion per year will be transferred from one generation of Americans to the next. With the ever-widening scrutiny that banks, brokerage houses, mutual funds, hedge funds, accounting firms, insurance companies, and other wealth management firms are facing, consumers are more confused than ever about who to trust for good advice on managing their wealth.

Wealth: Grow It, Protect It, Spend It, and Share It is the first book to integrate all of the essential components of wealth management into a coherent whole that leads to financial success. Written by Stuart Lucas, CEO of Integrated Wealth Management LLC, and heir to the Carnation Company fortune, *Wealth* reveals the secrets of building and protecting wealth that lasts for generations.

As manager of his own family's wealth, Lucas uses his own experiences and family history to explain the importance of identifying, retaining, and coordinating the right advisors to obtain the right advice as the first step to successful wealth management. He describes how to use his eight proven, easy-to-understand principles of integrated wealth management to guide every decision you make in managing your family's wealth.

Lucas also presents his own approach to wealth management as an alternative to the flawed classic approach, in which people rush to retain wealth management advisors without analyzing how these advisors fit with their financial, personal, or family goals. His "Strategic Wealth Management Framework" is a more holistic approach that focuses on determining your interests first, and selecting a board of advisors second.

Your values, resources, and communication are at the center of the framework. Then, guided by the eight principles of strategic wealth management, you are able to set financial objectives, select the right advisors, and ultimately enable your self, your family, and society. Working with this framework does take more time and effort to implement, but Lucas's systematic approach will help you leave a lasting legacy for generations to come. ◆



Is Your Team Too Big? Too Small? What's the Right Number?

Wharton management experts debate how team size and composition affect productivity.

When it comes to athletics, sports teams have a specific number of team players: A basketball team needs five, baseball nine, and soccer 11. But when it comes to the workplace, where teamwork is increasingly widespread throughout complex and expanding organizations, there is no hard-and-fast rule to determine the optimal number to have on each team.

Should the most productive team have 4.6 team members, as suggested in a recent article on "How to Build a Great Team" in *Fortune* magazine? What about naming five or six individuals to each team, which is the number of MBA students chosen each year by Wharton for its 144 separate learning teams? Is it true that larger teams simply break down, reflecting a tendency towards "social loafing" and loss of coordination? Or is there simply no magic team number, a recognition of the fact that the best number of people is driven by the team's task, and by the roles each person plays?

"The size question has been asked since the dawn of social psychology," says Jennifer S. Mueller, Wharton assistant professor of management, recalling the early work of Maximilian Ringelmann, a French agricultural engineer born in 1861 who discovered that the more people who pulled on a rope, the less effort each individual contributed. Today, "teams are prolific in organizations. From a managerial perspective, there is this rising recognition that teams can function to monitor individuals more effectively than managers can control them. The teams function as a social unit; you don't need to hand-hold as much. And I think tasks are becoming more complex and global, which contributes to the need for perspective that teams provide."

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Each Person Counts

While the study of team size is one of her areas of concentration, Mueller and other Wharton management experts acknowledge that size is not necessarily the first consideration when putting together an effective team.

"First, it's important to ask what type of task the team will engage in," Mueller says. Answering that question "will define whom you want to hire, what type of skills you are looking for. A sub-category to this is the degree of coordination required. If it's a sales team, the only real coordination comes at the end. It's all individual, and people are not interdependent. The interdependence matters, because it is one of the mechanisms that you use to determine if people are getting along."

Second, she says, "what is the team composition? What are the skills of the people needed to be translated into action? That would include everything from work style to personal style to

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TOMMY LEONARDI

KATHERINE KLEIN, WHARTON MANAGEMENT PROFESSOR SAYS, "AS A TEAM GETS LARGER, THERE IS A TENDENCY FOR SOCIAL LOAFING, WHERE SOMEONE GETS TO SLIDE, TO HIDE."

knowledge base and making sure that they are appropriate to the task."

And third, "you want to consider size." The study of optimal team size seems to fascinate a lot of businesses and academics, primarily due to the fact that "in the past decade, research on team effectiveness has burgeoned as teams have become increasingly common in organizations of all kinds," writes Wharton management professor Katherine J. Klein, in a paper titled, "Team Mental Models and Team Performance." The paper, co-authored with Beng-Chong Lim, a professor at Nanyang Business School, Nanyang Technological University, Singapore, was published in January 2006 in the *Journal of Organizational Behavior*.

