spring 2005

Wharton

ALUMNI MAGAZINE

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Marketing 100

Wharton Marketing Changing the World of Business

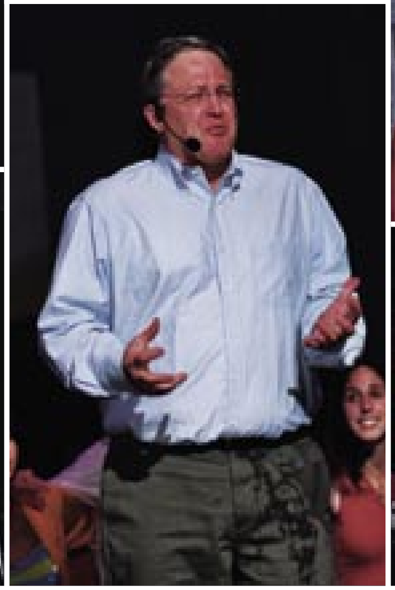
Also: Retail Research Takes Off

Wharton
UNIVERSITY of PENNSYLVANIA





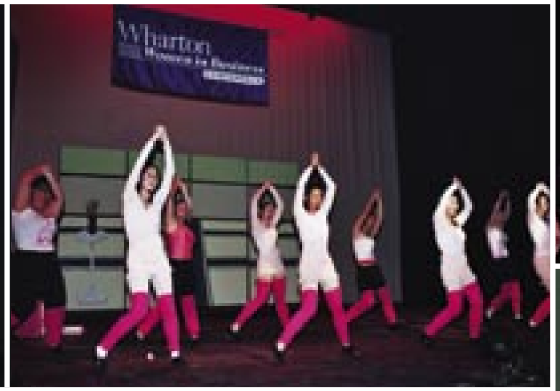




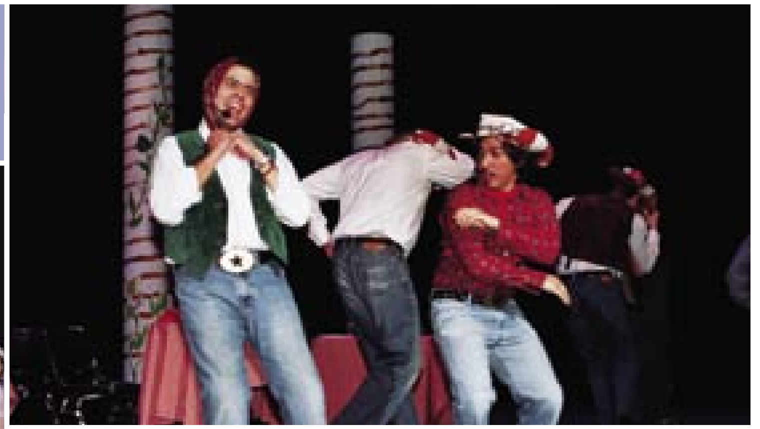
Follies 2005: Poking Fun at Everyone from the Dean to the Donald

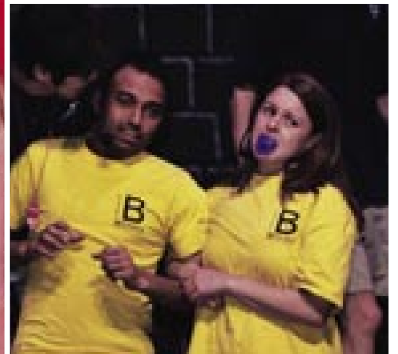
PHOTOS JERRY MILLEVOI







Leadership Spotlight

LEWIS PLATT, WG'66

Did Someone Say 'Retirement?'

It wasn't Lewis Platt. Lewis Platt, WG'66, has had a CEO's view of Hewlett-Packard, a director's seat at 7-Eleven, and a high profile post atop of one of the most controversial institutions of international commerce: the World Trade Organization.

A former colleague calls the Wharton alumnus a quick study with a personal touch.

"He has an inquiring mind, a deep sense of community, and a touching humility, being not afraid to show his emotions," says John Grant, who served with Platt at Kendall-Jackson Wine Estates during the Wharton MBA's brief detour leading that small, privately run company.

Now Platt has returned to the corporate big-time, helping steer a huge publicly traded company. He's back in the spotlight, some would say back in the hot seat, this time as non-executive chairman of a recovering American icon: The Boeing Company.

Given Boeing's recent turmoil, it's a job some would envy, and some would not. The company's earnings are down, but its stock price is steadily up. It has shed some 4,000 commercial jobs in recent years, but is now hiring. "I think we've made a lot of progress," Platt says of the struggles he has helped Boeing through over the past year and a half.

Platt certainly has experience taking companies in new directions. One of his last projects at Hewlett-Packard was to spin off Agilent Technologies, a landmark decision since splitting a successful company in two ran counter to the mergers and acquisitions craze of the time. The move divided Hewlett-Packard's computer and printing business from the measurement business responsible for products such as semiconductor testing devices. The split become a model for other corporate divorces.

As if his glass wasn't already full at Boeing, Platt is also continuing his high-profile Wharton roles as an overseer and as chairman of the Alumni Advisory Board supporting Wharton West, Wharton's first-ever permanent, out-of-state satellite location. Conceived to support connections with some 8,000 Wharton alumni in the Western U.S. and more than 3,600 in Asia, the San Francisco campus allows access to academic programs and research to thousands of potential new students. "It's time to give something back," Platt says. "I'm very proud of the fact that we've established a successful campus out here." ◆

– SHARON L. CRENSON

Wharton

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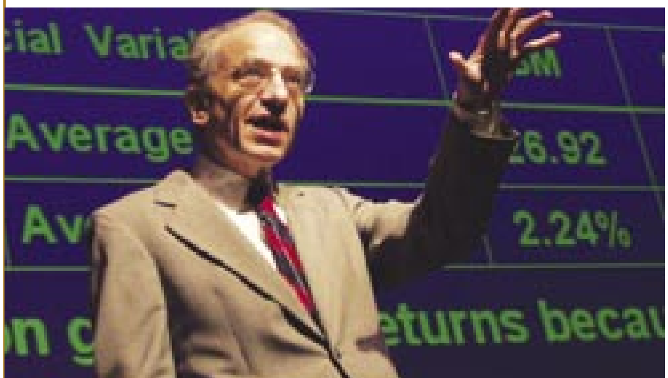
COVER PHOTO.TOMMY LEONARDI

Wharton Now



TOMMY LEONARDI

JEREMY SIEGEL

Jeremy Siegel Authors *The Future for Investors*

Finance professor Jeremy Siegel's newest book, *The Future for Investors*, takes a "long, hard, and in-depth look at the market" and ultimately warns investors against overpaying for growth stocks. The book's surprising finding is that the new technologies, expanding industries, and fast-growing countries that stockholders relentlessly seek in the market often lead to poor returns.

In fact, growth itself can be an investment trap, luring investors into overpriced stocks and overly competitive industries, Siegel argues. *The Future for Investors*, published in March, steers investors toward relatively inexpensive stock picks. Investors would do better buying out-of-favor industries, reinvesting often-high dividends to accumulate more shares in weak periods and waiting until those companies return to favor, Siegel told BusinessWeek in a recent interview.

Sports Business Initiative Established

Wharton recently launched the Wharton Sports Business Initiative (WSBI), a center School leaders believe will position Wharton as a premier player in the sports business industry.

The initiative will partner top-level business leaders, faculty and students to create and disseminate knowledge about the sports industry through educational programs, strategic corporate partnerships, student consulting assignments, global forums, and research. From internships to executive education, WSBI will serve as the nucleus for all sports business related activities at Wharton. Elements of the initiative will include executive education programs, a sports consulting practicum, company visits, independent study projects, mentoring, a speaker series geared toward executives and students, conferences, forums, and networking opportunities.

The WSBI's first conference will be held April 28-29 at the Wharton School's Philadelphia campus. The theme will be, "Turning Pro Young? The Business of Early Entry into Professional Sports." The WSBI also will continue the Wharton tradition of bringing executives to both the School's Philadelphia and San Francisco locations to speak with students. Recent executive visits have included Brian Roberts, CEO of Comcast, Donald Blair, CFO of NIKE , Rich Nichols, agent for multiple Olympic gold medalist Marion Jones, and David Cornwell, president of DNK Cornwell. Cornwell has served as the primary counsel for Leigh Steinberg, Jeff Moorad, Eugene Parker, Dan Fegan and Michael Gillis — agents who represent players and coaches in the National Football League, Major League Baseball, the National Basketball Association and the National Hockey League.

"This is an exciting new initiative," said Kenneth Shropshire, who is director of the WSBI, David W. Hauck Professor, and chair of Wharton's Legal Studies Department. "A key part of our mission is … attracting and educating students who will develop and demonstrate advanced business skills and a rich understanding of industry dynamics, leading them to provide sports business employers' career value commensurate with MBAs in other fields. This will occur not by adding coursework, but by focusing on industry and student interaction. We also are working with our executive education division to develop innovative educational programs for industry executives as well as current and former athletes."

In addition to Shropshire, other Wharton faculty will be involved with the initiative such as marketing professor David Reibstein, legal studies professor Georgette Poindexter, lecturers and alumni Mori Taheripour and Rob DiGisi, lecturer Scott Rosner, and senior fellows Charles Grantham and Jason Wingard.

NFL Players Attend New Executive Education Program

The National Football League (NFL) and NFL Players Association (NFLPA) have entered into agreements with Wharton and Harvard Business School to provide business education to NFL players as part of an ongoing NFL-NFLPA initiative to assist players in preparing for their post-playing careers.

