spring 2003

Wharton

ALUMNI MAGAZINE

Appetite for Business

Wharton entrepreneurs capitalize on trends in the food industry

The Wharton School
University of Pennsylvania

ON THE COVER: Marco Lentini, C'96, WG'02
Founder, Avanti Food Corp.

PHOTOGRAPH BY TOMMY LEONARDI

TOMMY LEONARDI

It's Reunion time again!
(See pages 8 & 9 for details.)

Save the Date

MAY 16-18, 2003
Wharton Alumni Reunion
Philadelphia, PA

MAY 22-24, 2003
Regional Alumni Meeting*
Berlin, Germany

JUNE 5-8, 2003
Regional Alumni Meeting*
Shanghai, China

JULY 10-12, 2003
Regional Alumni Meeting*
Miami, FL

* See back cover for details.

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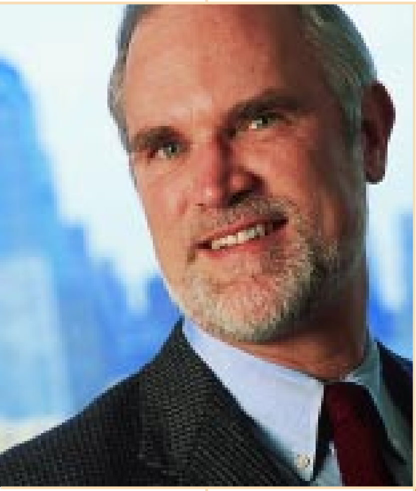

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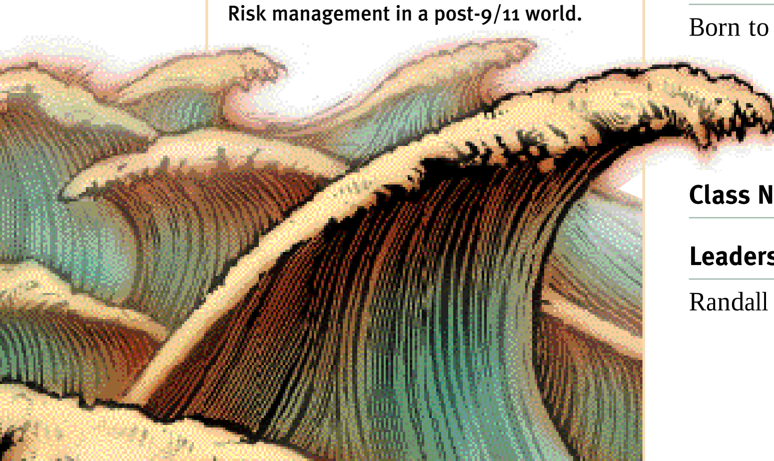


Departments

McCLAVE

New Associate Dean for Communications and Business Development

Wharton Dean Patrick Harker has announced the appointment of Kathleen McClave to the newly created post of associate dean for Communications and Business Development. The position was created to expand on the School's already successful efforts in global brand building, corporate relations, and the creation of new commercial revenue streams. McClave will help to coordinate efforts across administrative and academic departments, including research centers, Executive Education, Career Management, and External Affairs, to maximize the School's potential in these critical areas.

"Ms. McClave brings a wealth of professional experience as well as an extensive working knowledge of the Wharton School to her new role. We are delighted that she will be providing leadership for this very significant new division," said Harker.

For the last four years, McClave has been with Tillinghast-Towers Perrin, first as a managing consultant and later as a principal, serving as banking sector leader, marketing leader, and distribution practice leader for North America. From 1996 to 1999, she was president and chief executive officer of Furash & Company, management and strategic consultants to the financial services industry.

A Wharton MBA graduate, McClave was appointed as managing director of Wharton's Financial Institutions Center with the charge of organizing an ongoing research capability into issues affecting the financial services industry under a $6.2 million grant from the Alfred P. Sloan Foundation in 1993. In her three years as managing director, McClave worked with Wharton faculty to establish the center's research agenda, recruit and manage industry boards of senior executives, and develop additional funding for research from the financial services industry. She continues to serve on the Financial Institutions Center board and maintains a research appointment to the center.

Three years ago, while with Tillinghast-Towers Perrin, McClave contributed a substantial portion of time and pro bono services from the firm to assist a faculty committee in conducting a strategic self-assessment of the School and to identify a key set of strategic initiatives for the School's future operations. Among the outcomes from the faculty committee's work were recommendations that ultimately led to the establishment of the School's Wharton West presence in San Francisco, the Wharton-INSEAD Alliance, and the creation of the Alfred West Jr. Learning Lab.

"Telling Wharton's story effectively and consistently over time will have a tremendous impact on our alumni," McClave said regarding her new role at the School. "It will make clear the value of a Wharton degree in a more comprehensive way, help alumni to remain actively engaged in the learning environment, and increase their access to new faculty research and ideas that will positively impact their lives."

Russell Ackoff Endowment Fund Created

In January, Wharton announced the creation of the Russell L. Ackoff Endowment, funded through support initially provided by the charitable trust of Anheuser-Busch. With a $1.2 million endowment, the fund will promote research and practice in risk management and systems science. In addition to the creation of the fund, Wharton Professor Paul Kleindorfer has been named the Anheuser-Busch Professor of Management Science.

"This is a very important move for the Wharton School. It provides our faculty and students with greater resources for the study of risk management and systems science," said Dean Harker. "We are grateful for Anheuser-Busch's support."

"We are pleased to see Russ Ackoff honored by the $1.2 million fund to promote research at the Wharton Risk Management and Decision Processes Center. We are also happy to endorse the selection of Paul Kleindorfer to the Anheuser-Busch Chair in Management Science, which Russ filled so ably for so many years," said August A. Busch III, chairman of the board, Anheuser-Busch Companies, Inc.

Barbara Kahn Named Vice Dean of Undergraduate Division

The Wharton School has announced the appointment of Barbara Kahn as the next vice dean of the School's Undergraduate Division. Kahn will succeed Vice Dean Thomas Dunfee when his term ends June 30, 2003.

"Vice Dean Dunfee has been a wonderful leader for the Undergraduate Division," said Dean Patrick Harker. "Under his leadership, the undergraduate team has continued to deliver outstanding advising and support services to our students."

Kahn is the Dorothy Silberberg Professor of Marketing at the Wharton School. She joined the Wharton faculty in 1990 after serving on the faculty at the Anderson School of Management at the University of California, Los Angeles. She is a senior fellow of the Wharton Financial Institutions Center and the Leonard Davis Institute and a faculty member of the Graduate Group in the Psychology Department of the School of Arts and Sciences. She received a bachelor of arts in English literature at the University of Rochester. She also earned a master in business administration in marketing and statistics, a M.Phil., and a doctorate in marketing from Columbia University.

"We are very pleased to welcome Professor Kahn to her new role on July 1, 2003," said Harker. "She will bring a deep commitment to undergraduate education."

Kahn teaches Introduction to Marketing to between 400 and 500 undergraduates each semester it is offered, as well as Marketing Research and Consumer Behavior. In 1999, she received the David W. Hauck Award for Outstanding Teaching in the Undergraduate Division. She has served on Penn's Committee on Undergraduate Strategic Planning (2001-02) and as a member of the Wharton Undergraduate Curriculum Committee from 1993 to 1996, chairing the committee during academic year 1995-96.

Also an outstanding research scholar, she has written more than 30 articles published in major journals in marketing, consumer research, retailing, and statistics. She is co-author of the book, *Grocery Revolution: New Focus on the Consumer*.

KAHN

Calling All Alumnae: Wharton Women's Task Force

The newly formed Wharton Women's Task Force launched last fall. The mission of the task force is to encourage and develop women's leadership at all life stages by building community, connectivity, and spirit among all Wharton women and providing valuable services and support to its constituents.

The task force is conducting a global initiative to include all Wharton women. This began with a survey, completed during March, to determine what types of programs and services are needed in order to achieve its mission. A substantial group of alumnae participated in this survey, and the consolidated results will be presented to the Dean and the School's Executive Committee in May.

The success of the task force depends on the support of all Wharton women. Through the combined efforts of the alumnae, students, administration, and the newly forming local Wharton Women's Networks, the task force strives to increase communication among Wharton women and advocate women's leadership in order to create an active network.

For more information about the Wharton Women's Task Force, please visit **<www.whartonwomen.org/taskforce.asp>**, or contact ww-network@wharton.upenn.edu.

News Briefs

In January, the ***Financial Times*** named Wharton's MBA as the **top MBA program** out of 100 full-time international programs.

Knowledge@Wharton <http://knowledge.wharton.upenn.edu>, the online research and business analysis journal of the Wharton School, has launched a new website in collaboration with Universia.net called **Universia Knowledge @Wharton**. The new site, which is published in both Spanish and Portuguese, enables Knowledge@Wharton to reach Spanish- and Portuguese-speaking readers around the world. Universia.net is the largest university web portal, with 635 member universities in Spain, Portugal, and Latin America.

The **WEMBA program**, which runs a full program at Wharton in Philadelphia and on the Wharton West campus in San Francisco, announced that it will now be called the **Wharton MBA for Executives**. The name change more accurately reflects the true nature of the program. The Wharton MBA for Executives provides the same curriculum, faculty, and academic excellence as the two-year, full-time Wharton MBA program.

Alumni in the News

The New York Times (2/2/03) reports that **Nicole W. Piasecki, WG'90**, was appointed to the board at Weyerhaeuser, a forest products company. She is currently vice president for business strategy and marketing at Boeing Commercial Airplanes in Renton, WA.

According to *Managed Care Weekly Digest* (2/17/03), **David Nash, WG'86**, joined the board of directors at I-trax, Inc., a population health management solutions company.

As reported in *PR Newswire* (2/18/03), **Jeffrey Weiss, WG'88**, has been named president and chief operating officer of American Greetings Corp. He also has been named to the corporation's board of directors.

The *Bond Buyer* (2/18/03) has reported that **Mona Zeehandelaar, W'77**, has joined Radian Group, Inc. as vice president of investor relations. Radian Group is the parent of bond insurer Radian Asset Assurance and reinsurer Radian Reinsurance.

According to *Business Wire* (2/20/03), **Larry Weinbach, W'61**, was awarded the Alumni Achievement Award at the Wharton Technology Conference held Feb. 28. He is chairman and CEO of Unisys, a worldwide information technology services and solutions company.

The Boston Globe (2/13/03) featured **David Muller, WG'86**, in an article discussing the advantages of water buffalo milk. He is currently breeding water buffalo in Vermont to produce high-end cheeses and yogurt.

The Sarasota Herald-Tribune (2/16/03) featured **Bob Stovall, W'48**, in an article about his Wall Street forecasting and views on corporate ethics. He is a global strategist at Clemente Asset Management LLC and an adjunct professor at the Stern School of Business at New York University.

The Australian Stock Exchange Feed (1/05/03) reports that **Charles Goodyear, WG'83**, was appointed chief executive at BHP Billiton Ltd., a global diversified mining resources company. (Also reported in *The Times of London*, 1/07/03, *Sydney Morning Herald*, 1/07/03, and *The Sunday Telegraph*, 1/12/03).

The Philadelphia Inquirer (1/11/03) featured **Richard Steffens, W'82, GPU'88**, counselor in Prague for the U.S. Commercial Service, in an article concerning small and mid-sized U.S. business opportunities in the Czech Republic. *The Inquirer* (1/12/03) also interviewed **Mindy Herman, W'82**, regarding her position as president and CEO of E! Networks.

Dow Jones News Service (1/14/03) featured **Irwin Michael, WG'73**, in an article about the success of his money management business, ABC Fundamental Value, in Toronto, Canada. (Also in *Smart Money* magazine, 2/03).

According to *The Korea Herald* (1/14/03), **Yi Young-Sang, WG'97,** has been appointed CFO at AIG General Insurance.

Business Wire (1/09/03) reports that **Brian Kardon, W'79, WG'87**, has been appointed vice president of strategy and marketing at Forrester Research, Inc., and that **Surya Panditi, WG'83**, has been appointed to the position of CEO at Polaris Networks (1/13/03).

Black Enterprise magazine (Dec. 2002) featured **Tracey Scott, W'87**, co-founder and President of Marabella Books, in an article entitled, "Smart Sisters Are Cash Positive." Marabella Books' mission is "to empower women through financial literacy."