In an interview, Klein acknowledges that when it comes to team size, each person counts. "When you have two people, is that a team or a dyad? With three, you suddenly have the opportunity to have power battles, two to one. There is some notion that three is dramatically different from two, and there is some sense that even numbers may be different from odd numbers, for the same reason. My intuition is that by the time you are over eight or nine people, it is cumbersome and you will have a team that breaks down into sub-teams. Depending on the group's task, that could be a good thing or that could not be right. There is a sense that as a team gets larger, there is a tendency for social loafing, where someone gets to slide, to hide."

Ringelmann's famous study on pulling a rope — often called the Ringelmann effect — analyzed people alone and in groups as they pulled on a rope. Ringelmann then measured the pull force. As he added more and more people to the rope, Ringelmann discovered that the total force generated by the group rose, but the average force exerted by each group member declined, thereby discrediting the theory that a group team effort results in increased effort. Ringelmann attributed this to what was then called "social loafing" — a condition where a group or team tends to "hide" the lack of individual effort.

"After about five people, there are diminishing returns on how much people will pull," says Mueller. "But people, unless they are not motivated or the task is arbitrary, will not want to show social loafing. If the task is boring and mundane, they are more likely to loaf. If you tell executives this, they say, 'One of the things I'm worried about is loafing and free riding.' Whereas social loafing is decreased effort in a group context relative to individual context, free riding is rational and self-interested. If a person is not going to be rewarded, they say, 'I'm going to free ride' and they don't participate as much. The two concepts are hard to distinguish, but they are just different ways to measure similar outcomes."

Team Building Is Key

Evan Wittenberg, WG'01, director of the Wharton Graduate Leadership Program, notes that team size is "not necessarily an issue people think about immediately, but it is important." According to Wittenberg, while the research on optimal team numbers is "not conclusive, it does tend to fall into the five to 12 range, though some say five to nine is best, and the number six has come up a few times."

But having a good team depends on more than optimal size, Wittenberg adds. For instance, when Wharton assigns five to six MBA students to individual teams, "we don't just assign those teams. We make sure they can be effective. We have a 'learning team retreat' where we take all 800 students out to a camp in the woods in upstate New York and spend two days doing team building and trust building exercises. I think this is what people forget to do when they create a team in a business — spend a lot of time upfront to structure how they will work together. We get to know each other and share individual core values so we can come up with team values. But most importantly, we have the students work on

"Individual performance losses are less about coordination activities and more about individuals on project teams developing quality relationships with one another as a means of increasing individual performance."

–Jennifer S. Mueller, Assistant Professor of Management their team goals, their team norms and their operating principles. Essentially, what are we going to do and how are we going to do it?"

In the work world, says Wittenberg, it has been "reinforced that five or six is the right number (on a team). At least for us, it gives everyone a real work out. But frankly, I think it depends on the task."

Recent research by Mueller would seem to support Wittenberg's notion that preparation for team success is vital. In a recent paper, "Why Individuals in Larger Teams Perform Worse," Mueller channeled Ringelmann's theories on large group efforts and tried to explain why the title of her paper is true. For decades, researchers have noted that mere changes in team size can change work-group processes and resulting performance. By studying 238 workers within 26 teams, ranging from three to 20 members in size, Mueller's research replicates the general assertion that individuals in larger teams do perform worse, but she also offers an explanation for this conclusion.

"Understanding the reasons why individuals in larger teams in real work settings perform worse may be one key to implementing successful team management tactics in organizations, since research shows that managers tend to bias their team size toward overstaffing," she writes. In addition, "individual performance losses are less about coordination activities and more about individuals on project teams developing quality relationships with one another as a means of increasing individual performance. Because research on teams in organizations has not examined team social support as an important intra-team process, future research should examine how team social support fits in with classic models of job design to buffer teams from negative influences and difficulties caused by larger team size."