Officials fromWharton's recently launched Sports Business Initiative collaborated with Wharton Executive Education to develop a combination classroom and field-based workshop that focuses on personal investments and entrepreneurial opportunities for players transitioning from their football careers. As part of its custom executive education activities, Harvard Business School (HBS) has developed a customized workshop targeted to the needs of NFL players interested in owning, operating or building their own businesses. Both three-day programs began in April. The HBS program concludes with an additional three-day session in May. The Wharton program offers follow-up with a year-long support program.

"We are proud to be at the forefront of such a unique educational opportunity," said Wharton Dean Patrick Harker. "This is precisely the type of high level project we anticipated for the newly launched Wharton Sports Business Initiative."

Each program is open to 35 players, with priority based on years of NFL experience and business background. Tuition for both programs will be covered by the NFL's Tuition Reimbursement Program. "This is one of many important steps that the union is taking to assist NFL players in their lives off the playing field," said Buffalo Bills cornerback Troy Vincent, who is president of the NFL Players Association.

"I know first hand how challenging it is to begin that second career. We are delighted that we are able to provide this additional assistance to players," added NFL Vice President of Player and Employee Development Mike Haynes, a Pro Football Hall of Famer who took executive education classes during his playing career.

The Wharton curriculum will focus on a broad range of business topics, including financial analysis, entrepreneurship, real estate development, stock market investing, negotiation skills, risk management, and community reinvestment. Knowledge@Wharton will provide content for the participants as well. Following the coursework, faculty will visit players to provide advice, counseling, and additional business and personal planning tactics.

Patagonia CEO Addresses Wharton West Leadership Conference

What kind of leadership will businesses need to succeed in the future? In February, Wharton West, home of the School's Executive MBA program in California, hosted a wide-ranging, well-attended one-day leadership conference, "Leading With Creativity and Conviction," designed to help attendees answer this question. A Philadelphia session will also be held on June 9.

Michael Crooke, President and CEO of outdoor clothing retailer Patagonia since 1999, gave a keynote address that focused on the pitfalls of focusing solely on the bottom line, Patagonia's approach to the business environment as an ecosystem, and the use of "flow" to optimize performance in individuals and organizations.

Crooke also emphasized the need for change and new ideas in an evolving organization, arguing that profitability and social awareness can go hand-in-hand. "When I came to Patagonia," he recalled, "I brought in seven new people. That was a lot of change and newness for the organization. Melding the new with the old and creating the next wave of the next thirty years at Patagonia — that's been a real challenge."

"We look at our strategic plans, and we look at what we invest in terms of the social side of our business, as well as the environmental side or the product side," Crooke explained, adding, "It doesn't matter if you are eco-groovy and socially responsible. If you don't have a great product or service that's sustainable, then it's a short-term phenomenon, and it's going down."

Conference speakers included leaders from large corporations, such as MCI, Clorox, Hewlett-Packard, and Kaiser Permanente, as well as from less traditional venues, such as Business for Social Responsibility, the Poetry Foundation, and the Palo Alto Research Center. Presenters also included professors Michael Useem, director of Wharton's Center for Leadership and Change Management, and Peter Cappelli, director of Wharon's Center for Human Resources, both of whom helped organize and sponsor the annual event.

For more information on the conference, visit **http://leadership.wharton.upenn.edu/welcome/index.shtml**

MICHAEL CROOKE AT WHARTON WEST

JAKUB MOSUR

Leadership Advisory Board Created

A new Leadership Advisory Board, spearheaded by Todd Thomson, WG'87, chairman and CEO of the global wealth management division of Citigroup, has been created to link Wharton

Save the Date

April 22
Wharton Impact Conference: International Financial Integration, Location: Philadelphia

April 25-26
Wharton Impact Conference <http://rider.wharton.upenn.edu/~prc/05conf.html> : The Evolution of Risk & Reward Sharing in Retirement Location: Philadelphia

April 28-29
Wharton Impact Conference: Turning Pro Young? The Business of Early Entry Into Professional Sports Location: Philadelphia (by invitation)

May 2005

May 13-15
Wharton Alumni Reunion Weekend <http://www.wharton.upenn.edu/alumni/reunion/2005/index.html> Location: Philadelphia

May 27-28
Global Alumni Forum <http://www.wharton.upenn.edu/alumni/forums/> Location: Singapore

June 2005

June 9-10
Global Alumni Forum <http://www.wharton.upenn.edu/alumni/forums> Location: London

June 9
Ninth Annual Wharton East Leadership Conference <http://execed.wharton.upenn.edu/leadconf.cfm> : Leading with Creativity and Conviction, Location: Philadelphia

June 20-22
Supernova Conference <http://supernova2005.com/> Location: San Francisco

June 30 - July 1
Global Alumni Forum <http://www.wharton.upenn.edu/alumni/forums> Location: Santiago

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

For updated information, visit www.wharton.upenn.edu/whartonfacts/new_and_events/calendar/

with top leaders in business, public service, government, entertainment, and sports.

The advisory board, which met for the first time last November, includes the following members: Maria Bartiromo, CNBC anchor, Alain J.P. Belda, director, chairman and CEO of Alcoa, Peter M. Dawkins, vice chairman of Citigroup Private Bank, Florida Senator (Ret.) Connie Mack of Shaw Pittman LLP, Andrall E. Pearson, founding chairman of YUM! Brands Inc., Lewis E. Platt, chairman of The Boeing Co., David S. Pottruck, former CEO of The Charles Schwab Corp. and managing director of The Pottruck Group, Dean Smith, former head basketball coach at the University of North Carolina at Chapel Hill, and Thomson.

A $500,000 gift from Thomson and his wife, Melissa, to the Wharton Center for Leadership and Change Management, will support the Center's research and leadership development programs.

Profits Please: Profit-making as the path to social progress

Social entrepreneurship — starting companies that make money while solving social problems — typically gets short shrift at business schools. Sure, it's noble, but it just doesn't have the sex appeal of, say, introducing the iPod or launching a software company that might one day rival Microsoft.

A social venture's customers can be poor and its markets limited or unproven. For that reason, starting one may be even more vexing than the already daunting task of launching a typical company. "It requires more imagination. These are much tougher businesses," says management professor Ian MacMillan, director of the Sol C. Snider Entrepreneurial Research Center.

That's partly why MacMillan says his new class on social entrepreneurship, which began this spring, "isn't for wimps." The students not only have to come up with a business plan for a social venture, but they'll also tackle a hefty reading list. "This class was designed as a living case study," explains Emily Cieri, managing director of Wharton Entrepreneurial Programs. "The students will work on live projects and develop business plans for those projects. The ultimate goal is for them to start the businesses after the class."

To that end, students are studying how to organize a social venture, raise money, recruit employees, measure social impact and, if their venture succeeds, scale up to large size. "The basic thesis [of the class] is that many social problems, if looked at through an entrepreneurial lens, create opportunity for someone to launch a business that generates profits by alleviating that social problem," MacMillan said in the proposal for the course. "This sets in motion a virtuous cycle — the entrepreneur is incented to generate more profits and, in so doing, the more profits made, the more the problem is alleviated."

New Career Management Director Named

Christopher Morris, a Wharton senior associate director since 2003, has been named director of MBA Career Management. Morris succeeds Peter Degnan, who was recently named execu-

CHRISTOPHER MORRIS

tive director in Wharton's Executive Education Division.

Morris joined Wharton MBA Career Management from Campbell Soup Co., where he served for two-and-a-half years as marketing manager. Prior to that he was brand manager at Procter & Gamble's Cincinnati, Ohio headquarters, where he was also involved with MBA recruiting.

"We believe that Christopher has the vision, commitment, and leadership ability to guide the MBA Career Management Office in the pursuit of its mission — to enable our students to gain access to the broadest range of high-potential MBA career opportunities — while continuing to improve the quality of our services to both students and employers," said Anjani Jain, vice dean and director of the Wharton Graduate Division.

Morris has handled numerous responsibilities at Wharton, including consumer products and retail industries, and an advising role for the various student clubs associated with these industries. He has been instrumental in attracting several new companies to recruit on campus, and has helped to expand opportunities with many other current recruiters.

Morris' appointment followed a lengthy search headed by Peggy Bishop Lane, deputy vice dean of the Wharton Graduate Division. In addition to other senior administrators, several current MBA students served on the committee and were involved throughout the interview process.

Morris earned his MBA at Cornell University's Johnson Graduate School of Management while working full-time at the university, serving first as assistant director, then director of MBA Admissions. Earlier, he worked as assistant coach of the men's crew at Cornell, and also coached the United States Junior men's crew in the World Junior Rowing Championships. He holds a B.S. degree in management from Rutgers University, where he was also co-captain of the varsity crew. ◆

Working the Crowd: Peter Yawitz, WG'86

BY ELISA LUDWIG

When he's giving a seminar, New York-based corporate consultant Peter Yawitz, WG'86, can really work the crowd. "I usually know where I'll get the most laughs," he says. It's a skill he has fine-tuned onstage in nightclubs, in his semi-secret double life as a cabaret performer.

While few of his corporate clients are aware of his second career, Yawitz's day job features prominently in his one man show, "A New Man." The show, which chronicles his experiences in and out of the office, recently won him the 2005 Nightlife Award for Outstanding Musical Comedy Performance from the New York City cabaret, jazz and comedy critics.

The challenge of juggling business and "the biz" is nothing new for Yawitz, who performed regularly in extracurricular theater through high school and college. After completing a bachelor's degree in psychology at Princeton University, he started looking at graduate programs in real estate and finance. His sister, then an undergraduate at Penn, was the first to tell him about the Wharton Follies. "That really may have been my primary reason for choosing the school," he says, laughing.