For more news, visit <www.wharton.upenn.edu>.

Wharton has a new look . . .

To increase the market presence of Penn and all of Penn's schools, the President's Office has worked with each school to develop logos complementary to Penn's new identity system. The Wharton School's new logo incorporates Penn's identity as a leading university in the Ivy League, thereby creating a stronger brand identity — one that adds the value of the Penn brand to the already strong Wharton brand. Watch for Wharton's new logo on future publications!

JERRY MILLEVOI

Murder, Mahem, and . . . *Starship Huntsman?*

The Wharton Follies returned for its 27th season this year, bringing its trademark mixture of music, drama, and sheer camp to audiences in Philadelphia and New York. Titled *Dial 5 For Wharton*, the plot centered around the murder of "Cell Phone Mike." With the help of musical numbers such as "West Philly Story," "Just a CEO," and "Y.M.I. Unemployed," the story winds its way through several riotous scenarios, one involving Dean Harker as Captain of the "Starship Huntsman" (a.k.a. Huntsman Hall). As is tradition, several other Wharton luminaries took the stage as well, including Professor Mike Useem and Director of MBA Admissions Rose Martinelli.

Slivy Edmonds Cotton, WG'79: Celebrating Life in Death

BY ROBERT STRAUSS

Slivy Edmonds Cotton's paternal grandmother seemed always to be over a stove or at a cutting board. "Big Mama," as everyone called her, was never unhappy about that and died a happy woman, with everyone in the family remembering fondly the kitchen she dominated.

COTTON, WG'79

Now, if Cotton's favorite current kitchen is any barometer of the times, lots of other grandmothers were Big Mamas in their own rights. Cotton, a member of Wharton's Graduate Executive Board and the Chair and Chief Executive Officer of Perpetua, Inc., a funeral home operations company, is a pioneer in progressive, interactive funerals. At the most recent convention of the National Funeral Directors and Morticians Association in Atlantic City, Perpetua showed off its Big Mama's Kitchen funeral set. It had a linoleum floor, a stove, cabinets, a spice rack, and a table and chairs.

Oh, yes, and a frilly, painted white casket with a fluffy pillow and "Big Mama's" favorite accessories.

"We started looking at Baby Boomer research," said Cotton from Perpetua's offices in Tucson, Arizona. "This has been a generation that has changed every industry, and we found that funeral service was not going to be an exception. We looked at what people did and didn't like about the process. What we found is that the funeral business, like all successful businesses today, will have to create experiences. So that is what we set out to do."

Cotton said that while she was wary at first about how the media would treat the idea of creating sets like Big Mama's Kitchen for funerals, it has generally been a positive experience.

"We've been everywhere, from classic rock radio stations to CBS to National Public Radio to papers in Australia and Spain," she said. "We're not used to having positive stories about the funeral industry, but we've been really pleased about the way this has all turned out."

No one should be surprised at the way things turn out positively for Cotton, for her life has been marked by an ability to glide past seeming roadblocks with energy and style.

Cotton grew up for the most part in Norfolk, Virginia, before her family moved to Philadelphia while she was in high school. She graduated from Dobbins, one of the city's technical high schools, and decided to get a nursing degree.

"It was either that or be a math teacher, and it seemed that the road to nursing was going to be faster. I was set on being a registered nurse for the next 50 years," she said.

But then three years into that proposed 50, Cotton had a change of heart. She was offered a head nursing position and tensed up a bit.

"Suddenly, that seemed like the top rung, nowhere to go for 40 years," she said. "I decided that before I took that step, I wanted to see the world a bit."

So she signed on with TWA and started flying with them, first as an attendant and then managing in the company's New York offices.

"One day on a plane, I met a gentleman who went to Wharton," said Cotton. "I told him I had thought about going into business and had somewhat of a math background. He told me to talk to the people at Wharton to see what to do next. I did it, and it was never a mistake."

While working at various jobs in the TWA corporate offices, Cotton slowly got an undergraduate business degree at Marymount Manhattan College and then got her Wharton MBA. She was recruited into Bristol Myers' first internal management development program, but after a couple of years, decided that the stability was not, ironically, for her.

"I had been with a company, TWA, in the midst of labor strikes and deregulation and the chaos of losing lots of money. Bristol Myers had a lot of resources, but I found I missed the challenge of working on problems of companies going through turmoil and change," she said. So she went to work in the mergers and acquisitions and venture capital departments at Equitable Capital.

Through that job, she met several people who wanted to start their own venture capital firm and signed on with them. She consulted for companies in the partners' portfolio, eventually becoming the CFO of one of them, Envirotest Systems Corp., an auto emissions testing company headquartered in Tucson. She moved from her beloved East Coast to the dry, hot West for a couple of years, eventually seeing the company through to its public offering, then semi-retiring.

"By that time I had gotten married to a great guy, so I was stuck here," she said with a laugh. Her husband, Lorenzo Cotton, is an architect with Pima Community College, the fourth largest community college in the country, with a million square feet of facilities and, thus, a whole lot of work for an architect. She started working with the arts and various charities in the Tucson area, not worrying about getting back into the corporate world.

Then one day while she was at a spa weekend, she got a call from one of her investors from her venture capital days.

"They told me I was bored and needed to look at this funeral company they were thinking of investing in," she said. "I tell them now they took advantage of me because I was delirious from that 800-calorie-a-day spa diet. Funeral homes were not a business I had ever thought of."

Like many, Cotton had negative views of funeral-home operators for much of her life, figuring they were just cynical folks trying to gouge the bereaved. But her father died during the time of the Envirotest public offering.

"This was a doubly stressful time and surprisingly, I found the negative reports about funeral directors not to be the case, at least in my situation. They were extremely good to me," she said. "So when they called and asked if I would look at the company, I said OK."

It turned out that Perpetua's founders were casket sales people, and while they were good at that business, they weren't so adept at either funeral service or acquiring other funeral homes, which is what they had planned to do. The company was headquartered in Jacksonville, Florida, but had no properties there. Their business was spread out in the Northeast and Midwest.

Cotton moved the headquarters to Tucson and decided that the idea of merely buying ongoing funeral homes was not the way to go. She decided to use the most successful of the properties that Perpetua had, the Wade Funeral Home in St. Louis, a long-time, family-run business, as an experimental laboratory of sorts. She said that Batesville Casket Company, the largest purveyor of caskets in the country, was already suggesting to its customers that funeral services had to be updated.

"I had been to a business conference and was impressed with a talk about what was called the 'experience economy', and the combination of that and Batesville's encouragement led us to the idea of cele-

Continued on page 39

> "What we found is that the funeral business, like all successful businesses today, will have to create experiences. So that is what we set out to do."

For Change of Address: The Wharton School Office of Development and Alumni Affairs, Alumni Address Update, 344 Vance Hall, 3733 Spruce Street, Philadelphia, PA 19104-6360 • Telephone: 215.898.8478 • Fax: 215.898.2695 • Web: <wave.wharton.upenn.edu/updateform.html>

Appetite for Business

Wharton entrepreneurs capitalize on trends in the food industry

BY MATT CRENSON

Marco Lentini, C'96, WG'02, wants to fix fast food.

That's fix as in repair, not fix as in prepare. With his freshly minted Wharton MBA and a gang of childhood chums, Lentini aims to found a fast-food empire that serves not burgers and fries but high-quality, healthy sandwiches made with all-natural ingredients.

There's a giant hole in the American restaurant business, Lentini says. People can find fresh, tasty, nutritious food at grocery stores like Whole Foods Market and Trader Joe's. But when the discerning palate seeks lunch on the run, the world seems full of nothing but greasy patties and slimy shakes.

Enter the Avanti Food Corp.

"What we are is really a Whole Foods Market food philosophy adapted to a Starbucks operational model," Lentini says.

The food business is a difficult one, but determined entrepreneurs can make millions by recognizing major consumer trends and capitalizing on them. Lentini is just one among a number of Wharton alumni who are satisfying the public's endlessly evolving appetite for good food.

Make that alumni and students. Kun Hsu, W'03, hasn't even graduated yet, but he has already launched a successful restaurant on Penn's Sansom Row. The Bubble House serves various flavors of iced tea spiked with tapioca, a weird-sounding but incredibly popular and refreshing Asian drink.

Several other Wharton entrepreneurs are also responding to America's growing openness to exotic cuisine. Assaf Tarnopolsky, WG'00, has brought a dollop of Paris to San Francisco in the form of West Coast Crepe King, a growing chain of take-out restaurants offering a meal stuffed in a pancake. Laurent Adamowicz, WG'84, is making a French connection too, by bringing Fauchon, the renowned Parisian luxury foods brand, to American connoisseurs.

Denise Devine, WG'90, has latched onto another trend, the growing need for appealing children's food that does not contribute to obesity. The rate of obesity among children has tripled in the last 20 years, threatening to spur an epidemic of diabetes, heart disease, and other chronic illnesses. Devine's solution – a line of juices, frozen desserts, and other treats that give children the nutrients they need but not the empty calories they can do without.

Avanti Food Corp.

Marco Lentini, C'96, WG'02

Marco Lentini is betting on sandwiches, and he is not the only entrepreneur who believes in their potential. A whole herd of small chains such as Cosi, Briazz, Pret a Manger, and the Panera Bread Co. are vying for control of a business with annual sales growth of 15 percent.

Avanti was born in Wharton classrooms, where Lentini first developed a business plan for the venture and later worked out the details. He talked supply chains over coffee with Operations and Information Management Professor Marshall Fisher and grilled visiting CEOs from Borders Books and CompUSA on how they built their businesses. A marketing class helped him hash out the relative marketability of wraps versus panini (Italian grilled sandwiches on focaccia bread).

In the summer between his two years at Wharton, Lentini learned the coffee business in Central America, touring plantations and learning how to roast espresso in Guatemala.

When Lentini graduated in May, Wharton selected his business for its Venture Initiation Program, a business incubator that gives fledgling entrepreneurs free office space, computers, and telephone service. Now with bank investment and some of their own capital, Lentini and his partners are ready to fly.

TOMMY LEONARDI

LENTINI, C'96, WG'02

HSU, W'03, BOORSMA, W'02, BERMAN, W'02

TOMMY LEONARDI

The three founding partners of Avanti go way back, and their skills perfectly complement one another. Marco's sister Jessica Lentini, the chief operating officer, has experience launching Starbucks locations in Pennsylvania and New Jersey. Executive chef Anthony J. Marino, a childhood friend of Marco's, has a degree from the Culinary Institute of America and experience in the kitchen at Le Bernadin, one of New York's best restaurants.

In Avanti's central commissary, an industrial kitchen in Runnemede, NJ, Marino will soon be preparing bread, spreads, dressings, and roast meats for branches all over the Philadelphia area – the first of which is scheduled to open on Penn's campus early this summer.

Eating in one of Avanti's cafés (they don't have a trademarked name yet) could be much like racing through Burger King for a quick bite. Customers in a hurry will be able to grab pre-made sandwiches, such as the house-made roast turkey with cheddar, cranberry chutney, and lettuce on a baguette.

But for those with time for a more relaxed experience, dining at an Avanti café can also be similar to lingering at Starbucks with a cup of java. There will be custom-made grilled panini – such as the Parma Prosciutto with mozzarella, a drizzling of basil, and roasted pine nuts – for those who can afford to wait a few minutes. And you can wash it down with freshly squeezed juice or a cup of gourmet coffee.

Like most food entrepreneurs, Lentini considers his venture more than just a business. He's passionate about food, and he sees Avanti as a way to encourage the continued refinement of the American palate that has put high-grade Arabica coffee on every corner and brought sushi counters to suburban supermarkets.

"I definitely see peoples' palates becoming more sophisticated," he says. "What I want to do is take it to the next level."

Bubble House

Kun Hsu, W'03, Greg Berman, W'02, Jeremiah Boorsma, W'02

In January 2001, Kun Hsu realized his home town had something that Philadelphia sorely lacked – bubble tea.

"In Toronto, it's a big thing. It's huge," Hsu says. "Every couple blocks, you have a bubble tea shop."