But is there an optimal team size? Mueller has concluded, again, that it depends on the task. "If you have a group of janitors cleaning a stadium, there is no limit to that team; 30 will clean faster than five." But, says Mueller, if companies are dealing with coordination tasks and motivational issues, and you ask, 'What is your team size and what is optimal?' that correlates to a team of six. "Above and beyond five, and you begin to see diminishing motivation," says Mueller. "After the fifth person, you look for cliques. And the number of people who speak at any one time? That's harder to manage in a group of five or more."

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The Traditional Media in China Fight Back — with New Media Strategies

Since the establishment in 1996 of the first newspaper group in China, the Guangzhou Daily Newspaper Group, there have been 39 such companies in the country. In the past, the industry was known for its huge profits, with a 30% increase every year in ad revenue over the past two decades. But according to market researcher CTR, in 2005, newspaper ads declined 1% and newspapers' market share dropped 3%. The lost share went to TV, radio stations, the Internet, cell phones, and other new media.

Media Corp., the first media company in China to sell shares, offers a good look into what the industry has gone through. It booked 814 million yuan ($101.5 million) in ad revenue in 2004, compared to an estimated 590 million yuan in 2005. Its net profit margin dropped to 11.1% in 2005 from 28.8% in 2004. Also, net profit at Beijing CCID Media Investment Corp., owner of China Computer, slumped more than 50%. Many profitable newspaper companies booked losses in 2005.

In an article entitled, "Challenges and Opportunities for China's Newspaper Industry," Yu Guoming, a journalism professor at the People's University, wrote that "to a certain extent, newspapers have become the basic content providers for the Internet."

Having provided the web with "free lunch" for many years, the traditional newspaper companies have finally started to counterattack. Jie Fang Group, the biggest newspaper company in Shanghai, called for the nation's 39 newspaper groups to establish their own alliance to compete with the new media. The key goal: "To set and regulate the price at which web sites pay for the content produced by the traditional media, to protect the traditional media's intellectual property, and to realize the true value of journalism."

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Diversity: Bad for Cohesion?

"A numerical minority can appear to be less threatening because it's not unexpected that someone who is different from you has different viewpoints."

–Nancy P. Rothbard, Assistant Professor of Management

Klein's recent research has looked at another confusing area when it comes to teams — the value of diversity. Various theories suggest that diversity represented by gender, race and age leads to conflict and poor social integration — while various other studies suggest just the opposite. "The general assumption is that people like people who are similar to themselves, so there is a theory to suggest that a lot of diversity is bad for cohesion," says Klein. "But there is also a theory that says diversity is great, that it creates more ideas, more perspectives, and more creativity for better solutions."

In their own research, Klein and Lim find a distinct value in having some similarity between team members. The authors describe how "team mental models — defined as team members' shared, organized understanding and mental representation of knowledge about key elements of the team's relevant environment — may enhance coordination and effectiveness in performing tasks that are complex, unpredictable, urgent, and/or novel. Team members who share similar mental models can, theorists suggest, anticipate each other's responses and coordinate effectively when time is of the essence and opportunities for overt communication and debate are limited. Our findings suggest that team mental models do matter. Numerous questions remain, but the current findings advance understanding of shared cognition in teams, and suggest that continuing research on team mental models is likely to yield new theoretical insights as well as practical interventions to enhance team performance," the researchers write.

Nancy P. Rothbard, assistant professor of management, has a similar theory on what she calls "numerical

The Days Are Numbered for the Concept of a Single Corporate President

The image of a single corporate president who is charismatic and omnipotent within his company played a leading role both in the management literature as well as the reality of the 1990s. Nevertheless, that concept of leadership is giving way to another alternative: sharing responsibilities with other management figures, such as a co-president. Peter Drucker, the management guru, said that "ninety percent of the problems that the chief executive faces are due to our belief that the boss has to be just one person." Building on this idea, Silviya Svejenova and José Luis Álvarez, professors at the ESADE and IE (Instituto de Empresa) business schools in Spain, have co-written a book titled, *Sharing Executive Power: Roles and Relationships at the Top*. Their work, the result of more than five years of research, demystifies the idea that power should be exercised by one individual. The book offers other alternatives, such as arranging for two or more people to share the job that has the greatest responsibility. In an interview with Universia-Knowledge@Wharton, Álvarez shared the keys to sharing power.