After graduating, Yawitz moved to New York and began working as an investment manager at Lincoln Realty Capital, getting his showbiz fix after hours by performing with the St. Barts Players. In 1989, Lincoln Realty Capital went out of business, and Yawitz decided to try acting fulltime. He ultimately found the uncertainty of the lifestyle too difficult and returned to the business world, founding Clear Communication, a consulting firm that specializes in communication strategy, message identification and speech coaching. But as his business grew, Yawitz had less time and energy for his theatrical pursuits. After a few years, he found himself missing the spotlight.

"About five years ago, I was really starting to drive my wife crazy," he says. "She suggested I try cabaret, which was something I'd never even thought about." He enrolled in a workshop with musical comedian Helen Baldassare, where he began developing his first one-man show, "Talk Like a Guy."

SHAWN EHLERS/WIREIMAGE.COM

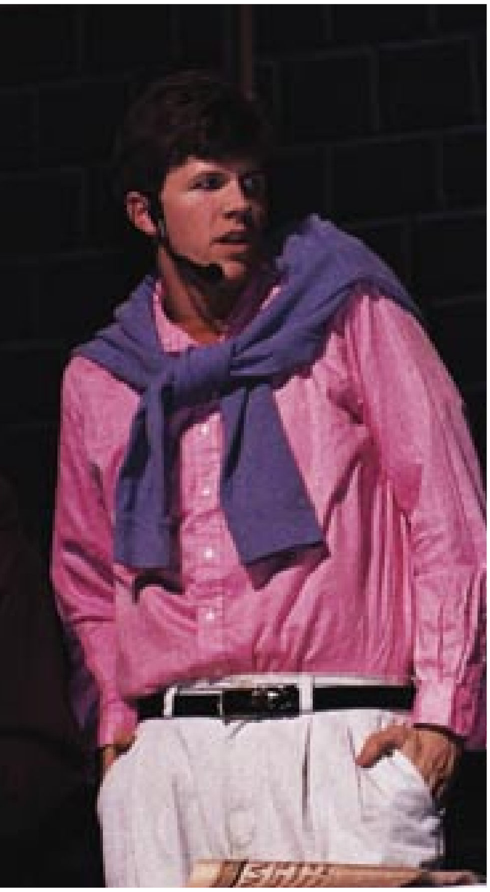
YAWITZ, WG'86

"It's about how regular guys speak with other guys," says Yawitz. In the show he shares his thoughts on the elusive art of man-to-man water cooler conversation ("I'm really working on my swing.") and imagines the college rejection letters of famous historical figures. "Talk Like a Guy" also featured what has become Yawitz's signature anthem of sorts, "Cliché Bingo," which names 85 business clichés in hilariously rapid succession:

"So net net, vis-à-vis all these key take-aways. Here's some mindshare you won't find deep in your old Roget's: Just push the envelope next time that you liaise."

Yawitz, who credits his love of crossword puzzles for helping him conjure witty lyrics, began collaborating with veteran musical director Dick Gallagher, who helped him match his words to melodies. "Talk Like a Guy" hit the club circuit in 2002 to critical acclaim. Yawitz followed up that success last year with "A New Man." Serving as his own publicist and marketing consultant, he generated enough buzz to pack the clubs on a nightly basis.

Yawitz is currently busy developing his next show, "Don't Quit Your Day Job," and is taking his act on the road. He's found that corporate audiences have been particularly appreciative of his lighthearted ruminations of everyday life. "There are very few married, forty-something dads in cabaret," he says. "I'm just commenting on things people can relate to." ◆



Wharton Follies 2005 — Aloha, Mr. Hand!

BY MARTIN THIBODEAU

"Are you telling me Wharton is, like, high school… full of jocks, nerds and the 'blonde brigade'?" asks a wide-eyed first-year student on her way to uncovering the hidden world behind Wharton Follies 2005, entitled "Fast Times at Huntsman High."

Through songs, skits and flashbacks to the '80s, anxious first-years and perky undergrads learn to kick back and enjoy the ride through school with a laid-back attitude characterized by professor of statistics Robert Stine, alias "Spicoli," playing the surfer dude with a very relaxed approach to life. To Spicoli's chagrin, the uptight "Mr. Hand," otherwise known as professor of statistics Ed George, tries ceaselessly to rain on his party, particularly when a pizza delivery arrives during the middle of class.

This year's performance cleverly interspersed brief video comedy spots between set changes. One particularly topical subject, "BraveHark," featured Dean Patrick Harker spoofing the movie with an attempt to wrest control of school rankings from the business magazines. Another video had alumnus Jon Huntsman stopping students on campus and asking them for directions to Huntsman Hall, with mixed results.

"This is the 29th year of Follies, which has enjoyed tremendous success by poking fun at nearly everyone we know, from the Dean to the Donald. In fact, we got so good at selling worthless entertainment to our classmates that several other business schools have decided to imitate us," says Aileen Tang, WG'05, one of the three Follies producers to introduce the show. So good in fact that, with the collective efforts of 150 volunteers, the Philadelphia and New York shows played to a record audience of 2,300.

"I was particularly impressed by the amount of faculty involvement in the show. I wouldn't normally expect a PhD statistics professor to play a surfer hooking up with the undergrad ladies," said Joseph Spector, a Welcome Weekend visitor from California. "Overall, the Follies was the highlight of my visit, and I look forward to seeing more shows as a student and an alum."

PHOTOS. JERRY MILLEVOI

For more Follies 2005 photos, see inside front cover.

Keep on Parody-ing: Gregg Spiridellis, WG'99

BY ROBERT STRAUSS

For a comedian, an election is usually a dream come true, a never-ending supply of gaffes, flip-flops and barbs swirling between oh-so-sincere candidates. But 2004, with the nation at war and no end in sight, seemed destined to seriousness. "It was such an unfunny year," says Gregg Spiridellis, WG'99. "It was the year Comedy Central became the prime political network."

So Spiridellis and his younger brother Evan set out to change all that. They decided both sides of the political spectrum needed a kick in the funny bone and used their Internet-based animation and creative marketing firm, Jibjab, to do it.

NBC THE TONIGHT SHOW

SPIRIDELLIS, WG'99, WITH JAY LENO

The brothers created a song parody of the Woody Guthrie standard, "This Land Is Your Land," and put it up on their Website, www.jibjab.com, to see if it would find an audience mid-campaign. More than 70 million hits later, with that song and another September-made parody of "Dixie," the Spiridellis brothers were an election-year phenomenon.

"Really, we were motivated strictly to make people laugh," said Gregg Spiridellis by phone from the Jibjab studio in Los Angeles. "That and to get the Jibjab name out there and get some buzz for our small studio."

That buzz has turned into millions of laughs.

"This Land" began with George Bush at a map singing, "This Land Is Your Land" and misspelling John Kerry's home state, "Mass-Uh-Chew-Sits." Soon Mr. Bush was smiling and brandishing weapons, singing, ""I'm a Texas Tiger. You're a liberal wiener. I'm a great crusader. You're a Herman Munster."

A somewhat more dour and patrician-voiced Mr. Kerry then got to have his rejoinder: "You can't say nuclear. That really scares me. Sometimes a brain can come in quite handy."

Politicians of all stripes got their comeuppance in "This Land" and "Good to Be in D.C.," the "Dixie" parody. Bill Clinton had his arms around buxom women, got slapped by wife Hilary and, nonplussed, said, "What did I do?" Vice President Dick Cheney called up his buddies at Halliburton, the firm where he was chief executive officer before running for Vice President, from the Oval Office, asking for money. Arnold Schwarzenegger appeared fully armed and ready for Terminator duty. Now-former New Jersey Governor James McGreevy bounced across the screen in a lavender T-shirt and diapers proclaiming his homosexuality.

"I don't think all of those 70 million hits are the typical 21-and-under people you think of as on-line types," said William Lutz, a professor of English at Rutgers University/Camden and a commentator on humor and language, noting that even the least bit of humor is welcome among most voters these days. "What's good about this is that it is even-handed and serious about its humor. It's dark. It's seriously funny."

Jay Leno caught wind of "This Land" soon after the Spiridellises uploaded it in July and showed it on the Tonight show. He challenged the brother to make the sequel, "Good to Be in D.C.," which debuted online in late September.

The Spiridellis brothers complement one another's talents: Eric is the artistic half of the equation, while Gregg is the writer. Gregg, 33, went to Rutgers University, majoring in finance, and later worked as a Wall Street investment banker. Evan, 30, went to Parsons School of Design in New York, working in commercial art there after graduating.

In the late 1990s, Gregg Spiridellis left Wall Street to get an MBA at Wharton. One day in 1999, Evan visited him in Philadelphia and Gregg showed him a streaming video on his computer of a cartoon by "Ren and Stimpy" creator John Kricfalusi.

"It was a dancing dog doody across a front lawn," said Evan Spiridellis, laughing at the thought. "It was silly, but what it made us realize was that there was the potential to get a creative product out there without distribution people getting so involved in ruining the creative process."

The brothers launched Jibjab media from a Brooklyn garage, "despite the fact that starting a business in a garage is a really cliché thing to do," then eventually moved to Los Angeles, home of the computer animation community. They created break dancing cowboys for a Sony on-line advertising campaign and made the Banana Grabber, the mascot for the family business on The Fox Network's "Arrested Development," among other commercial projects.

In 2000, they did an animation of President Bush and his then-opponent Albert Gore, doing a rap contest. On the last weekend of the campaign, it aired on Fox's "Mad TV," but by the time most people caught wind of it, the campaign was over.

Then came a set of rapping revolutionaries for The History Channel's series on Founding Fathers. "I'm getting chilly down in Philly," raps Ben Franklin to a scratchy deejay turntable beat. "I'm an ancient as a mariner. I still get down. I get electric when I fly my kite." Last year, they tried again, with a California-recall spoken-word parody entitled "Ahnuld for Governor," which was shown at the Sundance Film Festival.