Clearly, Hsu concluded, somebody had to do something. Bubble tea, an unusual iced beverage spiked with gummy tapioca balls that are sucked through an oversized straw, goes with college students better than frisbees and frat parties. They simply cannot resist its refreshing goofiness.

Invented in Taiwan about 20 years ago, bubble tea – sometimes called boba or tapioca tea – has become ubiquitous in Asia. In the United States, it is still limited mostly to Asian neighborhoods, college campuses, and California.

If you build it, Hsu thought, they will come. Whoever opened West Philadelphia's first bubble tea emporium would reap unimaginable benefits. "Someone was going to do it," Hsu says. "I thought that person should be me."

That spring, he enrolled in Management 230, where he based his projects on the bubble tea business and shared the idea with a few classmates. By the end of the semester it was decided that three of them – Hsu, Greg Berman, W'02, and Jeremiah Boorsma, W'02 – would build themselves a bubble house.

Hsu learned of a vacant bakery on 34th and Sansom, right next to the legendary White Dog Cafe. When he and his partners approached landlord John Wicks with their business plan, he did more than say yes. He wanted in.

Undercapitalized and inexperienced, the partners labored mightily but still fell behind. They had planned to open their restaurant in four months. It took twice that long.

"Nothing that we set out in our original business plan turned out to be true at all," Hsu says. "We were totally unprepared."

After the restaurant did open, Hsu, Berman and Boorsma were there ten hours a day washing dishes, taking orders, bussing tables, and fretting over the daily receipts. "We just never really thought that it would be so much work," Hsu says.

"Someone was going to do it," Hsu says. "I thought that person should be me."

Academics were all but obliterated by the pressures of starting and running a business. Hsu managed to get through the year with passing grades but admits it was probably a mistake to start a business while still in school.

It wasn't such a big mistake, though. The Bubble House has prospered. Now, Penn students stroll around campus sucking tapioca balls through oversized straws.

In fact, Hsu credits his Wharton classes for some of the enterprise's success. Though he probably could have learned through experience most of the skills he needed, "it would have taken me much more time on the spot to learn it as I go," he says. "That time could have been the difference between success and failure."

The business broke even a year ago and expanded to include a full pan-Asian food menu in August. Food now accounts for 40 percent of total sales, with loose-leaf teas accounting for another 30 percent and bubble tea the rest.

Having graduated, Berman and Boorsma are managing the business full time. But Hsu might be getting himself out of the bubble tea business. He's talking to recruiters about a possible career in finance or consulting because the Bubble House just "isn't as adventurous as it was before."

Devine Foods

Denise Devine, WG'90

You'd think few things could be better for growing kids than fruit juice.

You'd be wrong. Though kids love it and parents view it as a natural, nutritious alternative to soda, fruit juice isn't really such a wholesome thing for children to drink. Most fruit juices contain mainly water and sugar. They are high in calories but relatively low in nutritional value. Pediatricians cite fruit juice as one of the main culprits in America's growing epidemic of childhood obesity.

"Although juice consumption has some benefits, it also has potential detrimental effects," the American Academy of Pediatrics concluded in a 2001 policy statement. "Excessive juice consumption and the resultant increase in energy intake may contribute to the development of obesity."

Having watched her own children guzzle fruit juice with abandon, Denise Devine is dedicating herself to improving children's diets with a line of products that sneaks nutrition into foods that kids like to eat.

Her company, Devine Foods, has produced "Fruice" – a "drinkable snack" that tastes like juice but contains fiber and vitamins that juice doesn't have. The fiber is especially important because it fills kids up, keeping them from consuming too many calories.

"The key is that it contains the whole food," Devine says.

Devine came to food entrepreneurship as a frustrated mother. Her son was a juice junkie, and there was little she could do to slake his thirst. "He drank a gallon of juice a day," she says.

She looked for more nutritious juices but couldn't find any. After doing research on children's nutrition for years, she started working with the International Food Network at Cornell University, a laboratory that usually develops technology for major corporations.

Devine had just earned an MBA at Wharton, an experience she credits for teaching her to "think big." She also had experience in the food business as manager of finance and investment strategy at Campbell Soup Co., the job she quit to pursue her dream.

It wasn't easy to abandon a successful career for an uncertain new enterprise, but Devine says the dream just wouldn't let her be.

"I got to the point that this was haunting me. This feeling was haunting me," she says.

Inspired by Devine's vision, the International Food Network's scientists developed a way of turning vegetables and whole grains into a tasty, nutritious beverage. The


DEVINE, WG'90

PHOTOGRAPH COURTESY OF DEVINE FOODS

same patented technology can be used to create shakes and a non-fat frozen dessert.

Devine now faces the daunting task of getting a major food company interested in making juice better for children. The industry has become more aware of nutritional issues in the last few years but still may not be ready to try something as different as Fruice.

"They realize that this isn't going away, the issues surrounding obesity," Devine says. "But as big companies, they move very slowly, and they don't quite know what they want to do."

And because the food industry is market driven, most companies want to see sales before they'll take on a new product. Fruice is available in some health food stores and a few supermarkets in the mid-Atlantic region, but despite "talking with a lot of big companies," Devine has not found one willing to distribute it widely.

"Hopefully, there will be some enlightened companies out there," Devine says.

Meanwhile, she keeps innovating. Devine Foods has deals to serve its frozen dessert in cafeterias at Villanova and Temple and is working on one with Penn. Devine has also submitted a variation of the Fruice technology to the U.S. Food and Drug Administration for approval as an over-the-counter drug.

The important thing is not making money but "having the products reach people so that they can be useful," Devine says. "You have to constantly be focused on the end game."

Denise Devine is dedicating herself to improving children's diets with a line of products that sneaks nutrition into foods that kids like to eat.

West Coast Crepe King

Assaf Tarnopolsky, WG'00

When life handed him lemons, Assaf Tarnopolsky made crepes.

Tarnopolsky was living the fast-paced, jet-set, dot-com life as director of international development for the Industry Standard, the trade magazine of the Internet boom. It was Buenos Aires one day, Bangkok the next.

And then one day, it was over. Facing bankruptcy, Tarnopolsky and a few colleagues made a last-ditch effort to rescue the magazine.

"We had to have a deal consummated by the day we went to bankruptcy court," Tarnopolsky recalls.

That day was Sept. 15, 2001. Four days after the terrorist attacks on the Pentagon and the World Trade Center, a defunct Internet business magazine had no takers.

Tarnopolsky endured a few "depressing" job interviews that fall. All they did, he says, was convince him that "the next great media job in my life was not going to be right around the corner."

So he turned to crepes. He had actually been making and selling them for a few months at farmers' markets in the San Francisco area, thanks to a bolt of inspiration that struck during a trip to Paris that summer.

In the French capital for a friend's wedding, Tarnopolsky's every meal came folded in a fluffy pancake. He simply could not get enough crepes. "I must have eaten five or six a day," he says. "I started thinking, this doesn't exist in the states, and they're so good! Why doesn't this exist in the states?"

When he got back to San Francisco, Tarnopolsky convinced his wife Nancy, WG'00, to let him buy an industrial crepe press for about $800. Before long, the two of them were peddling crepes on Saturdays and Sunday mornings.

"We were making our walking around money for the week and then some," Tarnopolsky says.

They were also having a blast. So Tarnopolsky decided to devote himself to crepes. He found a weird little kiosk in a park on the edge of San Francisco's financial district, an historic landmark from the 30s that had been saved as part of a skyscraper development deal.

Now the one-time new media titan was cracking 300 eggs at five every morning, and loving every minute of it.

JAKUB MOSUR

"I feel like I'm in a position to really be successful. I own the majority of this company, and I think it's a concept that has a lot of potential," Tarnopolsky says.

Pretty soon it was time to expand. Thanks in part to the irresistible press appeal of a media titan turned crepe king (Tarnopolsky appeared on "Donahue," National Public Radio, CNBC, and all the local news shows; he also made the pages of *The New York Times* and *The San Francisco Chronicle*), it wasn't hard to find the financing he needed.

West Coast Crepe King now has two locations in San Francisco, and Tarnopolsky envisions up to four more in the next year.

"My long-term goal is to dominate the globe," Tarnopolsky says. "But for the time being," he adds, "the Bay Area and environs."

"I feel like I'm in a position to really be successful. I own the majority of this company and I think it's a concept that has a lot of potential," Tarnopolsky says.

Fauchon

Laurent Adamowicz, WG'84

It is not a good day for shopping. But inside Fauchon's Park Avenue store, the frigid February gale that is raking Manhattan's streets and avenues quickly dissolves into a sea of warmth and luxury.

Fatigued, frozen shoppers settle into soft chairs in the store's tea salon for a restorative plate of petits fours and a cup of Darjeeling or Earl Grey.

In the retail store, Laurent Adamowicz is helping a customer who wants passion fruit preserves.

"In the world, you're not going to find a line of preserves this rich," says Laurent Adamowicz, sweeping his hand past shelves of exotic jams and jellies.

There are strawberry preserves with rose petals and preserves of bitter orange from Seville. There are peach preserves with Szechuan peppercorns.

This is not your neighborhood supermarket. Fauchon carries 43 kinds of mustard and 96 different spices. There are more than 100 varieties of tea. "We don't want to be the everyday store with the everyday products that everybody has," Adamowicz says. "We're the symbol of French gastronomy."

Adamowicz took over what is arguably France's most beloved culinary institution in 1998, after 14 years in the food business. At the time, there were Fauchon stores all over Europe and much of Asia, but none in the United States. If American gourmets wanted traditional fruit confits or perfect croissants, they had to make the pilgrimage to Fauchon's emporium in the Place de la Madeline.

Since buying the company, Adamowicz has opened two Fauchon locations in New York, one on Park Avenue and the other on Madison Avenue at 77th Street. A third store is about to open on Third Avenue.

In the rest of the United States, gourmet shoppers can find a selection of Fauchon products at Neiman Marcus stores. Adamowicz inked a deal with the department store in October.

The company was founded in 1886 when Auguste Fauchon began selling produce from a wooden cart. He soon gained a reputation for having the freshest and most exotic fruits and vegetables in Paris and by 1890 had a shop in the bustling Place de la Madeline, where he added wine, foie gras, coffee, and teas to the inventory.

In 1898, Fauchon opened the first Salon de The in Paris. Of all the gourmet foods the store sells, tea remains the most celebrated. Of the more than 100 varieties, there is a black tea flavored with cupuacu, an Amazonian fruit that tastes like pina colada, and Soir de France, a blend of China and Sri Lanka teas flavored with apricot and blood orange and sprinkled with orange peel and petals of rose and sunflower.

In 1905, Auguste Fauchon began selling his wares by catalogue, making them available to epicures all over Europe. The company continued to innovate throughout the 20th century, creating the first flavored teas in the 1960s and the first flower-petal teas in the 1970s. Now its 200 chefs concoct both traditional French delicacies and avant garde creations such as mustard flavored with smoked Lapsang Souchong tea.

When he enrolled at Wharton more than 20 years ago, Adamowicz says, the United States wasn't ready for a store like Fauchon. He had decided to attend an American business school after France elected a socialist government in 1981 and chose Wharton for its international orientation.

After graduating, he worked for Beatrice Foods and a number of international companies before starting his own business in 1992.

America is a challenge for gourmet food purveyors, Adamowicz says, partly because the market has only recently developed for top-notch food products on this side of the Atlantic. Even more difficult, he says, are the regulations and trade barriers that keep all raw milk cheeses and many meats, pates, and similar products out.