"The job of the top leader is very complex," said Álvarez, "namely, attending simultaneously to innovation and to control, change and stability, both within the company and with external stakeholders, over both the short and the long term. No matter how brilliant a single person may be, one single person cannot do a satisfactory job of balancing so many types of conflicting demands."

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Does a GM-Nissan-Renault Alliance Make Sense? Skepticism Abounds, But Let's Hear What Carlos Ghosn Has to Say

In July, General Motors' board of directors voted to study the pros and cons of entering into a three-way alliance with automakers Nissan and Renault. The alliance was proposed by GM shareholder Kirk Kerkorian who sees it as a way to revive the struggling company and expedite the restructuring taking place under GM's current chairman and CEO, Rick Wagoner. Another central figure in this drama is Carlos Ghosn, CEO of Nissan and Renault, who is credited with turning around Nissan and who is seen by Kerkorian and others as holding the keys to GM's future.

Wharton management professor John Paul MacDuffie spoke with Knowledge@Wharton about the potential deal. There is plenty to be skeptical about when it comes to blending these organizations, MacDuffie said — but Ghosn, he noted, is a voice worth listening to.

"One piece of that calculation which I think is legitimate is just R&D and technology investments going forward," said MacDuffie. "The last few years and probably the next 15-20 are going to see more technological change, I think, in the automobile than anytime since maybe the 1930s. Drive trains are going to be the first place where there's a lot of action. Hybrids, clean diesel, ultimately fuel cells, flexi fuel — there's a lot of things on the table, each of which has a lot of development costs associated with it."

Listen online, download, subscribe via iTunes, or read the transcript at: **‹knowledge.wharton.upenn.edu/article.cfm?articleid=1522›**

minorities" — including gender, race, age and ethnic groups. "Often times, a numerical minority can appear to be less threatening because it's not unexpected that someone who is different from you has different viewpoints. But if they are more similar to you and they disagree with you, some groups find that more upsetting. It can raise the level of conflict on a team. That's not necessarily a bad thing, if the conflict doesn't get in the way of being able to think through a problem and do what needs to be done."

Klein has also looked into what factors determine who becomes important to a team. The single most powerful predictor? Emotional stability. "And the flip side is neuroticism. If someone is neurotic, easily agitated, worries a lot, has a strong temper — that is bad for the team."

Within a company, individual teams often begin to compete against each other, which Wittenberg finds can be troublesome. "One of the problems is the in-group, out-group problem," he says. "Depending on how we identify ourselves, we can be part of a group or separate from a group. At many companies, the engineering group and the marketing group are very much at odds. But at the same time, if you talked about that company vs. another company, the teams are together, they are more alike than the people at the other company. Teams are sometimes more siloed within a company and they think they are competing with each other instead of being incentivized to work together."

When it comes to creating a successful team, "teams that rely solely on electronic communication are less successful than those that understand why communication in person is important," says Wittenberg. "E-mail is a terrible medium... . It doesn't relate sarcasm or emotion very well, and misunderstandings can arise. There is something very important and very different about talking to someone face-to-face."

While teams are hard to create, they are also hard to fix when they don't function properly. So how does one mend a broken team? "You go back to your basics," says Mueller. "Does the team have a clear goal? Are the right members assigned to the right task? Is the team task focused? We had a class on the 'no-no's of team building, and having vague, not clearly defined goals is a very, very clear no-no. Another no-no would be a leader who has difficulty taking the reins and structuring the process. Leadership in a group is very important. And third? The team goals cannot be arbitrary. The task has to be meaningful in order for people to feel good about doing it, to commit to the task." ◆

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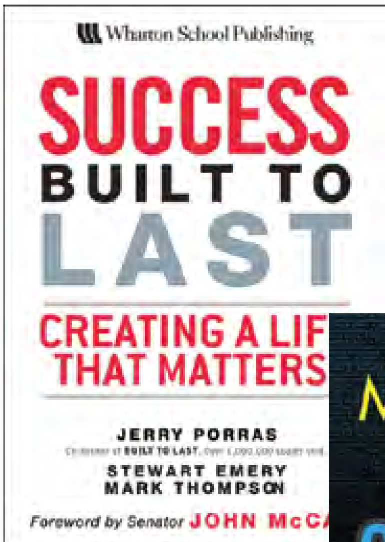