None of the parodies have made the brothers money, but they have served as calling cards to get more commercial, and possibly artistic, business for Jibjab. "We're sifting through offers now, but we're definitely going to take our time," said Gregg. "It's exciting to think that people have seen this and want to do business with us. A new Simpsons, that would be nice, but we can't count on something like that."

In the main, political operatives on both sides have good words for the parodies.

"In a tough race like this, we all need a diversion," said the former head of Bush 2000 in New Jersey and state Republican Finance Chairman Bill Palatucci. "I thought they did a great job of being even-handed. There is plenty to skewer on both sides." Kerry for President spokesman Mark Nevins agreed: "It breaks the tension of the campaign. We think they are funny, so they will vote for us."

Meanwhile, the Spiridellises are sanguine about their creative success. "If this had been a record and we had sold 65 million singles, we'd be rich," Evan Spiridellis said. "But we're happy with the reaction. It's been a really divisive election season. People were ready to laugh."

After the campaign, the Spiridellises struck a deal with Yahoo

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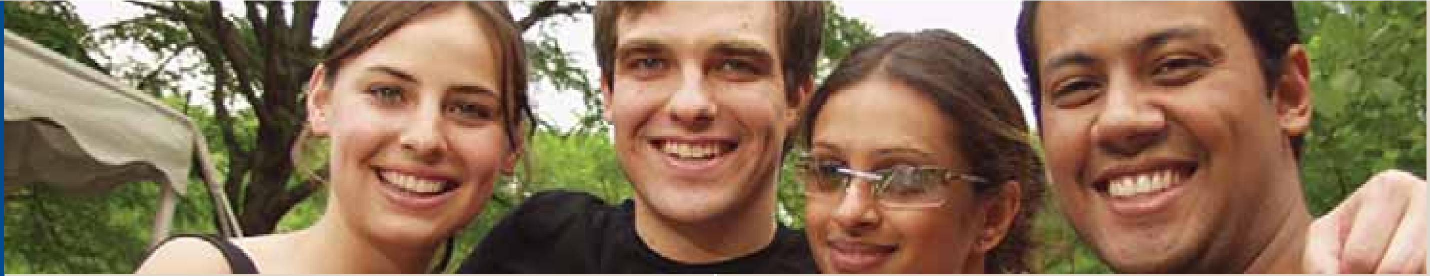
Editorial Office
1030 SH/DH, 3620 Locust Walk
Philadelphia, PA 19104
215.898.7967 (phone)
215.898.1883 (fax)
magazine@wharton.upenn.edu
‹www.wharton.upenn.edu/alum_mag/index.html›

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›



ALUMNI WEEKEND 2005

May 13th, 14th & 15th, 2005

Wharton '05 Alumni Reunion

University *of* Pennsylvania

Join us on campus for a weekend of exceptional programs and presentations by award-winning professors and authors. Reconnect with old friends and, at the same time, meet new ones. Come back and see what's new at the School.

All alumni are welcome!

FRIDAY MAY 13, 2005

11:00 AM - 9:00 PM
Registration
Hoover Lounge, Vance Hall

8:30 AM - 5:00 PM
Penn Golf Outing
Pine Hill Golf Club
Registration is through the university for this event. Call Jason Strohl to register at 215.898.6421. *Registration deadline is April 22.*

2:00 - 3:30 PM
Executive Education
Professor Mike Useem
"Leading and Making Difficult Decisions Under Duress"
Auditorium G06, Jon M. Huntsman Hall

2:30 - 3:45 PM
Alumni/Faculty Exchange: "Linking Health Services Research, Policy and Practice"
Sponsored by the Leonard Davis Institute of Health Economics
F85, Jon M. Huntsman Hall
Distinguished policymakers and researchers identify examples of research that had an impact on health policy and reflect on the sorts of factors that influence the use of research findings.

3:45 - 5:15 PM
Executive Education
Professor G. Richard Shell
"The Real Deal About Negotiation—Beyond Win-Win and Win-Lose"
Auditorium G06, Jon M. Huntsman Hall

4:00 - 5:30 PM
"Diversity in Sports Business Ownership: The Negro League Baseball to Today's NBA"
Co-sponsored by Wharton Sports Initiative and the University Reading Project
F95, Jon M. Huntsman Hall
A faculty, alumni and industry panel will discuss historical trends and recent changes in the role of people of color in sports ownership. Panelists will discuss lessons from the past and prospects for the future.

5:30 - 6:30 PM
Dean's Lecture Series
Auditorium G06, Jon M. Huntsman Hall
Sponsored by Wharton School Publishing
Join alumnus Jon M. Huntsman, W'59, HON'96, as he discusses his book *Winners Never Cheat: Everyday Values We Learned as Children (But May Have Forgotten).*

6:30 - 8:30 PM
All Alumni Reception
Patty and Jay H. Baker Forum, Jon M. Huntsman Hall
Join classmates for an evening of great food, the sounds of jazz, and the presentation of the Alumni Distinguished Service Award.

5:30 - 8:30 PM
Technology@Wharton
Patty and Jay H. Baker Forum, Jon M. Huntsman Hall
Register and learn about WAVE, the School's on-line community; Knowledge@Wharton; Lifelong e-mail; as well as other resources now available to Wharton alumni.

7:30 - 9:30 PM
WEMBA Reception for Reunion Classes
Steinberg Conference Center, 2nd floor Lobby
Reunion-year WEMBA alumni can enjoy cocktails and mingle with their classmates.

8:00 - 11:00 PM
Class of WG'00 Nostalgia Night
MBA Pub
Relive the magic of Thursday "Pub Night."

8:30 PM - 1:00 AM
All-Class Mixer
Remember WHALASA? Join fellow Wharton alumni for dinner and an evening of food and fun with a Latin flare.
Downstairs Live, World Café Live, 3025 Walnut Street

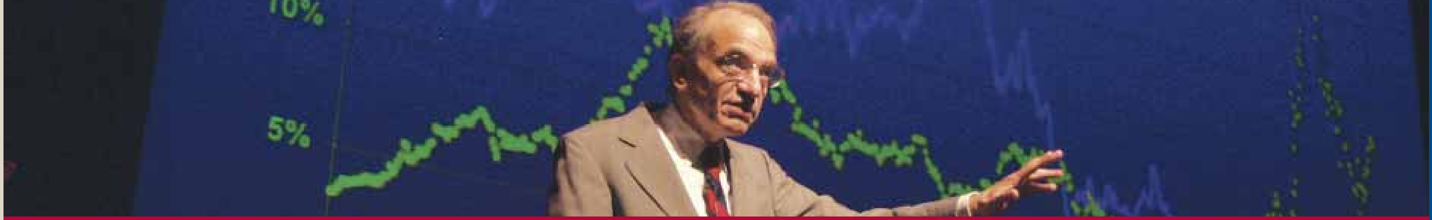
SATURDAY MAY 14, 2005

8:30 - 10:30 AM
Continental Breakfast
Lehman Quad – Under the Tent

8:30 - 9:30 AM
Wharton Women in Business Networking Continental Breakfast
Lehman Quad
Join fellow Wharton women for a chance to network over breakfast.

8:30 AM - 4:00 PM
Registration
Hoover Lounge, Vance Hall

Schedule subject to change. Contact Alumni Affairs at 215.898.8478 or e-mail us at *reunion@wharton.upenn.edu* for further info. Visit the website *http://wave.wharton.upenn.edu* for up-to-date info and registration.



SATURDAY MAY 14, 2005

9:00 - 10:00 AM **The 26th Annual Alumni Run/Walk**
Sponsored by Penn's MBNA Visa Card Program
The Run/Walk follows a 5K course through campus and is open to all alumni.
Registration: opens 8:15 AM
David Pottruck Health and Fitness Center, 3701 Walnut Street

9:30 - 11:00 AM **Executive Education**
Professor Jeremy J. Siegel
"The Future for Investors"
Zellerbach Theater, Annenberg Center
3680 Walnut Street

10:00 AM - 4:30 PM **Technology@Wharton (continues)**
Patty and Jay H. Baker Forum,
Jon M. Huntsman Hall
See Friday 5:30 - 8:30 PM listing

10:00 AM - 4:30 PM **Children's Activities**
(Children must be accompanied by parent/guardian) Room will be stocked with children's games, coloring books, arts and crafts, entertainment and kid-friendly snacks (fruit, trail mix, etc.).
Events scheduled throughout the day.
Closed for lunch from Noon - 1:30 PM.

11:15 AM- 12:00 PM **"Penn Town Meeting"**
with Penn President Amy Gutmann
Room 200, College Hall
The President will offer her unique perspective on the University's enhanced academic reputation and share Penn's plans for the future. Q&A will follow the President's talk.

12:15 - 12:45 PM **"Wharton Town Meeting" with Dean Patrick Harker**
Auditorium, Jon M. Huntsman Hall
Dean Harker will offer an insider's view of current programming and strategic initiatives at the School as well as throughout the international network of alumni.

12:15 - 2:15 PM **Family Picnic at the Tent**
Lehman Brothers Quad
A time to gather, relax, and catch up with friends under the shade of the big tent.

2:30 - 4:00 PM **Penn Parade of Classes**
Commences at 33rd & Chestnut Streets
***Shuttle transport @ 2:15 PM at 38th & Spruce Streets**
A Penn tradition! Wharton alumni will take their place amongst alumni from all schools of the University. Begins at Hill Square (34th and Walnut) and ends at College Green.