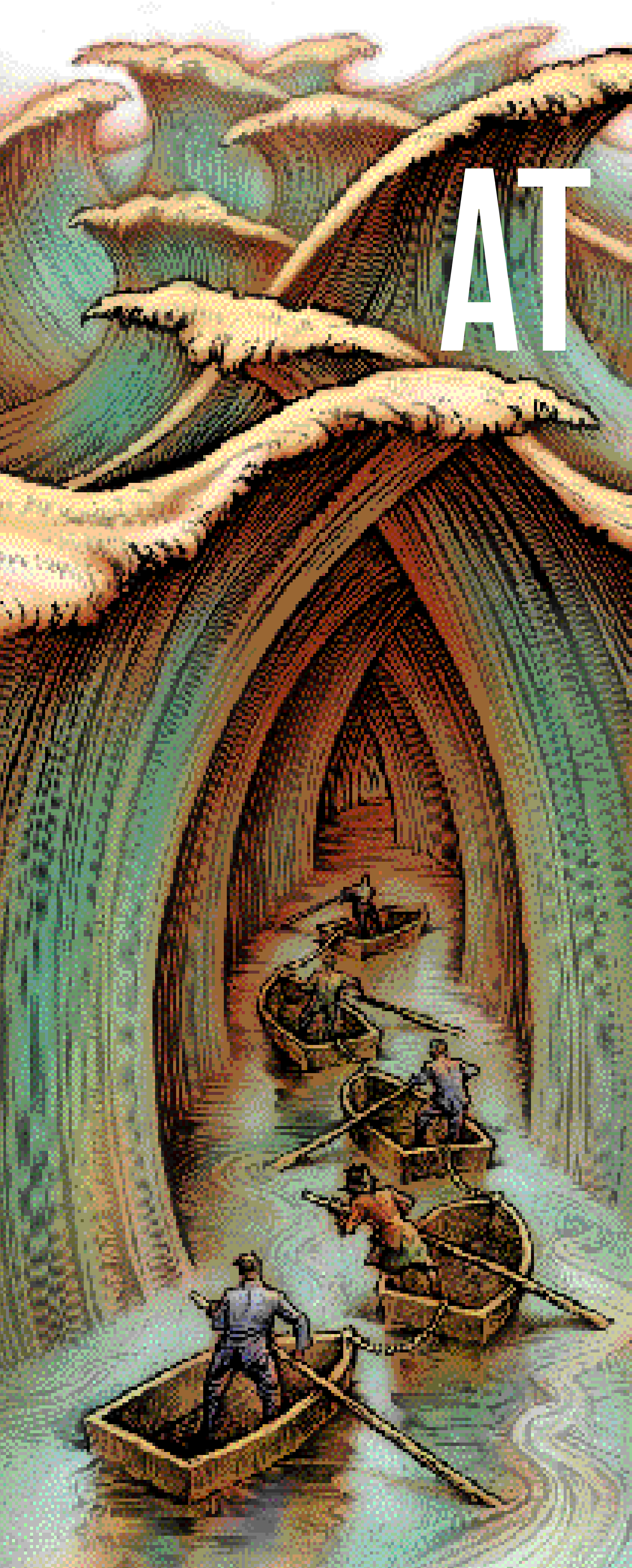
But there is no obstacle to bringing genuine Parisian pastry to New York. Adamowicz has 23 pastry chefs on Long Island making petits fours, croissants, brioche, and other delights. The techniques and the ingredients come straight from France. In the case of the croissants: flour, fresh butter, fleur de sel from Gironde, and Volvic mineral water.

People who return from Paris often declare that the croissants they have just enjoyed cannot be had anywhere else in the world. But they can, Adamowicz believes, if you transport everything – the techniques, the talent, and the ingredients. Fauchon has all three. ◆

> "We don't want to be the everyday store with the everyday products that everybody has," Adamowicz says. "We're the symbol of French gastronomy."

ADAMOWICZ, WG'84

JACQUES LEGROFF



PHIL FOSTER

AT RISK

Wharton's Risk Management and Decision Processes Center examines risks and uncertainties from chemical disasters to earthquakes to terrorism

BY ROBERT GUNTHER

On the morning of September 11, 2001, Wharton Professor Howard Kunreuther was bicycling along the Hudson River in New York City. He had arrived just a week before from Philadelphia to spend a sabbatical at Columbia University's Earth Institute. As he was riding, he was thinking about a questionnaire on catastrophic risks sitting back on his desk.

The topic of low-probability/high-consequence events had occupied Kunreuther's thinking for more than two decades. As co-director of Wharton's Risk Management and Decision Processes Center, he had wrestled with the implications of chemical disasters, earthquakes, siting nuclear waste facilities, as well as insurance, building codes, and other protective measures. This topic was what brought him to New York, but he had no idea how that day would bring him right into the heart of the issues of catastrophic risk and protection.

An avid cycler who normally bikes to his Wharton office, Kunreuther was listening to his Walkman as he rode along the river. He heard a report that a small plane had hit the World Trade Center. It took him a little while to understand the full extent of what happened, and while the Columbia campus was far enough away from Ground Zero that he experienced little direct fallout, his life and his work were changed completely. Not only did that day bring catastrophic risk front and center on the agenda of businesses and policymakers, Kunreuther's examination of that tragedy fundamentally changed the way he looked at these challenges. It led him, along with a few colleagues, to develop a new theory of "interdependent security" that is now influencing the national debate on how best to protect society from terrorism and other risks.

"September 11 changed my life," Kunreuther says. "In October, we were supposed to go to China for a month with Wharton, but I realized there was no way I could go. To leave New York City at that time didn't make any sense, given that the ultimate low-probability/high-consequence event had occurred there."

Sprinkler Systems, Airline Baggage, and Interdependent Security

A short time later, Kunreuther was having lunch with Geoffrey Heal, an economist at Columbia. They were talking about a problem that long had interested Kunreuther: the interdependent nature of security. Suppose you live in an apartment building and want to invest in a sprinkler system to receive a lower insurance rate. The problem is that, even if you purchase a sprinkler system for your apartment, if your neighbor doesn't make the same investment, his apartment next door could still catch fire and destroy your home. Your security is dependent on the actions of your neighbors, and the insurers will not reward you with as low a premium if they know that your apartment unit is vulnerable due to the possibility of contagion from others.

Airlines face a similar situation in baggage screening. Even if an individual airline invested in creating a tight baggage screening system, it is only as strong as its weakest link. The bomb that made it onto the Pan Am flight that exploded over Scotland in 1988 arrived via a loosely protected airline that connected to the tragic flight. If some airlines don't invest in security, other airlines have much less of an incentive to do so. Unless everyone has an incentive to invest, no one has an incentive to invest.

"We spent the month of October thinking about that problem," Kunreuther says. "When we started thinking about it, it raised a whole variety of other problems." One distinctive aspect of these catastrophic disasters is that the risks are extremely high, and nonadditive. "You can only die once, your apartment can only be destroyed by fire once, and it takes only one bomb to destroy an airplane," he says. "This type of problem has a very simple game theoretic solution: if everyone else invests in protection, you will also want to; but if no one else does, then you won't. The interesting question is whether one is able to develop strategies short of formal regulation to convince some individuals or firms to take protective actions and encourage others to do the same. One needs to find a tipping point and then make good things happen."

No Prisoners' Dilemma

The dynamics of these catastrophic risks make the situation and its solution very different from the well-known "prisoners' dilemma." In the prisoners' dilemma, which might apply to a challenge like investment in reducing pollution, neither party has an incentive to invest in measures to reduce pollution individually, yet they would all be better off collectively if everyone invested. In this case, the players will not resolve the situation left to their own devices. Regulation can sometimes fill the void, forcing individual companies to make decisions that are in the general interest.

But catastrophic events that rely upon interdependent security have a different dynamic. First, they are probabilistic, so the consequences are not known. Second, at a certain tipping point, both sides will want to invest; and once they make these investments, they don't have an incentive to back off from them. Once everyone in the apartment house has a sprinkler system or every airline is checking baggage thoroughly, there is no incentive to dismantle the system.

So the question is: How do you bring the system to the point where the players choose protection? If you rely upon free markets alone, individuals and companies will underinvest in protective measures that only help if everyone does them. On the other hand, regulation and legal action are very expensive.

Kunreuther and Heal developed an approach to this challenge of "interdependent security" that uses a combination of regulations, insurance, and third-party inspections to tip the balance toward protection at a reasonable economic cost. As they write with colleague Peter Orszag in a Brookings Institution Policy Brief, "When security is interdependent, firms acting on their own may choose not to invest in risk-reduction measures even though they all would be better off if they did."

For companies, there are similar interdependencies within organizations that could lead to business disasters. For example, Arthur Andersen was sent into bankruptcy because of the action of a relatively independent unit in Houston, and the Barings Bank in London was destroyed by the actions of a single trader in Singapore. In these cases, the autonomous players within the company had incentives to pursue their individual interests even when they threatened the security and survival of the larger organization. "One of the most important things that managers should take away is the recognition of the interdependencies and complexities within an organization, if each division is operating in a semiautonomous fashion," Kunreuther says.

In addition to these internal concerns, managers have to recognize that to address problems such as security, they may need to look beyond the borders of their own organizations. "There is also need to cooperate outside the organization," he says. "Think in terms of associations and the important role they can play. Appreciate the importance of public/private partnerships, regulations, subsidies and fines, taxes, and third-party inspections."

Risk Management: Bhopal, Chernobyl, Valdez, WTC

How do individual companies protect themselves from natural disasters, accidents, or terrorist attacks that could sink their businesses? The field of risk management has developed rapidly over the past few decades, spurred on by a series of well-publicized disasters. Risk management arrived in force in the chemical industry with the leak of poisonous gas at a Union Carbide plant in Bhopal, India, in 1984, which killed more than 3,000 people and injured thousands of others in the surrounding villages. In 1986, the meltdown and explosion at the Chernobyl power plant in the Ukraine and the Exxon Valdez accident in 1989 hammered home the importance of risk management.

"People realized then it could sink a company," says Paul Kleindorfer, co-director of Wharton's Risk and Decision Processes Center. "A major company, Union Carbide, with 111,000 employees disappeared from the planet because of Bhopal. This was a gripping, chastening experience. These incidents gave rise to the whole risk management paradigm and particularly the crisis management side of it."

While risk management was well recognized in safety-intensive and environmentally sensitive industries, it wasn't until the terrorist attacks on 9/11 that managers realized every company needs to be concerned about this issue. Terrorist attacks also expanded imagination about potential risks. Kleindorfer humbly points out that while he has written ten books on the postal service, not one of them recognized the potential for a few letters containing deadly anthrax spores to bring the entire system to its knees.

How do companies address these challenges? The standard risk management paradigm that has emerged follows four key phases:

- Vulnerability and threat assessment: Understanding what parts of your system are vulnerable to natural disasters or terrorist attacks.
- Risk assessment: Once you can see the vulnerabilities, you need to determine which ones are most important so you can focus on the big ones.
- Risk management: These risks can then be managed by mitigation of the risks through strategies such as hardening the facility, containment, or mitigating the consequences through mechanisms such as insurance.
- Crisis management: These are the plans for responding quickly and effectively to disasters and other crises.

Duct Tape and Denial

Strategies for interdependent security and risk management planning all look well and good on paper, but the uncertainty of the environment also

TOMMY LEONARDI

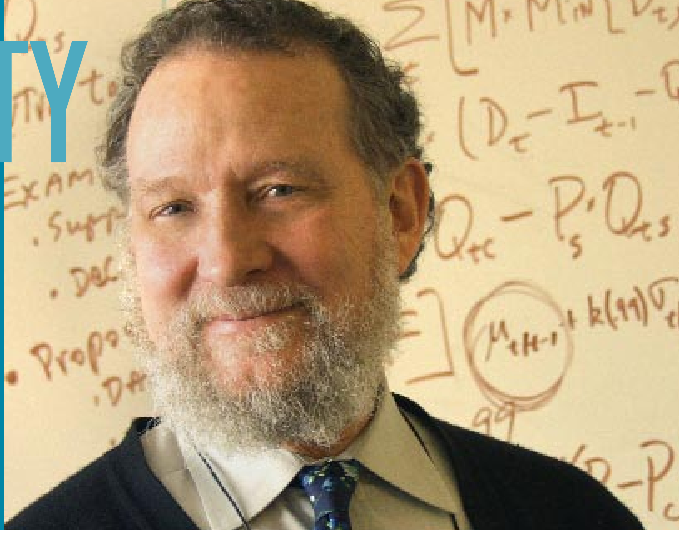
STRATEGY

"The interesting question is whether one is able to develop strategies short of formal regulation to convince some individuals or firms to take protective actions and encourage others to do the same."

KUNREUTHER

SECURITY

"In these troubled times, most of the companies have come to the conclusion that the best they can do is remove the flammables from the fence and go to church – hoping the government is going to solve this problem for them." KLEINDORFER



TOMMY LEONARDI

leads to less rational reactions – particularly when it comes to life-and-death decisions. Anyone who doubts this only has to look for duct tape at the local hardware store. This focus on the way real people make decisions is the "decision processes" part of the Wharton center.