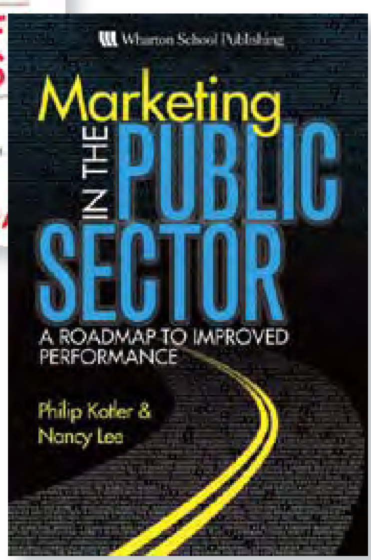

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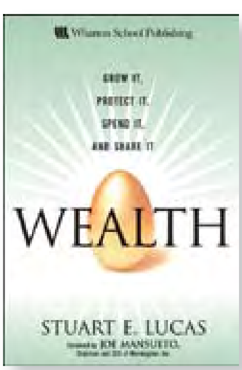

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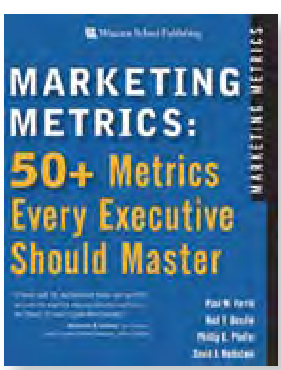

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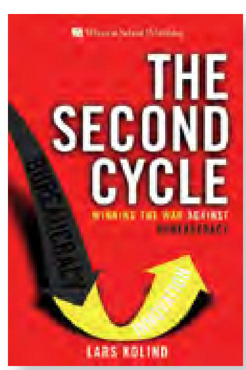

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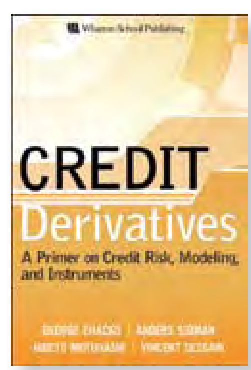

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Alumni Association Update

A Farewell to Vige Barrie

TOMMY LEONARDI

STEVEN OLIVEIRA

Dear Wharton Alumni,

It is with heartfelt thanks for her years of dedicated service that I announce that **Vige Barrie, CW'74, WG'76**, will resign her post as chair of the Wharton Alumni Association board.

Vige became president of the Wharton Club of Dallas-Fort Worth in 1995, and attended her first Wharton Alumni Association meeting in Philadelphia in 1996. She served as president of the Wharton Alumni Association board from 2003 to 2005, and has been chair from 2005 to 2006. Through her active involvement, she worked to enhance the committee structure within the board, and promoted an effort to increase the number of nominations to the board within a global context. She forged connections with hundreds of Wharton alumni and helped to build our strong alumni network through her leadership.

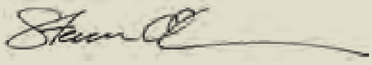
We have been honored with Vige's level of commitment to the Wharton community as a board member, committee chair, and president and chair of the Alumni Association board. After nearly a decade of participation, she will pass the torch to board president, **Tama Smith, WG'80**, along with all of the outstanding committee chairs.

Throughout her tenure, Vige kept the Wharton Alumni Association board focused on its mission to build and fortify a world-class alumni network, and she did so with efficiency and diplomacy. Her involvement has helped us to reach out to alumni in new and more meaningful ways.

Please join me in wishing Vige the best and in thanking her personally for her ongoing commitment to Wharton.

Vige, we are grateful for your resounding support over the years. You have strengthened the Alumni Association board and in so doing, have strengthened the School overall. On behalf of the Wharton community, thank you for your tremendous work.

Sincerely,



Steven Oliveira
Associate Dean

Dallas/Fort Worth Club Holds First Summer Barbecue

On July 15, 2006 the Wharton Alumni Club of Dallas/Fort Worth hosted the largest event in the club's history with true Lone Star style. Club members and their families gathered at the ranch home of **Robert Zorn, WG'81**. The fantastic location 40 miles north of Dallas was the perfect setting for a real Texas barbecue, with plenty of children's activities and outdoor sports.