2:30 - 4:30 PM **Concurrent Industry Sessions and Networking; Various locations, Jon M. Huntsman Hall**

Finance: Hedge Funds
This session will address the hot topic of hedge funds. Leaders in the industry discuss trends and the sector's future.

Entrepreneurship: Taking the Risk
Sponsored by Wharton Entrepreneurial Programs
This session will highlight various entrepreneurs who left a successful, traditional line of work (banking, consulting) to break-out on their own.

Real Estate: Is it Too Late to Invest in Real Estate?
This session will discuss the opportunities in real estate and how to make educated decisions when deciding to invest.

Chief Family Officer: Personal Wealth Management
This session will focus on personal asset management, financial strategy and investment, preparing for retirement and estate planning.

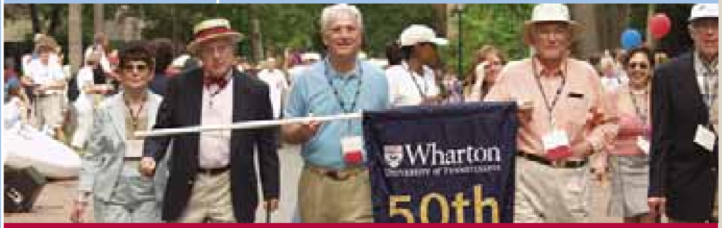
Healthcare: Current Issues and Trends
This session will explore leading issues, trends, strategies and opportunities that relate to the healthcare industry.

6:00 - 7:00 PM **Emeritus Society Induction Reception (50-70th Year)**
The Library, The Inn At Penn

7:00 PM - 12:00 AM **MBA Reunion Dinners**
Classes of 1985, 1980, 1975, 1970, 1965, 1960 and Emeritus (1955, 1950, 1945, 1940, 1935)
The Ballrooms, Inn at Penn
3600 Sansom Street

Class of 1990 and 1995
Institute of Contemporary Art
118 South 36th Street (between Sansom and Chestnut)

Class of 2000
Thomas P. Gerrity Colloquium Floor,
Jon M. Huntsman Hall
3730 Walnut Street



SUNDAY MAY 15, 2005

10:30 AM - 12:45 PM **Alumni March Brunch**
(limited to pre-registered participants)
Logan Hall, Terrace Room

1:00 - 2:00 PM **Alumni March**
(limited to pre-registered participants)
Franklin Field, 33rd Street
(between Spruce & Walnut)

MARKETING 100

Wharton's Marketing Department Reaches an Anniversary Milestone

By Nancy Moffitt

PHOTOS . PETER OLSON

How the World's Largest, Most Published and Most Cited Marketing Department Has Strengthened and Changed the World of Business

Frito Lay had a slew of popular munchies, from Doritos to Sun Chips, and lots of clever, award-winning television ads to peddle them. But the company had an all-too-common problem: it didn't really know when or if the ads were working.

"When I would talk about this problem to marketing experts, they would tell me that advertising was an aesthetic kind of a field, that it was like philosophy or religion or art," said Dwight R. Riskey, senior vice president of marketing at Pepsico, Frito Lay's parent company. "They would tell me that you couldn't apply the tools of science to measure the effect of advertising. And that is a really interesting approach to something we were spending hundreds of millions of dollars on. It was massively frustrating to me."

All that changed in the mid-1990s, when Riskey met and began working with Wharton marketing professor Leonard Lodish.

In a landmark study called "How TV Advertising Works," Lodish led a consortium of major consumer packaged goods manufacturers, leading advertising agencies, and the major TV networks in the first comprehensive analysis of long-term advertising effects — research that forever changed the way companies like Frito Lay manage their advertising.

Not only did the research reveal that nearly half of Frito Lay's ads were ineffective, it also debunked long-held nostrums about television advertising, giving Frito Lay the tools to create guiding principles for managing TV advertising and setting priorities for ad campaigns.

"It was really significant for our company because the most common question any person in the field of consumer insights/market research gets is how advertising works," said Riskey. "And literally up until this time period, I don't think we had anything close to adequate answers. Let's say a company like Frito Lay might spend $100 million on advertising a year. If you follow the principles of Len's work and my work here, theoretically you could reduce waste by 75 percent, 90 percent, at least 50 percent. Even at 50 percent, that's huge money. That's pretty exciting."

The American Marketing Association agreed. In 1996, Lodish's research, published in the *Journal of Marketing Research*, won the AMA's Paul E. Green award for the article most likely to affect marketing practice. In 2000, the same article was awarded the Odell award for the journal article with the most impact after five years, and was also judged the best article after five years by the American Marketing Association's Advertising Special Interest Group.

Lodish's award-winning, practice-changing work is far from atypical within the 25-member Wharton Marketing Department. Professor emeritus Paul Green, for instance, created the powerful marketing tool conjoint analysis, work he directly applied to dozens of industries and that made him one of marketing's most notable figures. Marketing professor Jerry Wind, who founded the SEI Center for Advanced Studies in Management, Wharton's think tank, also led the creation of The Lauder Institute, the Wharton Fellows Program, Wharton School Publishing and the Wharton Executive MBA Program, all the while publishing pioneering, award-winning research on organizational buying behavior, market segmentation and conjoint analysis. George Day, author of the seminal *Market Driven Strategy*, has won every major marketing research award and had more prize-winning articles in the *Journal of Marketing* than anyone else in the field.

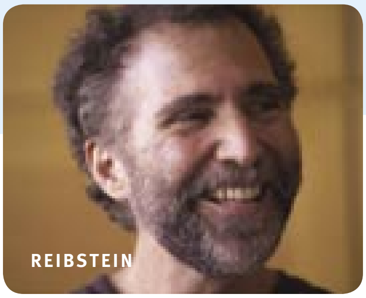
This year, the Wharton Marketing Department turns 100. In the pages that follow, the *Wharton Alumni Magazine* offers a glimpse of the many ways the world's largest, most published and most cited marketing department has strengthened and changed the world of business — and the world of Wharton.

KAHN, MEYER, LODISH AND SCHMITTLEIN

Powerful Analytical Tools

As a field, marketing began to take shape in the 1920s, when Wharton professor and chair of the "merchandising" department Herbert Hess began exploring the psychological aspects of marketing. Hess, who studied issues such as crowd psychology, attention spans and memory — and their implications for companies that wanted to sell products — was among the first to suggest that companies should adapt products to customer needs.

Wroe Alderson built on these foundations during the 1940s and 1950s. A former consultant who came to Wharton and became the leading marketing theoretician of his time, Alderson was assisted by his colleague, Reavis Cox, and in 1948 wrote a path-breaking essay titled "Towards a Theory of Marketing." Alderson saw mathematical models and quantitative techniques could be used to research and analyze consumer taste, the size of advertising budgets and sales forces, and the distribution of marketing messages across media — techniques that helped create the field of market research.



REIBSTEIN

Leading the School

The Marketing Department's leadership in the field is matched by its leadership at the School. In all, nine of the 25-member department hold key leadership posts within Wharton.

Eric Bradlow, Academic Director, Wharton Small Business Development Center

George Day, Co-Director, Mack Center for Technological Innovation; Director, Emerging Technologies Management Research Program

Stephen Hoch, Director, Jay H. Baker Retailing Initiative

Barbara Kahn, Vice Dean and Director, Wharton Undergraduate Division

Leonard Lodish, Vice Dean, Wharton West; Senior Director, Global Consulting Practicum

Robert Meyer, Vice Dean and Director, Wharton Doctoral Programs

Jagmohan Raju, Director of the Wharton-Indian School of Business Program

David Schmittlein, Deputy Dean, the Wharton School

Yoram (Jerry) Wind, Director, SEI Center for Advanced Studies in Management; Academic Director, The Wharton Fellows Program; Co-Editor, Wharton School Publishing

But Alderson's young collaborator, Paul E. Green, was perhaps most significant in advancing Wharton's early history of groundbreaking marketing research and instruction. In the 1960s, Green created "conjoint analysis," a measurement tool that allowed companies to chart and analyze consumer preference and buying intentions, as well as their potential reactions to changes in existing products and services or to a product introduction.


HOCH

Conjoint analysis became the marketing field's most powerful technique, and helped make Green its most widely cited author. Thousands of companies found practical applications for conjoint analysis, including hotel conglomerate Marriott Corporation, which hired Green and Wind to conduct a large-scale consumer study among business and non-business travelers. The eventual result was the Courtyard by Marriott concept, which grew from three hotels in 1983 to more than 450 worldwide today. In 1996, Green won the coveted Lifetime Achievement Award in Marketing Research from the American Marketing Association. (For more on Paul Green's life and work, see page 17.)

"This is a department that focuses on translating state-of-the-art, cutting-edge research into decision tools that managers can use to make better decisions," said Stephen Hoch, chairman of the Marketing Department. "And this was the case from the get go."

This focus on methodologies to better measure preferences and anticipate what people want became a hallmark of the department. And today, the menu of techniques market researchers use to learn more about their customers is staggering. From metaphor elicitation exercises that seek to discover customers' underlying psychological associations with the product, to Green's conjoint analysis, today's market researchers have powerful tools at their disposal, many of which have been developed by Wharton marketing professors.

"It used to be that good marketers were people who had a good feel for people — who could empathize with them," says marketing professor David J. Reibstein. "Today we do it much more by the numbers. With the use of scanner data and the use of great analytics, marketing today is much more a science than an art. The strength of the department now is in this use of analytics."

Lodish, for instance, has created models on everything from how to analyze promotion expenditures to how to organize sales people to how to allocate media dollars — models that have been used, or are in use, by more than half of the major consumer packaged goods companies in the U.S.