"In developing strategies for interdependent security", Kunreuther says, "one needs to take into account the ambiguity of the risk and how individuals react to this type of uncertainty. That's the principal reason why terrorist insurance didn't take off. Insurers thought the risk was too ambiguous. There are issues of myopia, shorter time horizons, and misperceptions of the risk. All these have to be taken into account in developing risk management strategies."

One typical reaction is to bury one's head in the sand. "In these troubled times, most of the companies have come to the conclusion that the best they can do is remove the flammables from the fence and go to church – hoping the government is going to solve this problem for them," Kleindorfer says. "They can't figure out what it is they can possibly do to avoid terrorist attacks."

Effective Strategies

What do managers overlook in addressing these risks and catastrophes? One key is leadership and communications. "I don't think most companies have recognized how fundamental this is in times of great turbulence and uncertainty," Kleindorfer says. "Companies may have great systems and audits for risk management. They may have near-miss management and crisis management strategies, but half the employees still are running around shell shocked because no one is telling them what is going on. There is a set of denial reactions that arise naturally in human beings when confronted with adversity. We are just beginning to put all the pieces together."

Another issue highlighted by 9/11 was the importance of having well-rehearsed plans for business processes and continuity. "People had backup plans, but many of them were absolutely devastated for many months and unable to pull themselves together in an effective way," Kleindorfer says. "Who would have imagined that you would have to rehearse losing your entire office space in the World Trade Center? Today, if you say to a major company that we have to think through the scenario in which your top three people are out and your headquarters is out, people won't say not to do anything as ridiculous as that. Now companies are rehearsing through these things on a quarterly basis with the senior management team. The company has to be prepared to withstand anything and put itself back on its feet." Risk management should be integrated with ongoing management of current processes. "The whole process can be seen as part of near-miss management or accident prevention systems," Kleindorfer says. Managers also need to consider broader strategic issues, such as supply chain design, global diversification, public policy, and second-order effects of an attack on one part of the system that can affect other industries, or the whole economy. Where the efficiencies of agglomeration normally dictated centralized operations and IT, companies are now spreading supply chains and other parts of the business around the globe to diversify their risks. They also are building up a buffer of inventory. "Inventory was evil," Kleindorfer says. "Now you need strategic inventory at key points in the supply chain, multiple suppliers, and other redundancies that are beginning to reverse the long trend in the 1990s of 'leaning' the supply chain."

Kunreuther's trip to China, which was postponed after September 11, is now scheduled for June 2003. He has a lot more to talk about when he participates on an alumni panel on interdependent security in Shanghai. "I know this is literally the most important thing I have ever done," he says. "It is important for policy, on a social level, and for business. It is a global problem. I now understand what I've been doing for the last 20 years." ◆

THE **POWER** TO

TRANSFORM:

HOW WHARTON CHANGES LIVES

It happened to Anne-Marie Corner one day in 1988. It was the day the former biochemist realized she wanted to be an entrepreneur.

"There was a professor, Ed Moldt, in the Entrepreneurial Department, who sat and talked with me," Corner, WG'89, remembers. "I said, 'I know nothing about business. I've never worked in a company in my life.' And he said, 'Don't worry. You have what it takes. You have the drive and the passion.' I switched majors, and that was the key change that put me on the path to what I do now. It was Ed Moldt who made me believe in myself." Today, Corner is Chief Executive Officer of Biosyn, a Philadelphia-based biotechnology firm.

For John-Paul Duffey, WG'88, the transformation came via a Wharton student volunteer project called Very Special Arts. "Our mission was to create income-generating opportunities for mentally and physically challenged people in several developing countries," explains the producer/partner in Lockton Companies, the nation's largest independent commercial insurance brokerage. "This experience profoundly impacted my perspective on life and the world. It made me realize that true success as a human being is not about material wealth, but rather about responsibility – to one's family, one's friends, society, and the planet we briefly occupy."

Was it a class, a classmate, a club, or a professor that made your Wharton years so powerful? Perhaps it was the development of something less tangible – a philosophy, values, or self esteem. Whatever your memories of Wharton and whatever you took away, one thing is certain: *Wharton changes lives.*

We asked alumni of different ages, fields, and backgrounds to talk about the transforming power of the Wharton experience. Here are their thoughts.

Wharton
THE CAMPAIGN *for*
SUSTAINED
Leadership

THE ALUMNI PERSPECTIVE

Wharton's influence on my life has been huge. I met my wife, changed my career, and moved 3000 miles away…all because of Wharton, and all for the better. Wharton was the vehicle that empowered me to change from an engineer to a business person. Three intro courses gave me tools I still refer to today: marketing, accounting, and statistics.

ARTHUR YELSEY, GEE'78, WG'78
President, Mediaspot, Inc.

My two years at Wharton transformed me. They changed me from a person who spent her time looking into a microscope and looking down, trying to understand smaller and smaller things, into a person who now steps back and tries to understand the big things. Now I'm doing what I love, and I couldn't have done it without the Wharton experience.

ANNE-MARIE CORNER, WG'89
Chief Executive Officer, Biosyn

At Wharton I learned, better than at any time in my life, how to listen to people, how to interact with people, and how to motivate and inspire people.

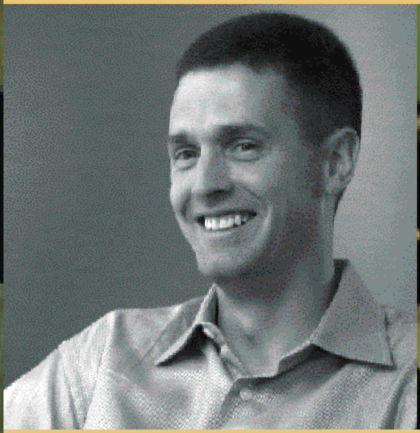
ROB CONEYBEER, WG'96
General Partner, New Enterprise Associates

Wharton was the pivotal experience in my professional career. While I had always been interested in financial markets, it was my Wharton education that helped me develop a truly sophisticated understanding of how markets work around the world. Moreover, Wharton's reputation and alumni network have opened doors for me that would ordinarily be closed for an Indian woman.

PUNITA KUMAR-SINHA, G'92, GRW'93
Managing Director and Senior Portfolio Manager, CIBC World Markets

Wharton was a launching pad. It wasn't the end of the story, but the beginning. What I left with was an appreciation that most problems are solvable as long as you work hard, apply what you've learned, and are willing to ask a lot of questions.

< **ART COLLINS, WG'73**
Chief Executive Officer, Medtronic



^ **ROB CONEYBEER, WG'96**

^ **ANNE-MARIE CORNER, WG'89**

"My two years at Wharton transformed me"

My values were reinforced at Wharton. Specifically, I remember a trading simulation game. The stakes were high, as the winners got their names published in *The Wall Street Journal* and *The New York Times*. I was a team leader, and was approached by another team leader, to corner the market in bonds and squash the competition. I did not hesitate to forcefully say no. I did not turn in the other leader and made it known that I strongly disagreed with his strategy. It was a good lesson, especially since my team won!

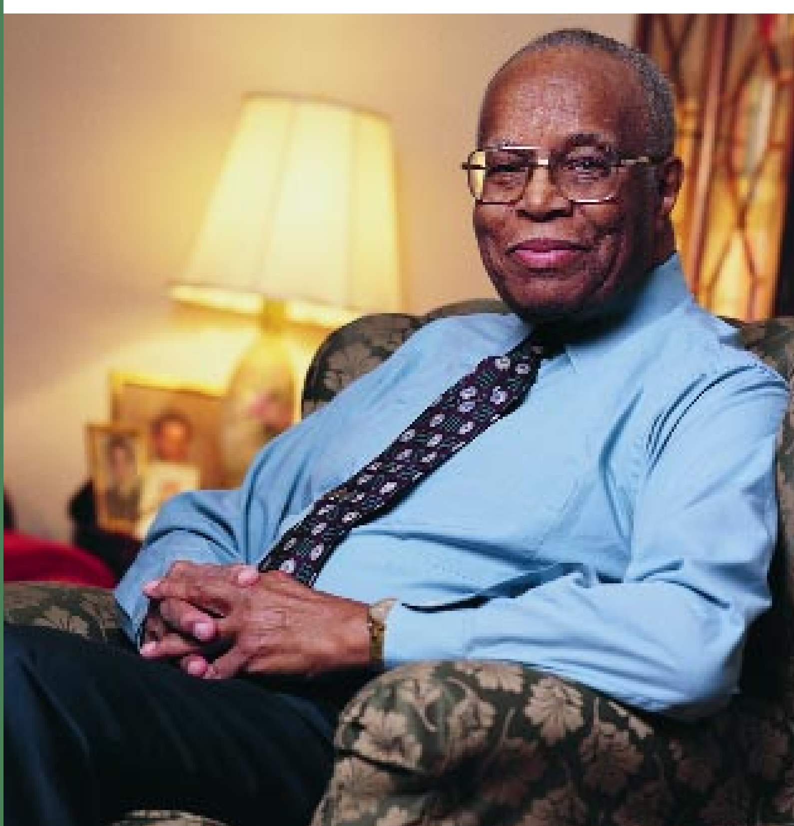
JOE LONGOSZ, WG'88
Golub Associates Incorporated

Before Wharton, I was undisciplined and haphazard about planning my future. I think the exposure to so many people who were ambitious and focused, but also pleasant, was the eye-opener. Later, as a portfolio manager, I looked at dozens of stocks every month. Without Wharton, that might have seemed daunting; instead it was an enjoyable side of my profession.

ROBERT FRIEDMAN, WG'87
Former portfolio manager

Wharton exposed me to people from every corner of the Earth. I learned through my friendship with Wharton's international students that, while our differences are many, people are fundamentally the same regardless of religion, ethnicity, or cultural influences.

JOHN-PAUL DUFFEY, WG'88
Producer/Partner, Lockton Companies



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All I can say is this: When I graduated, I had a special feeling of self worth. I had a special feeling as a graduate of the Wharton School that I've carried with me to this day.

ARNETT FRISBY, WG'42

"Wharton was the pivotal experience in my professional career"

I remember marveling at how much bigger my world had become, by virtue of the people I met at Wharton. Being there raised my standards. When you have to push a little harder because the person next to you is a little smarter, or more experienced, it makes you better. Being around the best and brightest brings out your best.

Having an MBA from Wharton always reminds me to keep the bar high. Regardless of what I set as my own personal targets in business or life, the fact that I went to Wharton reminds me daily of the level at which I am capable of operating and should always operate.

TONY STEIN, WG'90
President, Horizon Group

Wharton taught me to look at the whole picture, all 360 degrees. Also, that it's not just the numbers that are important, it's who the people are. One of the greatest things I took with me was the skill of understanding people and what they have to offer.

WENDY FINERMAN, W'82
President, Wendy Finerman Productions, Feature Film Producer

The thing I'm most grateful to Wharton for is teaching me that passion and people and experience are what it's all about. The people here have such a variety of backgrounds, and they can have so much impact on you if you trust them. And that's what happened – I ended up trusting my fellow classmates with the business I was starting. I couldn't have done it without them.

BRAD OBERWAGER, WG'97
CEO, Open Webs, Inc.

How did Wharton make a difference? Because of my experiences there, I took a risky job that was rewarding beyond my wildest dreams.

BETH NELSON, WG'82
Former Principal, Neuberger & Berman, LLC.

V

BRAD OBERWAGER, WG'97 >

“Wharton taught me to look at the whole picture, all 360 degrees”

Wharton gave me the opportunity to try a number of different things and taught me not to be afraid to do that. I made a big career move, from the corporate world to the non-profit sector. I took with me the toolbox that I assembled at Wharton, and I pull tools out of that every day.

DIANE TY, WG’87, G’87
President and Co-Founder, YouthNoise

At the end of the day, critical thinking, problem solving, creativity, and analytical skills are the things that have been most important to me in my career. I learned those things sitting in business classes at the Wharton School, and they formed an incredible foundation for my life.

DAVID POTTRUCK, C’70, WG’72
President and Co-CEO, Charles Schwab Corporation

My Wharton diploma gave me trust in my ability to perform, and the confidence that I can go out there and tackle any challenges posed to me.