More than 160 adults and children enjoyed horse rides, a petting zoo, bass fishing, swimming, horseshoes, volleyball and much more. Organizers **Linda Bechtold, W'90**, and **Stacie Hyatt,WG'00**, could not have been more pleased at the turn out and response to the event — especially in the 100+ degree weather!

Among the many positive outcomes, the event drove 41 new Club memberships and raised $3,914 in revenue. Said Linda, "With such enthusiasm and participation for the first time we have sponsored this type of event, it is likely it will become an annual treat!"

PHOTOS.STACIE HYATT

THE ORGANIZERS OF THE DALLAS/FORT WORTH BARBECUE: STACIE HYATT, WG'00, HOST ROBERT ZORN, WG'81, AND LINDA BECHTOLD, W'90

THE LEAL FAMILY: MIGUEL, WG'02, JENNETTE, AND 3-MONTH-OLD ANA.

JIM WARNER, WG'03, AND DAVID, WG'64, AND FRANN LOVE AT THE DALLAS/FORT WORTH CLUB EVENT.

THE NEUBECKERS ON HORSEBACK: GREG, WG'04, DANIEL, MARILUZ, AND THOMAS

ANN ROTHENBERG, HOLLAND GARY, WG'05, PALANIAPPA SUDALAIMUTH, WG'80, GR'85, AND JEFFREY ROTHENBERG, W'77, WG'77, ENJOY TEXAS HOSPITALITY.

Fast Times for Chicago Club

On a sunny Sunday afternoon nearly 90 Wharton alumni and their guests gathered for the annual Ferraris on Oak Street event. June 11 was the first time the Wharton Club of Chicago participated in the annual event fundraiser. Alumni basked in the Roman décor surrounded by spring topiaries, while enjoying a day of shopping, pampering, and Ferraris.

All Wharton members and their guests received VIP status for the event which included a wine tasting of exceptional Italian wines, served in elegant, fine crystal, lunches provided by Gibson's Bar & Steakhouse, and direct access to the 90 Ferraris and a few Maseratis, along with private showings by their owners.

WHARTON CLUB OF CHICAGO

SPENCER STERN, WG'93, AND DAVE GUTTMAN, WG'94, AT FERRARIS ON OAK STREET IN CHICAGO

Upcoming Alumni Club Events

For a complete, up-to-date list of events, visit **‹www.wharton.upenn.edu/alumni/clubs/›** or your regional club's website.

October 28, 2006

A Pre-Game Brunch will be held for Wharton Undergraduate and Graduate alumni and their guests at Penn's Homecoming. Preceding the Ivy League football match-up of Penn versus Brown, the brunch will take place from 10 a.m. to 11:30 a.m. on the Eighth Floor of Jon M. Huntsman Hall in Philadelphia.

November 4-5, 2006

All Wharton West alumni, students, and guests are invited to the first Wharton West MBA Program for Executives Reunion in San Francisco. The event will begin with a Reunion Gala at the San Francisco Museum of Modern Art from 7:00 p.m. to 11:00 p.m. on Saturday, November 4, and continue Sunday morning with 10 a.m. brunch at Le Meridien Hotel. Dean Harker and several Wharton faculty members and administrators will be on hand for the festivities.

November 14, 2006

The Wharton Club of Southern California invites all alumni to the 5th Annual All-MBA Holiday Party of the MBA Alumni Alliance of Southern California (MAASC). Beginning at 6:30 p.m., the event will be held at the Friars Club in Beverly Hills.

December 7, 2006

The Wharton Club of Switzerland plans its year-end lunch at the Mövenpick Beef Club in Zurich, beginning at noon.

Awards Dinner for the Wharton Club of Washington, DC

The Wharton Club of D.C. hosted its 37th annual Joseph Wharton Awards dinner in June at the newly refurbished Park Hyatt Hotel. This year, the honorees were **Elizabeth Duggal Taghipour, WG'85**, **Marshall Chawla, WG'73**, and **Geoffrey Corbett, WG'66**. The event raised $10,000 for an undergraduate and graduate scholarship. This year's scholarship recipients were **Louise Conroy, WG'08**, and **Stefanie Thomas, W'07**. The evening was a success and the recipients received standing ovations for their warm and heartfelt speeches.