Dawn Iacobucci, who joined the marketing department from Northwestern's Kellogg School last year, is a world leader is creating conceptual models of customer satisfaction, while Eric Bradlow, W'88, academic director of Wharton's Small Business Development Center, is an applied statistician who uses high-powered statistical models to solve problems on everything from Internet search engines to retail product assortment issues.


IACOBUCCI

"We are able to say things much more definitively," says Reibstein, the former executive director of the Marketing Science Institute. "We are able to characterize what it is that customers want and how much they want it and we can assess, if we make changes, what the impact will be. The result is that companies are much less wasteful with resources and much more directive in trying to provide things for customers." Reibstein, whose current research looks at the impact of marketing on financial metrics, is also

"It used to be that good marketers were people who had a good feel for people – who could empathize with them," says Reibstein. "Today we do it much more by the numbers."

the creator of the CMO Summit, which each year brings together industry's top marketing executives from companies such as Procter & Gamble, Dell, and AOL Time Warner.

In fact, many of the School's research centers specifically bridge the gap between academic assessment and real industry impact. The Jay H. Baker Retailing Initiative, for example, which is headed by Hoch, works to understand everything from branding to how manufacturers interrelate with retailers. The Initiative includes the involvement of high-ranking officials from companies including Williams-Sonoma, Home Depot, The Gap and the Neiman Marcus Group, among myriad others, and highlights cross-disciplinary strengths in marketing, operations, finance, real estate and entrepreneurship. (For more on the Baker Retailing Initiative, see page 17.) At the William and Phyllis Mack Center for Technological Innovation, co-directed by Day, a cadre of marketing professors is studying new product development processes. "Apple has sold over four million Ipods," says Hoch. "One of our newly tenured faculty members, Christophe Van den Bulte, has looked at how this has happened and has modeled the underlying social contagion process."

Taking a Poke at Sacred Cows

As a group, Wharton's marketing faculty has never been shy of controversy. Professor Peter Fader, for instance, became a music industry gadfly in the late 1990s after creating diagnostic forecasting models the likes of which the music industry had never seen. Fader was eager to share "the answer" to understanding years of languishing sales and profits with top music industry executives, but found that, without exception, the industry defined itself as a "creative" one, not to be ruled by business analyses.


FADER

And while the music industry is perhaps the most vivid example of an industry loathe to change its business practices, Fader says it's simply one of many self-defined creative businesses, from baseball to book publishing, that have typically relied on instinct over quantitative analysis when making strategic decisions. "These are very general issues," says Fader, who is leading a plan to create a Media and Entertainment Initiative at Wharton. "The music industry just happens to be an extreme example. Too many industries really think their patterns are different and that they can't learn from other businesses. They need to swallow their pride, drop traditional ways of evaluating success, and embrace the right kinds of quantitative metrics with no hesitation. It's important to realize just how astonishingly consistent the buying patterns are across industries. People are people. When you focus on the behavioral data as opposed to the surface-level details of a product, it doesn't really matter what product it is."

The movie business is another artistic industry that, until very recently, wanted little to do with forecasting. But marketing professor Jehoshua Eliashberg has changed that, creating Moviemod, a pre-release market evaluation tool for motion pictures


RAJU, BRADLOW AND WIND

Wharton's Paul Green:
Helping Companies Develop Products Consumers Actually Want

By Lea Jacobson

TOMMY LEONARDI

Paul Green spent his childhood convinced he was going to be a famous chemist, commandeering the musty attic of his mother's suburban Philadelphia boarding house to lose himself in his microscopes and Bunsen burners.

But two happy accidents redirected the burgeoning scientist: During an attic chemistry experiment, he brushed a high-voltage Tesla coil against a water pipe, narrowly escaping blowing up his house. Years later, in 1946, he returned home from his military service to Penn armed with a university scholarship to discover that all the chemistry courses were reserved for pre-med students. Green chose economics and mathematics instead.

For almost all of the nation's Fortune 500 companies, law firms, hospitals, and government agencies, it's a good thing he did. Today, Green is often called "the father of conjoint analysis," the powerful predictive statistical technique and backbone of market research.

The framework has been used internationally by thousands of companies, including the hotel conglomerate Marriott Corporation in creating its Courtyard by Marriott chain, and by regional transportation agencies in the New York/New Jersey metropolitan area to investigate the potential of the now-successful EZPass electronic toll collection device, as well as in medical research, public policy and industrial engineering. Conjoint analysis allows marketing managers make accurate decisions about what products and services to sell – and helped make Green marketing's most cited author. "Wharton has been at the forefront because Green always published in the best publications and his breakthrough methodologies always had a practical touch to them," says Jerry Wind, Wharton marketing professor, director of the SEI Center for the Advanced Studies in Management and one of Green's most significant research co-authors and collaborators. "Green inspired through example, his involvement in recruitment, and his value system, his scholarship, his hard work and his sense of the importance of research for the field as a whole."

But when Green, who retired this year, came on the scene, the world of marketing was in a statistical infancy and market research was a much less mathematical discipline. "Market research done in the late 50s was a lofty enterprise that was more descriptive than proscriptive," he says.

The Early Days: Sun Oil and Lukens

Green went on to earn his bachelor's degree in mathematics from Penn, supplementing his income playing piano in a jazz band in what he calls "bars of dubious reputation" a few nights a week in and around Philadelphia. After graduating, Green got a job in the market research department at Sun Oil's home office in Philadelphia, then went to work for Lukens Steel in the fledgling market research department while working on his Ph.D. at Penn. At Lukens, he began asking questions based on operations research, a kind of methodology developed in World War II in which experts from various disciplines came together to solve wartime problems such as cryptographic puzzles and building better guidance systems. "Operations research provided a new way to look at marketing," Green says. "Before marketing that generates box office forecasts that help support marketing, advertising and distribution-related decisions for a new movie after it has been produced, but before its public release.


BELL

Because Moviemod doesn't rely on historical sales data for calibration, unlike other forecast models, film producers and distributors can also use the tool to fine-tune marketing strategies and maximize ticket sales. As a follow up, Eliashberg, Wharton doctoral student Ye Hu and marketing professor Jagmohan Raju are now developing a model that forecasts demand for motion picture videos and DVDs, research spawned from previous work Raju and Eliashberg did for a major motion picture studio.

This focus on offering alternatives to long-held, ineffective business practices or taking a poke at sacred cows in traditional business is a thread throughout many of the marketing department's faculty.

Marketing professors David Bell and Xavier Dreze, for example, proposed a controversial sea change in the way retailers and manufacturers structure their trade promotions — deals manufacturers and retailers had traditionally used as weapons in a zero-sum game.


KAHN

Manufacturers had long been tied to an "off invoice" system that gave retailers periodic discounts during a promotion period—discounts that, in theory, retailers were supposed to pass on to consumers. But retailers had abused these promotions, often "forward- buying," the practice of purchasing more than they could sell during the official promo-

was a survey. Now we had an accurate way to provide models and procedures." This blending of disciplines and the research and theories that came out of it were a revelation to Green.

While working in industry, Green carried on with his studies, completing his master's degree under the tutelage of luminary Simon Kuznets, who would go on to win the Nobel Prize in 1971. "Everyone viewed Kuznets with awe, as did I, although perhaps a bit less so, as I was working in industry," says Green, adding that Kuznets was "kind but all business." He went on to become Wharton professor Morris Hamburg's first doctoral student in statistics. "My tutelage was without peer," Green says.

"Wharton has been at the forefront because Green always published in the best publications and his breakthrough methodologies always had a practical touch to them," says Jerry Wind.

In 1961, Green was recruited by DuPont to work in market planning at their Wilmington headquarters. There Green was able to apply the subject of his PhD dissertation on Bayesian inference in his study of the cost versus the value of marketing research information. When Wharton professor Wroe Alderson offered him an academic appointment in 1962, Green left DuPont to work full-time in Wharton's marketing department. Alderson went on to become a major influence in Green's academic career, co-authoring Planning and Problem Solving in Marketing with him and persuading companies to partner with Wharton in myriad market research studies that made use of Green's techniques.

Green's 12-year stint in industry provided the real-world direction his research would become famous for. "Sometimes these two motivations – the theoretical and the pragmatic – will merge and lead to a high-impact result, that is, an idea that is both intellectually exciting and appealing to the practitioner," he observed in a University of Pennsylvania Fellow's Award speech in 1992.

Those high-impact results are now commonplace market research techniques. Perceptual mapping, segmentation, product mapping, cluster analysis, and most importantly, conjoint analysis, are used every day in university market research departments around the world. Many of these market research methods were key in deciding the future of products today's consumers now consider indispensable.

In 1963, for instance, Green and others in the marketing department worked with Bell Laboratories on the first cell phone. At the time, AT&T had developed a picture phone that had not been successful. Green's study involved a kind of car phone that was not yet on the market. A thousand people were recruited, loaned cars and given gasoline allowances to test out various intra-car telephones. Green and his team surveyed subjects on their driving and talking patterns and preferences such as what kind of headset they liked, even including a subset of people who enjoyed listening to certain tones and quality of speech.

Changing the Field of Marketing

Green came up with the idea and the name for conjoint analysis while reading a research article from a mathematical psychology journal. The paper, "Simultaneous conjoint measurement: A new type of fundamental measurement," by R.D. Luce and J.W. Tukey, was published in 1964 in the *Journal of Mathematical Psychology* and provided a new system to measure rank order data.

"It occurred to me after reading the article that this could be applied to marketing as opposed to just a measurement," Green said. "We could give people bundles of things that they might want and measure how they react." The idea that his models could be useful beyond finding out what characteristics already appealed to people was a revelation. Green began to wonder if he could predict what people would do in the future based on how they answered questions about likes and dislikes.