MAURICIO BORGONOVO, WG’97
Managing Director, Laurus Partners, LLC.

One of the most valuable aspects of Wharton is instant credibility. People know that if you’ve been through Wharton, that you have a certain body of knowledge, a certain skill set. I’m in human resources, which doesn’t always get the credibility it deserves. But I find that I’m instantly given automatic credit by having gone through Wharton. People speak to me differently.

ELLEN (EDELMAN) WEBER, W’82
Executive Director, Robin Hood Ventures

DIANE TY, WG’87
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MAURICIO BORGONOVO, WG’97
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“I assembled a tool box at Wharton, I pull those tools out every day”

Wharton has given me a great sense of affirmation about my choices in work. I was a very successful scientist, and I left my career to do development work. Everyone at Wharton has been very supportive of my choice. They have always given me the confidence, not only to do it, but to do it well. They all stand by me – Wharton, as a school, stands by me.

SAFIA HALIL RIZVI, WG’03
Second-Year MBA Student

You meet someone. You say you’re from Wharton. That automatically puts you in a certain light, a certain category. It sets an expectation level, and it’s up to you to live up to that level. It actually raises the bar on your performance.

ROB WEBER, WG’82
Managing Director, Antiphony

I can’t even begin to count the number of times since leaving school that I’ve pulled out Dr. Abel’s Macroeconomics text to check out the supply and demand curves.

JOHN ROLFE, WG’95
Managing Partner, Argand Capital

< **DAVID POTTRUCK, C’70, WG’72**

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KATHRYN ENGEBRETSON, WG'83, GR'96

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BRIAN FINN, W'82

"At Wharton I learned how to learn"

At Wharton I learned how to learn. In the business world, there's fact and information flying around all the time. To discern what's important, to be able to grab it out of the air and understand how to apply it, is key, and my college experience was a big contributor to learning how to do that.

BRIAN FINN, W'82
Co-President, Institutional Section,
Credit Suisse First Boston

Wharton has transformed my life. There's really no other way to put it. I came here with no knowledge of business whatsoever, no network of people in the field I wanted to work in. My career is at the intersection of the nonprofit world and the corporate world, and it was at Wharton that I began to understand that those two places really did intersect. And the knowledge that I gained, the people that I met, and the confidence I built have opened doors to a whole new world I didn't know existed.

KATHRYN ENGEBRETSON, WG'83, GR'96
President, William Penn Foundation

HOW DID **WHARTON**

CHANGE YOUR LIFE?

Like the alumni quoted above, you left Wharton a changed person. How did Wharton impact your life? Did it shape your way of thinking, your career path, your reputation…even your family and friends? No doubt Wharton left a unique mark on you, as it has for thousands of alumni.

Now, think about what you can do to leave a mark on the future of Wharton. As it draws to a close, the Campaign for Sustained Leadership owes its success to the generosity and vision of Wharton alumni like you – men and women for whom Wharton provided countless advantages, and who are now paving the way for generations of business leaders to come.

To find out more about how your pledge can make a difference to Wharton, please contact:

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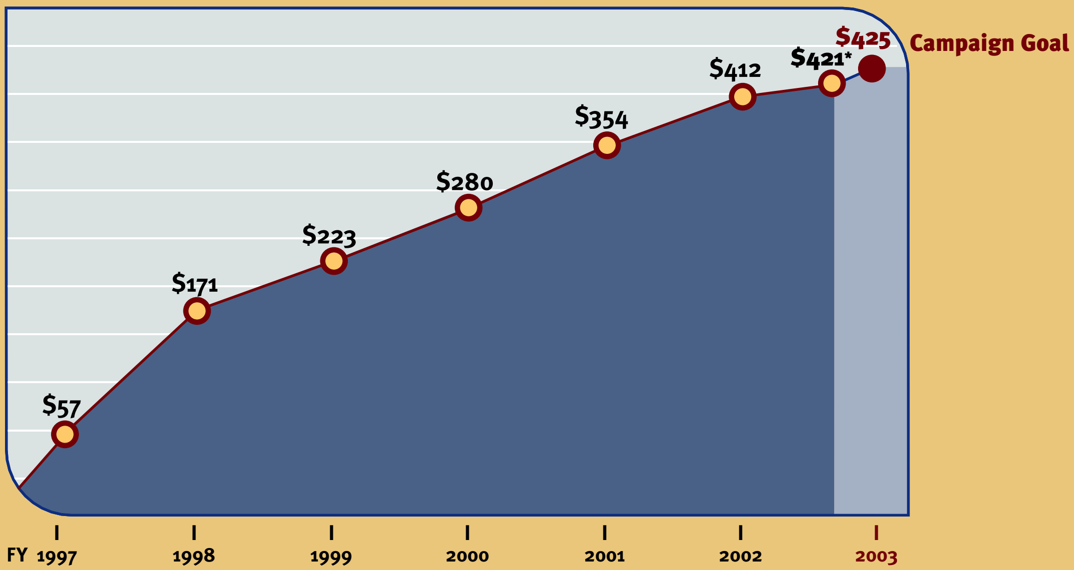

* Total as of 3.31.03

Make the Rules Or Your Competitors Will

BY NANCY MOFFITT

Richard Shell had arranged for a cab driver from his suburban neighborhood to pick him up at Philadelphia International Airport when his flight landed at midnight. He'd learned from hard experience that some city cab drivers don't know their way around the suburbs, a reality that had led to some steep cab bills and long, winding rides home.

He had been taken to the airport by the owner of a small, suburban fleet of cabs, who said he would be waiting in the baggage claim area upon Shell's return. "To my delight, there he was as I came down the elevator," says Shell, a legal studies professor. "But then things got complicated."

The driver took Shell outside and pointed to a spot across a couple of roads and traffic islands. That, he said, was where Shell was to wait. "But where's the cab?" Shell asked. The driver explained that the city cab companies had long ago negotiated an agreement with the airport – an agreement designed to make it very difficult for suburban cabbies to operate efficiently there. "First, I have to meet you," the driver told Shell. "Then you have to walk all the way over to Zone 6. Then I have to go back to the limo waiting area to get the cab. Then I can pick you up."

This anecdote, Shell explains in a new book, is a telling example of the way businesses often encounter the law – not as a lawsuit or regulatory proceeding but as a part of someone else's competitive strategy. "Incumbents can't ban the competition," Shell writes. "But they can use laws and regulatory processes to add cost and inconvenience to their competitors' products." It's called competitive legal strategy – a high-stakes game in which some businesses make the rules, while others are forced to operate within those boundaries. "The one thing I saw that was missing in the practitioner literature was how business people should think of law as a tool of corporate strategy – that is, what are the ways that businesses can use legal tools, whether it's litigation, lobbying, or regulations, to help them gain or protect a competitive advantage," says Shell, the Thomas Gerrity Professor of Legal Studies and Management and former chair of the Legal Studies Department. "There's a huge amount of this activity going on, but there's almost nothing written about it other than in specialized academic works."

How laws make winners of some firms and losers of others, and how business leaders manage, defend against, and gain a competitive foothold from the law, is the subject of Shell's book, tentatively titled *Make the Rules or Your Competitors Will*. Under contract with Crown Publishing and scheduled for publication in early 2004, the book is a fresh angle in a market crowded with legal writings, from diatribes against business regulation to treatises that suggest cozy, corrupt partnerships between business and government.

"What was missing from these world views is the way the political system actually works when it's adjusting to the economic reality of business," says Shell. "It's a forum in which businesses act as an interest group but just as often are fighting each other.

Shell has also authored the award-winning *Bargaining for Advantage: Negotiation Strategies for Reasonable People* (1999, Viking Press/Penguin Books), a book read in many Wharton School negotiation classrooms and praised by both students and executives for providing a new and useful view of a not-so-new subject. In his latest book, his message is simple: businesses need to understand enough about the law to integrate it into daily strategic thinking.

The Disney Company, for example, has managed to continually extend its copyright protection on its storied cartoon characters, the source of much of the firm's profits, by lobbying Congress each time an older character's protection is set to expire. Pharmaceuticals

IN THE HIGH-STAKES GAME OF LEGAL STRATEGY, SAYS WHARTON'S RICHARD SHELL, BUSINESSES MUST USE THE LAW AS A COMPETITIVE TOOL.

RICHARD SHELL

BUSINESS LEADERS OVERESTIMATE THE DIFFICULTY OF MAKING LEGAL STRATEGY A COMPETITIVE TOOL, GIVING THOSE WHO GAIN THIS KNOWLEDGE A GENUINE COMPETITIVE EDGE.

such as Pfizer and Merck, meanwhile, religiously scrutinize patent laws and FDA processes with the goal of tipping the balance away from generics and toward brand-name products.

And despite widespread perceptions to the contrary, Shell argues that this legal maneuvering is not rocket science and is not just for large and resource-rich organizations. Business leaders overestimate the difficulty of making legal strategy a competitive tool, giving those who gain this knowledge a genuine competitive edge. "Lawyers, litigation, regulatory agencies, lobbying, and legislative reforms are powerful opportunities, and threats, in the right hands," Shell says. "I don't think anybody – including the Supreme Court justices – fully understands the law. I think most lawyers and judges take each case and try to do the best they can. In just this way, executives can grasp a great deal about the legal dynamics of certain situations when the success of their business is at stake."

What are some key legal insights Shell believes businesses can't afford to ignore?

■ First, the merits of a legal claim or public policy argument are only one aspect of a successful legal strategy. "You can have a great case and still lose in the marketplace if you fail to properly understand the strategic environment you are in and the strategic goal you're trying to accomplish," he says. New companies with an innovative product entering the market space of a very powerful incumbent, for instance, often find themselves on the receiving end of lawsuits. The litigation may have little merit, but young firms often lack the resources to mount a defense. "So they end up having to settle the case, or just drop out because their funding dries up," Shell says.

■ It's also critical to understand that most legal strategy decisions are really business decisions in disguise. Whether and when to settle a case, for instance, is driven more by strategic considerations, Shell says, than legal ones. A business might have a great legal case, but it chooses not to litigate because the entity that has wronged it is its biggest customer. "Or you may be involved in litigation in which you have a legitimate legal claim, but you've only got so much money, and if you continue with the litigation, you'll have to drop your marketing program. So you settle the case," Shell says.

■ Similarly, firms with deep pockets and good market positions are formidable legal opponents, even when they have a weak legal case. "When you've got a strong strategic position, you are able to bring other pressures to bear to win a favorable outcome in a legal dispute. Many of these pressures go beyond financial resources, such as leverage with suppliers or customers, that enable you to really lean on your opponent."

■ Access to sympathetic legal decision makers – particularly regulators and legislators – is "worth its weight in gold," Shell says. "Smart businesses invest in this long before they need it. Microsoft did not, and look what happened to it. Before the government brought its antitrust case, Bill Gates had one lonely lobbyist based in a Washington, DC suburb. It made political contributions of a little over $100,000 per year. Now Microsoft has a 15-person Washington staff and is one of the largest political contributors in the high-tech industry." Even small businesses, says Shell, can cultivate clout on a local level with city councils and chambers of commerce.

■ In legal disputes, the public's perception of who is right and who is wrong can be pivotal. Winning in the court of public opinion, Shell says, can be just as important as winning in the courthouse. Henry Ford, for example, founded Ford Motor Co. in 1903 and was sued within six weeks by an association of car manufacturers that had, to date, quickly put new market entrants out of business based on a patent it held on the automobile. The group was particularly vehement in its opposition to Ford, who wanted to make an affordable automobile for the masses. Ford took on the group in a very public fight, defeating its initial attempt to win an injunction against him. For eight more years, he litigated to defeat the patent, casting himself as a Robin

competitive

Hood of the car business. “By the end of that lawsuit, he was a national figure and a hero,” Shell says. “Millions of Americans favored the little guy fighting the big guy, and in the early 1900s, this was a big political issue not just with the automobile, but with steel and banking and oil. Ford won hearts, minds, and market share and became an enormously powerful icon of the American spirit.”

Another key to Shell’s approach to legal strategy is his focus on playing a skilled defense when a competitor breaks the rules. He acknowledges that there will always be businesses that deftly abuse the law to advance their own agenda but says that one firm’s illegal act never justifies another lowering its standards. Nonetheless, businesses need not be passive in the face of bullying adversaries.