LAURA MACK

TOP: **LOUISE CONROY, WG'08, AND STEFANIE THOMAS, W'07, WERE HONORED AS SCHOLARSHIP RECIPIENTS BY THE WHARTON CLUB OF WASHINGTON, D.C.**
BOTTOM: **HONOREES GEOFFREY CORBETT, WG'66, ELIZABETH DUGGAL TAGHIPOUR, WG'85, AND MARSHALL CHAWLA, WG'73, AT THE D.C. JOSEPH WHARTON AWARDS**

Shanghai Club Fetes U.S. Undersecretary of Commerce

Wharton Club of Shanghai welcomed Undersecretary of Commerce **Franklin Lavin, WG'96**, with an informal event on July 26. Undersecretary Lavin, also a former U.S. ambassador to Singapore, exchanged views on China's economy with his fellow alumni in an informal setting, with discussion touching on the U.S./China trade relationship, the exchange rate, intellectual property, oil prices, and other hot topics.

Phillip Wu, WG'95, President of the Wharton Club of Shanghai and Managing Director of Wharton Shanghai Office, delivered welcoming remarks, and **Jeffrey Bernstein, W'92**, Chairman of AMCHAM Shanghai, introduced Lavin. The 48 guests in attendance included a delegation from U.S. Department of Commerce, members of the U.S. consulate, and Wharton alumni and supporters in Shanghai.

The Wharton Club of Shanghai is a hub of business activity in the city, with more than 140 alumni members registered, as well as a network of more than 200 participants of Wharton executive programs dating back to 1990 in Shanghai. The network is composed of senior officials of Shanghai Municipal, senior executives of leading state owned enterprises, financial institutions as well as private companies.

Save the Date!

The Wharton 125th Anniversary Finale Event will take place April 12-14, 2007, in the Pennsylvania Convention Center, featuring top faculty, alumni, and industry leaders from around the world. **‹125th.wharton.upenn.edu/›**

Reunion Weekend 2007 is set for Thursday, May 10 through Sunday, May 13, 2007. **‹www.wharton.upenn.edu/alumni/reunion›**

WHARTON CLUB OF SHANGHAI

TOP: **THE HONORABLE FRANKLIN LAVIN, WG'96, DISCUSSED CHINA'S ECONOMY ON JULY 26.**
BOTTOM: **THE WHARTON CLUB OF SHANGHAI DREW A CROWD TO HONOR FRANKLIN LAVIN.**

The 125th Anniversary Faculty Tour Series Hits Coral Gables and Charlotte

More than 110 alumni in Coral Gables, FL and 75 in Charlotte, NC, were thoroughly entertained at lunchtime events featuring Peter Linneman, the Albert Sussman Professor of Real Estate.

It was a gorgeous day in Coral Gables as alumni found their way to a banquet inside the historic Biltmore Hotel. The oldest alumnus to come to lunch was **Bernard Lubschutz, W'34**. At 93 years old, Bernard's memory is still so crisp, those at his table were enthralled by his stories of Penn back in the 1930s.

Alumni in Charlotte were graced with a stunning view of the city from the top floor of the Wachovia Center

LAURA MACK

TOP: **BERNARD LUBSCHUTZ, W'34, VICE DEAN BARBARA KAHN, AND BARRY SCHNEIROV, WG'89, AT THE WHARTON 125 EVENT IN CORAL GABLES, FL**
BOTTOM: **SALLY BEASON, WG'98, JONATHAN TAYLOR, W'99, JACK TAYLOR, AND JAMI TAYLOR AT THE WHARTON 125 EVENT IN CHARLOTTE, NC**

in the heart of downtown. On the other side of the age range, alumnus **Jonathan Taylor, W'99**, President of the Penn Club of South Carolina, came with his wife Jami and their son, Jack, the youngest honorary alumnus for the day. They made an entire day of it to come all the way from Hilton Head, SC. Baby Jack was prepared with his red and blue hat and t-shirt.

Further north, a crowd of 140 in D.C. enjoyed a delicious lunch at the Ritz-Carlton. Nothing could dampen their spirits, not even the potentially gloomy topic broached by Professor Olivia Mitchell — the outlook of Social Security and the future of retirement. Her presentation was laced with humor, optimism, and a dose of common sense advice which helped to lighten up the topic.