Indeed, he found that he could. Green's first commercial application of conjoint analysis was with Bissell, a vacuum manufacturer then interested in creating a new kind of product container. Today, Green's statistical modeling technique has been applied to an enormous list of products and services. And all kinds of companies, from those selling bar soaps and gasoline to those selling luxury automobiles and pharmaceuticals, have partnered with Green and Wharton to learn more about consumer preference and market segmentation.

For his contributions, Green has been recognized with dozens of the marketing field's highest honors. In 1996, for example, he won the Lifetime Achievement Award from the American Marketing Association, while last year, he won the INFORMS Impact Prize for lifetime achievement and was named the first recipient of the MIT Sloan School of Management Buck Weaver award.

Despite his "retired" status, Green, 78, comes in to his office at least one morning a week, often as early as 6 a.m., to see and work with long-time office mate and friend Abba Krieger, a Wharton statistics professor with whom he continues to conduct research. At home, he often spends hours each day indulging his life-long love of playing jazz on his piano.

And unlike his statistical models, Green makes few predictions about the field of market research, though he does note causal modeling, economic modeling and game theories as likely areas of present and future interest. Charmingly self-deprecating, Green dismisses his bringing of Bayesian analysis and statistical methodology to marketing as "picking the low hanging fruit."

"The market researcher of today knows much more and has drawn from rigorous disciplines. They've learned new sets of techniques," he says, "and borrow heavily from statistics, operations research, quantitative psychology and applied economics."

Now, thanks to high-speed computers, market researchers can "look at everything," says Green. "We can do segment analysis. We can analyze the choices of one group of people within a larger group and we can optimize. For instance, we can ascertain which groups are different from other groups and which ones are alike. All of this matters, of course, because the market is not homogenous."

A five-year plan for Wharton's marketing department is in the works with the tentative tagline Wharton Marketing Creates Value. The idea is that Wharton creates methodologies that solve problems to help managers make better decisions. And that, says Wind, is the direct legacy of the impact of Paul Green. ◆

Lea Jacobson is a Philadelphia-based writer. This is her first story for the Wharton Alumni Magazine.

EDITOR'S NOTE: An extensive archive of Paul Green's work can be found at **http://www-marketing.wharton.upenn.edu/people/faculty/green-archive.html**


REED

tion period and/or diverting the product to other retailers who were not privy to the trade deal, thereby pocketing the savings themselves. Not surprisingly, manufacturers despised the system, and even retailers claimed to be frustrated by funds wasted on administrative and inventory costs.

A solution could be found, Bell and Dreze argued, in a variation of what was then a new but unpopular type of trade promotion known as pay-for-performance—rewarding retailers based on what they sell rather than offering up-front discounts. And today, their overhaul has increasingly become a reality. Roughly 65 percent of packaged-goods retailers' promotion dollars are devoted to pay-for-performance deals, up from about one-third a decade ago. And Bell and Dreze have enjoyed seeing work that began as theory take shape as practice, and strengthen an industry.

"When you compensate the retailer based on what they sell, there's no longer any benefit in them loading up on all this inventory," Bell says. "And all of the inventory infrastructure and shipping things all over the country—which is paid for by the retailer at the manufacturer's expense, but from a systems point of view is a complete dead-weight loss—is eliminated. Retailers can dramatically cut inventory costs and reorient their activities around what should be their core competencies—selling and marketing," he adds. "The news is good for consumers, too, because retailers are much more likely to pass on the full amount or even greater than the full amount of the deal on to the customer."

Recent work by associate professor John Zhang probes the complex, unintended pitfalls of "targeted pricing" in the fast-moving Internet age. Once widely hailed as a panacea, "targeted pricing"—the process of targeting a competitor's customers with lower prices—has also been condemned by many as a potential road to ruin. But is "targeted pricing" really either a panacea or a peril? Zhang's recent research examines the complex dimensions of "targeted pricing" and suggests that while this approach isn't for everyone, it can be an effective tool under the right circumstances.

Others within the department study the emotions executives bring to business. A manager's healthy sense of confidence, for instance, is a must in business. But misplaced confidence, says marketing professor J. Wesley Hutchison, can cause big problems.

How well does people's confidence about decisions compare to the actual results of those decisions? Are people as right as they think they are? After reviewing hundreds of "calibration" studies—those that measure the gap between what people know and what they think they know—Hutchinson found that that the answer is no.

"Keeping our confidence calibrated is tough," Hutchinson wrote in the *Harvard Business Review*, particularly given the reality that executives tend to see a person's lack of confidence as a sign of weakness. But managers can and should calibrate their confidence by first thinking twice about decisions that seem close to being sure things. "Grill a manager or salesperson who's 'absolutely sure' to get the deal or make the number that quarter," he writes. "Force yourself to consider alternative scenarios."

Hutchinson adds that people tend to confuse their familiarity with a topic with true expertise, thus overestimating their

This focus on offering alternatives to long-held, ineffective business practices or taking a poke at sacred cows in traditional business is a thread throughout many of the marketing department's faculty.

skills and knowledge. "Be honest about what you really know," he says. "A little knowledge can be a dangerous thing."

In the Consumer's Shoes

"Unlike other schools, because we do have such a large department we really do cover a board spectrum of fields, from psychology, to statistics, to economics and management science," says Hoch. "And because marketing is an interdisciplinary field, you are always, at the end of the day, focused on trying to solve a problem. You can't be parochial when you are trying to solve a problem."

Vice dean and Director of the Wharton Undergraduate Division Barbara Kahn offers marketing managers a better understanding of consumers' variety-seeking behavior in a recent study that answers questions about how people's buying habits change when they see what looks like unlimited variety.

Creating a visual perception of activity and an abundance of choices ultimately increases consumption, Kahn found after conducting a series of experiments that she and University of Illinois professor Brian Wansink published in the *Journal of Consumer Research*. Kahn's research found that the perception of variety, even when illusory, stimulates people to consume more, reinforcing other recent studies that challenge long-held views that a person's ability to control eating, spending and general overindulgence has solely to do with willpower, or a lack thereof. Environmental factors, including portion size, price and the number of choices presented, also play a key role in America's well-documented passion for overindulgence, social scientists are now finding.

The present study by Kahn and Wansink added a subtle new twist. "It is widely assumed across disciplines that increasing the actual variety of an assortment can increase the quantity consumed," they write. "We show, however, that perceived variety can also influence consumption even when actual variety is unchanged."


ZHANG

Marketing professor Americus Reed II, meanwhile, is the department's only "identity theorist," focusing his research on the role consumers' self concepts play in guiding buying decisions. Why do so many smokers keep smoking, despite decades of health warnings? Why do brands like Harley Davidson motorcycles, Starbucks coffee and Nike engender such loyalty among very specific types of people?

In a recent *Journal of Marketing Research* study, Reed and marketing colleague Lisa Bolton found that judgments that are linked to a person's identity—from teenager to Republican, environmentalist or businessman—are virtually immovable, or "sticky."


BOLTON

Titled "Sticky Priors: The Perseverance of Identity Effects on Judgment," the paper included four studies that examined the effects of identity on judgment. The studies looked at judgments of a variety of issues and products, such as pollution, legalizing marijuana, and electronic books, that were linked to different identities held by participants, such as environmentalist, businessperson, or parent. Bolton and Reed then tried to influence participants' judgments using techniques that varied from evenhanded reasoning (listing pros and cons) to adopting the perspective of another identity (say, parent vs. teenager), with little success. Social influence—good old peer pressure—was somewhat effective in countering identity based judgment, "But not entirely," Bolton says. "Throughout, we really find that identity is really powerful in its effects on judgment."

In another study, Reed looked closely at brand identity by examining the triggers that lead consumers to identify with and become loyal to a product, brand or logo. Social identification with avocation, family, religious groups or gender appear to factor heavily into consumer buying patterns, he found, and consequently also in the marketing efforts of advertisers.

Reed argues that the mere existence of a particular lifestyle and an ad portraying that same situation is not enough to make the product appeal to the targeted consumer, because consumers often have a variety of roles linked to various preferences. Consumers are more likely to think about him or herself in terms of a particular identity if the identity is very self-important. "The more important that affiliation is to the customer, the easier it is to bring the group affiliation to mind and to connect it to the product," he adds.

Assistant marketing professor Patti Williams also studies how consumers' emotional responses influence consumption.

Most recently, Williams and a co-author studied the impact of emotional versus rational advertising messages on older and younger consumers in a forthcoming study in the *Journal of Consumer Research*.

While Williams' research confirmed earlier suggestions that older adults are more likely to be swayed by emotional versus rational advertising appeals, she also debunked previous widely held perceptions that this greater interest in the emotional has to do with declining cognitive abilities among the elderly. Building on research in psychology, Williams found that older adults' preference for emotional content doesn't come from differences in ability, but about differences in motivation that come from a shortened or limited time horizon.

HUTCHINSON, WILLIAMS, IACOBUCCI, HOCH AND BELL

"With a perception that time is ending, you care less about learning new facts, and more about having emotionally satisfying encounters and making your life pleasurable in an affective sense," Williams says. In her research, when young adults were faced with a similarly limited time horizon, Williams found that young adults switched their preference from the logical to the emotional. The elderly, when also presented with a very long time period, preferred a rational appeal. "Thus, it's not a question of differences in ability that drives this effect, it's due to differences in what is important across the two age groups."

Identifying and understanding such quirks of consumer behavior, Hoch says, is one of the ways the marketing department "relishes diversity in different approaches to the problems that marketers face day in and day out. At the end of the day one of the great things about being a marketing professor at Wharton is that we have a whole heck of a lot of fun. It's serious, but we keep it playful." ◆

"Because marketing is an interdisciplinary field, you are always, at the end of the day, focused on trying to solve a problem," says Hoch. "You can't be parochial when you are trying to solve a problem."