Antitrust claims, for instance, can be brought against sizeable bullies. “These are some of the claims that companies like Sun Microsystems and Netscape are now bringing against Microsoft in the wake of the Microsoft verdict,” Shell says. “The private firms get to benefit from that verdict and can sue without having to prove an antitrust violation because the government did that already.”

These rivals, of course, were instrumental in the government’s decision to bring its massive antitrust case against Microsoft in the first place. They lobbied heavily at the Justice Department and in Congress precisely for this reason, says Shell – so that they wouldn’t be forced to shoulder the burden of a costly antitrust case against a wealthy and resource-rich opponent. The Microsoft case, thus, is an example of less-powerful firms using both regulatory and lobbying avenues to help them reclaim their competitive advantage and then using litigation to collect money based on their regulatory success.

“Abuse of process” is another way organizations can fire back at companies that have brought frivolous lawsuits in an attempt to delay a product launch or impose crippling costs, says Shell. Suppose that a young company is days away from launching an IPO when a powerful rival files a lawsuit claiming intellectual property infringement.

“The claim is bogus, but all that hits the street is that a little firm is sued by a big gorilla, the investors become worried about the IPO, and the little firm loses funding. What can the firm do? They can sue for abuse of process, claiming that the litigation was like a physical assault and caused damage – lost opportunity to go to market, lost profits from sales that could have taken place had they gotten the financing.”

FROM MEDITATION TO CORPORATE LAW

Richard Shell brought a rich set of experiences with him when he came to Wharton. He counseled poor families as a social worker in the ghettos of Washington, D.C., studied meditation in Buddhist monasteries in Sri Lanka and South Korea, sold insulation door to door in his home town of Lexington, Virginia, and worked as a corporate attorney in Boston.

His 16 years at Wharton are the longest he has ever stayed in one place. He was raised in a military family and describes his childhood as peripatetic, having moved every year his first six years in school. “The good part of it was that I got to meet a lot of new people and see a lot of different parts of the world,” he says. “The bad part was that I was moving around all the time, so I suffered from a certain rootlessness. But I have come to think of my early life as a source of strength. I’ve always found it easy to get along with people and get to know them quickly. I never felt overly rooted in one place or another, so I was able to move with my career.”

By the time he was ten, Shell’s father, a general in the Marine Corps, was running major Marine bases, a legacy that Shell says is not unlike being the son of a CEO. “You get introduced in public a lot as this person’s son. That has its pluses and minuses – the plus is you feel important, but the minus is that it’s hard to get out from under the shadow of someone who is a great deal more important. In the end, my father and I had a falling out over the Vietnam War when I became a Conscientious Objector. But we made up later and became very close.”

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The Perils of Hedge Fund Regulation

To many investors, hedge funds seem like an oasis of positive returns in the current desert-like environment of poor returns. Whether this is true is debatable. But two trends have made the regulation of hedge funds – which so far have been very lightly regulated – a hot topic. One is the increasing availability of hedge fund products to a broader audience than previously had access to this asset class. The other is the barrage of news reports focused on hedge fund fraud and blowups, which directly or indirectly raise the idea that regulation might provide a useful fix.

So should hedge funds be regulated? Absolutely not, argue Wharton faculty members. Not only should funds not be regulated, they say, but to do so would threaten the core of the industry itself.

"The important issue that hasn't been much discussed publicly is the potential implications for the industry if hedge funds do reach a broader market," says Richard J. Herring, finance professor at Wharton and co-director of the Wharton Financial Institutions Center. "It's easy to understand the pressures to make them available to a wider range of clients, but once the issue of protecting consumers enters into the discussion, the regulatory game shifts in a major way."

And that would be an irrevocable mistake. "Regulation is in some sense incompatible with the fundamental role and character of hedge funds," adds Herring, because "hedge funds are designed by law [to operate] with maximum flexibility."

Hedge funds occupy an important niche in the markets. They provide liquidity to the capital markets and take speculative positions, an increasingly significant role as banks have shuttered or wound down their high-flying proprietary-trading desks. For investors, hedge funds can also serve a risk management purpose since their returns are often uncorrelated to those in the equity and fixed-income markets. These funds are able to achieve the returns they do precisely because they operate without many of the financial constraints that would otherwise hobble their complicated strategies.

Like mutual funds, hedge funds are pools of money invested in financial instruments. Unlike mutual funds, they do not trade on exchanges, they are not registered with the Securities and Exchange Commission, they are subject to few regulations, and their investors are not extended the same consumer-protection benefits that are given to investors in mutual funds and other entities that fall under the 1940 Investment Company Act. In addition, hedge funds frequently employ leverage and use sophisticated trading strategies that ordinary investors do not understand.

"The important issue that hasn't been much discussed publicly is the potential implications for the industry if hedge funds do reach a broader market," says Richard J. Herring.

In short, investing in hedge funds can be like playing Russian roulette. This blatant risk has historically been addressed by limiting hedge funds to accredited investors – wealthy individuals with at least $1 million in assets and institutions with $5 million – and by stipulating minimum-investment thresholds of, say, half a million dollars.

"Congress originally was wise to limit the investor pool to those wealthy enough to be able to make judgments on their own, without the help of SEC regulations," says Wharton Finance Professor Richard Marston, director of the George Weiss Center for International Financial Research. The reasoning is that these individuals and institutions can perform the necessary due diligence themselves and can take on large risks. "The only issue is whether or not that continues to be the case," he notes.

This lack of regulation makes sense when investors are wealthy but doesn't when people with lesser means enter the market. "I don't think people really get terribly upset when somebody with $10 million loses a couple million dollars," says Marshall E. Blume, finance professor and director of the Rodney L. White Center for Financial Research at Wharton. "But once average investors get hurt, as they will, all bets are off." The threat is that broadening the investor pool will inevitably lead to the regulation of hedge funds.

McHedge Funds

In the current bear market, it's easy to see why investors of all stripes are eyeing hedge funds as an asset class. Hedge funds are believed to perform well in good weather and bad. In 2002, the

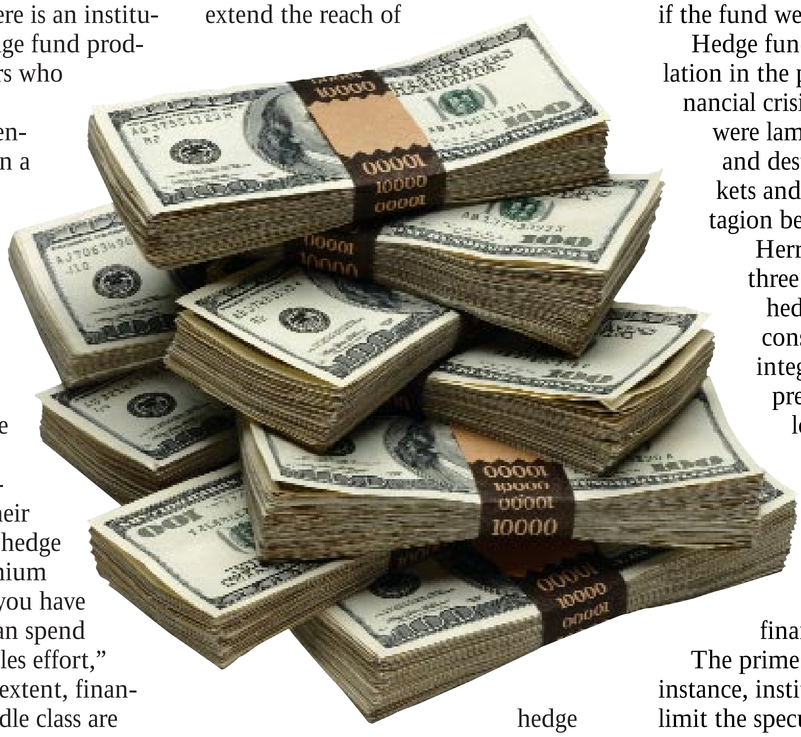
Standard & Poor's 500 Index lost more than 22% of its value, while the MSCI World Equity Index dropped 21%. The CSFB/Tremont Hedge Fund Index, on the other hand, was up 3% for the year.

At the same time, there is an institutional push to make hedge fund products available to investors who are not wealthy.

Funds of funds – essentially, funds that invest in a basket of different hedge funds – have lower minimums, even as low as $25,000 for some investors. Hedge funds typically get a 1-2% management fee and a 15-20% performance fee based on the fund's returns, although fund-of-funds managers make their own arrangements with hedge funds and collect a premium from investors. "When you have such high profits, you can spend a lot of money on the sales effort," says Blume. "To a great extent, financial products to the middle class are sold by securities firms. If they have more money to pay salesmen, they're going to sell more. There's a big incentive to do that."

Meanwhile, ideas for hedge fund products are proliferating. PlusFunds, a New York-based financial company, is developing what it hopes will be an investable product based on a hedge fund index, somewhat akin to Spiders, the Standard & Poor's Depositary Receipts, or Qubes, the Nasdaq-100 Index Tracking Stock. Interest is also brewing in the mutual fund industry to try to create mutual funds or other mainstream-oriented investment vehicles that invest in hedge funds. This is currently prohibited, but if a viable kind of legal framework is found, the plan might get off the ground.

Practically, the fund-of-funds effort and other forays into the once-secretive world of hedge funds appear to be a way around the accredited-investor requirement. The risk to average investors is that hedge funds are an enormously risky asset class, and investors are currently afforded little protection. The irony is that such a plan to extend the reach of hedge funds and circumvent a strict regulatory requirement might wind up leading directly to the onerous and debilitating regulation of hedge funds.



Hedge Fund Implosions

Recently, hedge funds have come under fire for misbehavior and runaway strategies. Some hedge funds abandon the risk profile investors have been led to expect. Others commit fraud or make fatally bad bets. In early January, for example, Eifuku Master Fund, a $300 million hedge fund in Japan whose investors included the financier George Soros, laid on a series of unfortunate trades and promptly collapsed. There have been a number of other high-profile hedge fund implosions, including the notorious granddaddy of them all: Long-Term Capital Management, which in 1998 required a Federal Reserve-brokered $3.6 billion bailout from a group of international financial institutions because of fear that the financial system could collapse if the fund were allowed to fail.

Hedge funds have faced down regulation in the past. After the Asian financial crisis of 1997, hedge funds were lambasted for whipsawing and destabilizing emerging markets and for fueling financial contagion between countries.

Herring notes that there are three rationales for regulating hedge funds: 1. to protect consumers, 2. to protect the integrity of markets, and 3. to prevent systemic risk. As long as access to hedge funds is restricted to wealthy individuals, consumer protection is not an issue. But concerns about the integrity of markets and financial stability have risen.

The prime minister of Malaysia, for instance, instituted capital controls to limit the speculative excesses of hedge funds, and the collapse of LTCM intensified concerns about systemic risk. The Financial Stability Forum at the Bank for International Settlements studied the subject and ultimately issued a series of what it referred to as sound risk management practices for banks and lenders to hedge funds. It did not press for regulation, although it warned that other options might be considered in the future.

Nonetheless, direct regulation has always been avoided. And since the late 1990s, hedge funds as a group have reduced their leverage and changed some of their trading strategies.

Currently, there is an increasing push to restrict short-selling, a practice common in hedge funds and some investment management firms. Critics argue that aggressive hedge funds target the stock price of faltering companies and sell large amounts of the stock short, smacking down the price. But like other regulatory gambits, this one may be myopic. Placing negative bets on a company may be unsavory to some, but it serves a legitimate function in the markets. Inevitably, Marston points out, a restriction on short-selling would also hamper the essential strategy of many hedge funds, which involves, in the case of market-neutral funds, systematically shorting some stocks or assets while going long on other assets. "By doing this, hedge funds are able to reduce the net risk of the portfolio," he says. "The SEC restricting short sales would be a very bad idea. It would also be a fundamental attack on the nature of the model hedge funds are using."

While cries for regulation are getting louder, the viability of regulation also remains an issue. Hedge funds are footloose and often domiciled offshore, and if the regulatory regime in one country changes, they can pick up and switch jurisdictions, observes Herring. "At the same time," he adds, "hedge funds must operate in large, deep financial markets, and there are always ways for the SEC and U.S. Treasury to get at them if they have the will and political mandate to do so."