It seems only fitting that Kenneth Shropshire, the David W. Hauck Professor of Legal Studies, shared the exciting and novel features of the Wharton Sports Initiative with the alumni in Atlanta, former host of the summer Olympics. The crowd in Atlanta enjoyed an evening of cocktails and hors d'oeuvres as they mingled at the Ritz-Carlton. **Cameron Adair, C'69, WG'70**, past president of the Penn Club and chair of the Wharton Club's speaker series, presented **Ron Balser, W'60**, with the Outstanding Alumni Award of the Year. Ron was unable to be there, so his lovely wife, Barbara received the award on his behalf.

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Club Notes in Brief

Michael Hronchek, WG'98, is stepping down as President of the Atlanta Club. Thanks to Michael for six years of great service to the Wharton Club of Atlanta. **Brian Hankin, WG'97**, will be replacing him this year.

The Wharton Club of South Florida has appointed **Kaihan Krippendorf, E'94, W'94** as President-elect. **Bill Britton, WG'89**, will serve one more year as club president. ◆

Leadership Spotlight

WILLIAM L. MACK, W'61

Wharton helped shape Bill Mack when he was an ambitious undergraduate with an interest in real estate. He had no way of knowing then that he would someday return the favor.

As chairman of Penn's Facilities and Campus Planning Committee, Mack championed the addition of Wharton's state-of-the-art Jon M. Huntsman Hall, as well as new academic, residential, and retail spaces that have transformed campus in recent years. And he helped move Wharton into the future with the 1999 establishment of the William and Phyllis Mack Center for Technological Innovation through a $10 million gift. His deep commitment is ongoing — Mack serves on Wharton's Board of Overseers and as vice chairman of the Board of Trustees for the University of Pennsylvania. He is also a former chairman of Wharton's Undergraduate Board.

From the time that Mack left Wharton and until he reconnected with the School more than 20 years ago, he was building one of the world's largest real estate organizations. Mack is the founder and managing partner of Apollo Real Estate Advisors, a multibillion-dollar real estate investment and development company, which operates in 40 U.S. states and 20 countries. He is also chairman of the Mack-Cali Realty Corp., a publicly traded REIT with a total market capitalization of $6.5 billion.

Mack was an entrepreneur even in his very first job attempting to do equity investments with New York industrial leasing broker Robert Joseph and Co. Smart, bold, and enterprising, 23-year-old Mack proposed that the company's equity positions include him as a partner. While working there, Mack saw new opportunities.

"Most of the inquiries for new warehouse space was for New Jersey — a foreign place for a boy from Queens," he says. In 1963, he and his family bought an affordable, well-located 5½ acre parcel in the swamps near the Lincoln Tunnel. ("Today it's called the Meadowlands," he says. "It's more stylish.") He set up a trailer, and all of a sudden, he was a developer.

The Mack Company began building one-story industrial warehouses, then branched into office space. Today Apollo Real Estate Advisors has co-developed marquee buildings around the world, including the new Time Warner Center in New York, and Mack-Cali owns and operates a portfolio of office buildings with 35.9 million square feet of Class A office space.

Mack credits his Wharton education for much of his early success, giving him a distinct advantage.

"In those days, real estate was really a cottage industry. Most of the people in the business did not have a finite understanding of finance, but used a pretty good back-of-the-envelope sense. The level of sophistication 40 years ago was marginal."

"My becoming an entrepreneur was a combination of being inborn and the training that I got at Wharton," he continues. "I was always good at numbers, but Wharton helped me learn how to work out deals."

As Mack grew more successful, his civic commitments expanded. In the 1980s and early 1990s, he helped strengthen New York as chairman of Javits Center, the first chairman of Long Island Power Authority, and a member of Empire State Urban Development Agencies. Today, in addition to his work with Wharton, Mack is currently Vice Chairman of the North Shore — Long Island Jewish Health System and Chairman of the Board for the Solomon R. Guggenheim Foundation.

"When you have good health and prosperity, you owe it to the community to give something back," he says. "Wharton and the University are great bastions of learning, and the Wharton School is a leader in training business talent on a worldwide basis. I am very proud of the work I do."

"The more I get involved with Wharton and Penn, the more rewarding it is." ◆

– KELLY J. ANDREWS