Bad Numbers

As hedge funds become less mysterious and command larger amounts of investor money, some chinks are beginning to show in the public armor. An important issue for individual as well as institutional investors concerns the quality of information about hedge fund performance. Since reporting is voluntary and not systematic, it is difficult to get complete information about how hedge funds fare. "One thing that's very clear is that people are probably overestimating returns in hedge funds," says Herring.

The problem is that hedge fund data has significant survivor bias. "Incentive fees typically kick in only when a fund goes above its previous high," explains Herring. "So if a strategy crashes, rather than keep the fund going, which would generate very low fees for the managers, or possibly no fees, they'll close the fund and start another with a new track record." In contrast, the regulated mutual fund industry doesn't have this problem since it's expensive to terminate a mutual fund and since there's little incentive to do so as long as fees are still being collected.

A related reporting problem is that the pricing of illiquid assets in a hedge fund may not be sufficiently accurate. Highly liquid financial products have values that can be ascertained daily in the market. But not all products in a hedge fund's portfolio are traded on an exchange or are liquid enough to have daily prices.

Individual investors aren't the only ones clambering aboard the hedge fund express. Increasingly over the last few years, the well-heeled pension fund community has been turning to hedge funds as an alternative asset class to buoy returns.

If a hedge fund owns a junk bond that's not traded too often, it's evaluated, but the mark-to-market value, or fair value, isn't necessarily the value a seller would get for it in the marketplace, notes Blume. The value is somewhat subjective and could be used to help reduce the volatility of returns, he adds. So people may think they're getting better returns with lower volatility than what they're actually getting.

Better Disclosure

Individual investors aren't the only ones clambering aboard the hedge fund express. Increasingly over the last few years, the well-heeled pension fund community has been turning to hedge funds as an alternative asset class to buoy returns. They face some of the same problems with transparency that individuals face, although they have the sophistication and wherewithal to understand the workings of hedge funds and the risks they are taking on. But hedge funds must also meet the requirements of pension funds' investment boards, which typically insist on daily prices for products and more information about risk sensitivities and strategies than hedge funds tend to provide.

The kind of disclosure pension funds require, however, does not need to come from regulation. "If a large investor or series of large investors invest in hedge funds, they're going to demand more disclosure," says Blume. "That will happen with or without regulation."

Marston agrees. "I suspect what will happen is that some trade groups and large institutional investors will start to develop the means to look at hedge funds more systematically," he says. "The Common Fund in the endowment market, for instance, is big enough to insist on more transparency. The whole philosophy behind the regulation of hedge funds is that you don't micromanage them." Yale University, he points out, has invested 25% of its $10 billion portfolio in hedge funds – and that makes it big enough to demand transparency.

Unfortunately, this kind of disclosure isn't sufficient for average – that is, nonaccredited – investors. Hedge fund managers are not accountable to investors in the same way that mutual fund managers are, and retail investors can be easily misled. "It's buyer beware," says Marston. "On the other hand, as long as you keep hedge funds with wealthy investors, these guys are sophisticated and should be able to take care of themselves."

Of course, hedge funds are crossing – or being pushed – across the Rubicon into the realm of regular investors who don't know what, say, inverse floaters are and who stand to lose large sums of money. That lowers the threshold for regulation. And therein lies the critical dilemma that the hedge fund community must now confront. ◆

Make the Rules continued from page 35

Shell earned his BA in English at Princeton in 1971. To fulfill his obligation as a C.O., he became a social worker and housing relocation counselor in the ghettos of Washington, DC, visiting families who lived in condemned housing to help them find other housing alternatives. “Working in the ghettos was a pretty rough experience,” Shell says. “It was the real world. Far, far from Princeton.”

From there, he spent several years traveling the world alone, “trying to figure out what to do,” seeing many places most travelers can’t or won’t visit today – Iran, Afghanistan, Pakistan, Sri Lanka, Nepal, among others. A passionate interest in religion took him to many “holy places,” from Jerusalem and the area around the Sea of Galilee to various Hindu, Buddhist, and Moslem shrines in India. He returned to the U.S. and decided to go to law school at the University of Virginia in the early 1980s.

From the beginning, he chose a law school track that would allow him to teach. “I really love teaching,” he says, admitting that he was the kind of kid who always raised his hand in class. “Some professors love their research and teach because they have to, and some love to teach and do their research so they can teach. I’m in the middle.” Faced with a crowded teaching market in law schools, he practiced law for a few years in Boston, then began his job search in both law schools and business schools. A query from Wharton in 1986 seemed a good fit for Shell and his wife Robbie, managing editor of Wharton’s online business journal, Knowledge@Wharton, whom he met at a Grateful Dead concert during their senior year at Princeton. The Shells bought a historic townhouse near Penn on a quiet University City street, where they lived for more than 15 years and raised their two sons, Ned, 13, and Ben, 20, before a recent move to the suburbs.

Despite settling down at Wharton, Shell’s wanderlust, to some degree, remains. Since their youngest son was 6, the family has traveled frequently to Europe, Mexico, and South America. “I have dreams of visiting China, Tibet, and Africa, where I’ve never been,” Shell says. Consulting work for firms such as Citibank, Merck, General Electric, and Johnson & Johnson, as well as speaking engagements, also keep Shell traveling all over the world.

Aside from Wharton’s MBA and undergraduate courses, Shell has also taught in Executive Education, WEMBA and the Law School and has won teaching awards in all of Wharton’s degree programs. Shell’s other research has touched on topics from the perils of e-mail as an electronic bargaining tool to a recent paper, pegged to the Enron scandal, on the role of bargaining style in public company audits. His latest book, like his first one, he says, would likely have never seen the light of day had he landed in a law school instead of at Wharton. “My work is all about corporate problem solving and strategy,” he says. “And the subject of strategy isn’t taught or discussed in law schools. I have had the good fortune to be surrounded by top-notch business thinkers at Wharton and that has really shaped my thinking about the way the real world of business works.” ◆

Slivy Edmonds Cotton continued from page 7

brating a person’s life, rather than bemoaning their death, in a funeral service,” she said.

In the beginning, things were a little unwieldy. The first “experiential” funeral Perpetua did at Wade Funeral Home was for a schoolteacher. They brought in a blackboard and one of her favorite chairs, putting her shawl around the chair. Then there was a basket of apples by her desk, so that everyone could take an apple from the teacher whom they had brought apples to in her teaching days.

“People responded to it. Her former students loved it. So we tried it again,” she said.

The next one was for an avid movie-goer, so they had popcorn popping and his favorite movies playing on a video screen at the wake. The next try was for a fisherman, so there was a set with a dock and fishing poles and people came to sit around and tell stories about his favorite avocation.

“Soon people would come from the traditional funeral room and look at these and say, ‘Hey, how come we didn’t get that?’” she said.

Now Wade offers three standard sets: the traditional funeral; a sports-oriented set with a Barcalounger and a TV tuned low to Super Bowl or basketball footage; and Big Mama’s Kitchen.

Capitalizing on the Baby Boom experiential mentality that she believes she has captured and the attendant publicity, Cotton now hopes expand Perpetua’s reach. Rather than acquire existing funeral homes, as the former management had planned, Cotton thinks the way to go is to build new Perpetua-branded homes in underserved areas.

“Good funeral homes tend to have those community and family connections, so it would not pay for us to try to compete with them,” she said. “But there are plenty of places where there are no good facilities. That is where we intend to go and give these updated, modern services.”

Cotton said she plans to staff the new homes with people instructed in a Perpetua training center in Tucson. She said it is not morbid for her to be bullish on the funeral industry.

“Yes, I got HBO this year because people kept referring to episodes of ‘Six Feet Under’,” she said, talking about the cable TV drama about a family-run funeral home. “Families have come in [at Wade] and asked about certain things, and I realize they got it from an episode there.

“But it is a really good time to talk about family traditions and celebrating life, not getting mired in death,” she said. “It is important to understand today that there are options to somber services. Death is, to be sure, a part of life.” ◆

Born to Run: *The Wharton Club of New Jersey*

Although the Wharton Club of New Jersey is the most recent addition to the alumni club network in the United States, the club is not letting its "new kid on the block" status stand in the way of achievement. The men and women who manage the chapter have put together some of the most ambitious programming among the 82 clubs around the world. For instance, consider a club program held this past February in Florham Park, NJ. There were more than 100 alumni from throughout the state in attendance. The elegant room was abuzz during the cocktail hour: alumni gathered to catch up with old friends, business cards were exchanged among new acquaintances, and more than one job lead was overheard being shared among grads. So already, it was a successful Wharton club event by anyone's estimation.

Now, add to the mix the fact that the meeting featured a speaker of the stature of Christie Todd Whitman, director of the Environmental Protection Agency and the former governor of New Jersey. Whitman opened her remarks with a nod to Penn's founder, Benjamin Franklin, and then she addressed the group on a range of topical issues including environmentally friendly modes of transportation, President Bush's tax plan, and business conditions in the Garden State. Club members were able to take advantage of this unique access to the former governor throughout a spirited Q & A session which followed her talk. The next day, coverage of the event made the front page of the local newspaper. It was the most public and potent example yet of why the Wharton Club of New Jersey means good business for its members.

No one understands that relationship between the alumni and business communities in New Jersey better than its volunteer leadership. The club is under the direction of a seven-member executive committee and an eleven-member board of directors, which represents the diversity of the Wharton alumni community in the Garden State. Members of these groups reflect a breadth of professional affiliations and a diversity of age ranges from the classes of the 1960s through a young alumnus from the class of 2001. In just a short time, the group has put together programs ranging from a talk by real estate magnate Ara K. Hovnanian, W'79, WG'79, CEO and President of

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Hovnanian Enterprises; the kickoff of two series, one on wealth management and the other on entrepreneurship; and a New Jersey Nets game featuring a reception with basketball legend Willis Reed. They have pursued sponsorship of their events by local corporations, and there is extensive publicity in the local

ROBERT STEIN, W'71, CHRISTIE TODD WHITMAN, AND JONATHAN PERELMAN, W'76

and business press both before and after programs. The club also has a website <www.whartonnjclub.com> replete with information about club events, career opportunities, membership benefits, and ways for alumni to get involved.

These achievements are all the more impressive when you take into account that this club was an idea waiting to be born less than two years ago. The club was founded by Jonathan Perelman, W'76, and a partner at Ehrenkrantz, Sterling & Co. LLC, CPA firm in Livingston, in a story that is emblematic of the entrepreneurial spirit inherent in Wharton alumni. While Perelman is a member of a multigenerational Penn family, he was admittedly not an active alumnus of the School: "I was a late bloomer," he says. A merger of his accounting firm with another firm a few years ago heightened his awareness of strengthening connections with other Wharton alumni in northern New Jersey, so he sought out a Wharton Club to help him meet other grads. Finding none, he became actively involved with the Wharton Club of New York, which ultimately became an important resource when the need for a stand-alone New Jersey club became apparent.

Perelman worked with New York club leaders and sought out other alumni in New Jersey who were committed to his vision of an organization that would connect Wharton alumni with one another and to the School. Adhering to his belief that "the best ideas are right in front of you," he worked with members of the Alumni Affairs Office staff to send out a mailing to alumni, apprising them of the creation of a new Wharton Club of New Jersey and inviting them to come to an organizational meeting. The results exceeded Perelman's expectations: 30 people came out to offer their help at that first meeting, forming the core of leadership that is sustaining the club today, and more than 180 alumni are now paid members.

What's on the horizon for the Wharton Club of New Jersey? The club is already planning more events in the next few months and are developing more career-focused services to meet member needs. Ultimately, says Perelman, determining the future of the club is a function of the members it serves: "I keep telling people it's 'your club,' it's 'everybody's club,' and that my role as President is to be a facilitator and to keep the momentum going." With a dedicated corps of volunteer leaders, programs like the event with Governor Whitman, and a mandate to better the professional lives of the members it serves, the Wharton Club of New Jersey is poised for continuing the fast pace they have maintained since their quick start just over a year ago. To quote the Garden State's favorite son, Bruce Springsteen, the Wharton Club of New Jersey was "born to run."

Remember to check out <www.whartonnjclub.com> if you live in, work in, or are planning to visit New Jersey. ◆

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