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

EDITOR'S NOTE: Excerpts from Knowledge@Wharton and Wharton Alumni Magazine articles were included in this story. Complete versions of nearly all of the research papers cited in this article can be found via the Marketing Department website: **http://hops.wharton.upenn.edu**

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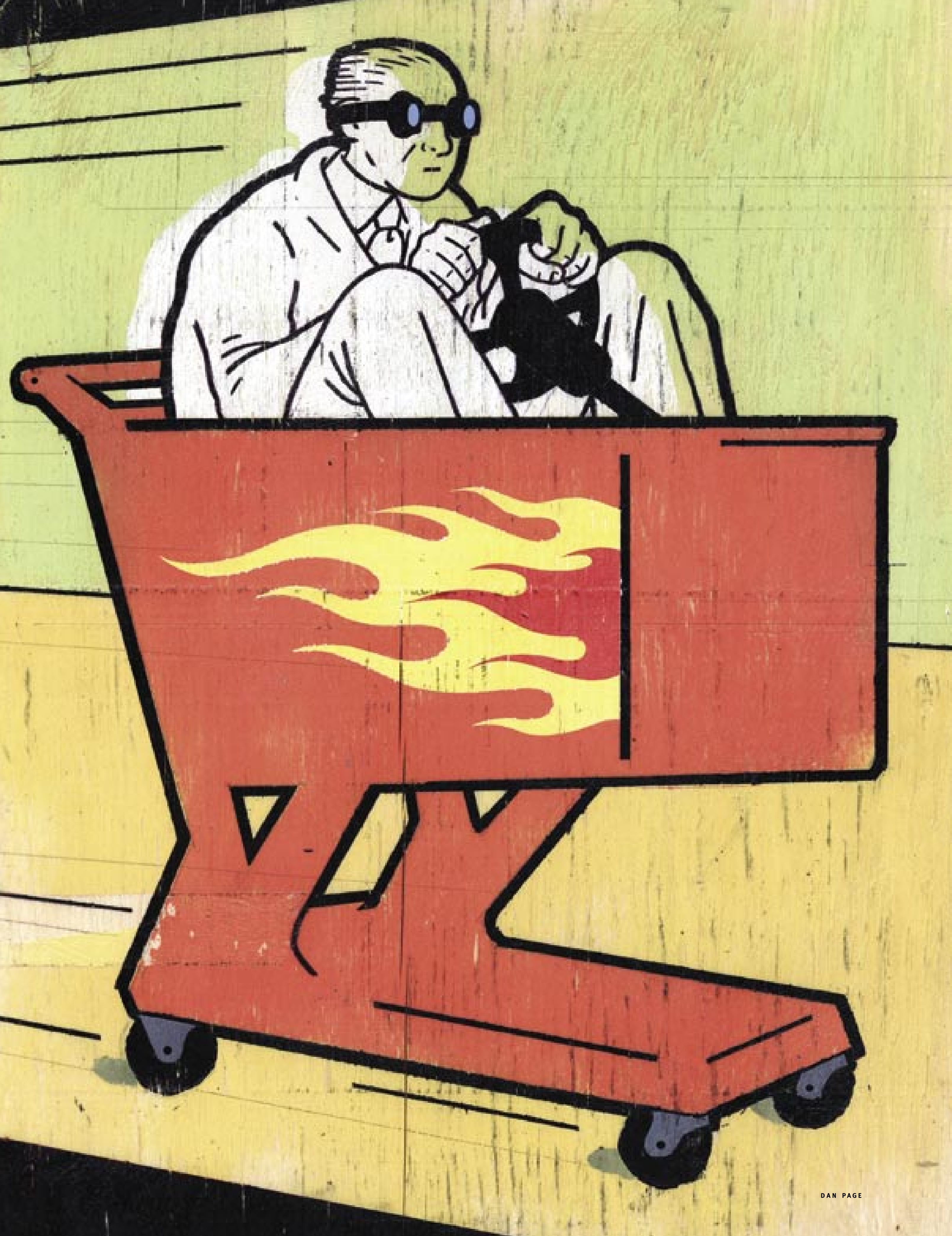

DAN PAGE

Retail Research Takes Off:

Baker Initiative Director Blazes own Path, Real-World Research Bridges Academia with Industry

By Sharon L. Crenson

Believe it or not, there are those among us who don't mind grocery shopping. A few even relish it. And then there are those for whom pushing that four-wheeled cart is practically a competitive sport: people who are willing to clip coupons, scour in-store shoppers and navigate their family sedans and SUVs through over-crowded parking lots multiple times in a single day.

In the world of retail marketing, this sub-species is known as the "cherry picker," a shopper who visits more than one store looking for the best price per unit and bypassing all the rest. For retailers like those in the grocery and drugstore businesses, and for companies that sell big-ticket durable goods, understanding what makes these shoppers buy — as well as when it isn't worth the cost of attracting them — is an important component of the bottom line.

Professor Stephen J. Hoch is out to pick the brains of cherry-pickers.

In addition to chairing the Marketing Department at Wharton, Hoch is the John J. Pomerantz Professor of Marketing and director of Wharton's Jay H. Baker Retailing Initiative. Hoch's latest paper, "Cherry Picking," to be published in the *Journal of Marketing*, provides a taste of the research ideas the $10 million Initiative will fund beginning this year.

Hoch's research, like that of many of his department's colleagues, is highly quantitative: While it may not be rocket science, his statistical analysis has more in common with flying the space shuttle than with the latest issue of *Fast Company* or *The Wall Street Journal*.

In the cherry picking paper, for example, Hoch and Southern Methodist University Professor Edward J. Fox, a Wharton PhD alumnus, use mathematics to sum-up cherry picking behavior and its benefits to the consumer. Using two years of household data collected from Chicago shoppers, Hoch and Fox compared cherry picking shoppers to people who alternate between different stores periodically and to those who are loyal to just one grocery outlet. Cherry pickers accounted for 18 percent of the 201 household sample, while so-called "store loyals" accounted for 27 percent of the shoppers studied and periodic store "switchers" made up 55 percent.

Highlights of the study include the following:

- Cherry picking households were more likely to include an elderly person. They also had slightly lower incomes.
- Cherry pickers shopped more often, and bought more merchandise on special and featured in advertising. They also bought larger quantities and paid lower unit prices even after controlling for package size.
- Despite his initial suspicions that cherry picking behavior provides largely emotional rewards, Hoch's research found real net economic benefits for consumers.
- Finally, Hoch and Fox found that the second-stop stores where cherry pickers shopped absorbed a disproportionate cost. Those stores captured only 60 percent of the expenditures made at the primary store on the same day, according to the study.

While the study's results aren't likely to surprise retailers, Hoch believes the research will help managers better formulate their approach to attracting discriminating shoppers.

It's this kind of real-world thinking by academics, students and retail practitioners that Jay Baker, W'56, and his wife Patty hope to foster. Announced in 2002, the Baker Retailing Initiative is the result of a $10 million pledge by the couple. The money endows a faculty chair, expands curriculum and research in retailing, and promotes faculty and student interaction with industry experts. “Our primary goal is bridging academia with industry,” says William Cody, managing director of the Initiative.

Baker says he couldn’t be more pleased with the progress thus far. Two years ago when the program was launched, Wharton sometimes offered just one undergraduate retailing course per semester, serving just 20 students. This spring the School has five such classes enrolling 300 students, and administrators are considering offering a secondary concentration in retailing for undergraduates.

“That would be an enormous step forward, that students at the Wharton School would have a choice of graduating with a (focus on) retailing,” Baker says. “I think when you look at just two years, we’ve made incredible progress.”

Hoch says Wharton is uniquely positioned to meet Baker’s goals because of the divergent talent of the School’s marketing faculty, talent capable of studying the entire supply chain, from sourcing products in manufacturing to getting them to market to retail sales.

HOCH AND BAKER, W’56

JAY AND PATTY BAKER

Cody says the first thing Baker, Hoch and he did in setting up the Initiative was to look across a broad range of the retail spectrum — at apparel, grocery, department and home stores, etc. — and then put together a wish list of companies and/or executives who would be valuable to work with. It worked.

“We have some really terrific people,” Baker says. “We’ve had many of them speak to students. It has been a rewarding experience both for them and for the students.”

“We have developed some good ties to retailers through our advisory board,” Hoch adds. “We have been able to open up some doors for potential access to either problems or data useful in furthering people’s research.”

He cites the advisory board’s annual meeting this past January as evidence. During that meeting, marketing professor David R. Bell presented research he co-authored on the rise of company-owned retail outlets that compete with independent retailers who carry the company brand. For example, businesses like Liz Claiborne, Inc. and Polo Ralph Lauren Corp. now operate stores dedicated solely to their brands. Right down the road from those stores are often department stores that carry Claiborne and Polo brands. Why? Because manufacturers get more control over the way consumers encounter the product and the independently owned stores carrying the brands benefit from brand support supplied by the manufacturer.

Bell and his colleagues found that prices for goods sold at company-owned stores and at independently owned stores are higher than when the same goods are sold at independently owned stores alone. They also looked at conditions under which “demand at the company store complements or

The advisory board membership list reads like a “Who’s Who” of retail. It includes high-ranking officers from Williams-Sonoma, The Home Depot, J.C. Penney and Company, Tiffany & Co., Federated Department Stores, The Gap, and Neiman Marcus Group Inc.

“We have people interested in pricing, in assortment, in the supply chain. There is no other school that has that kind of depth,” Hoch says.

Already the initiative is starting to act as a hub to bring these divergent groups together.

The advisory board membership list reads like a “Who’s Who” of retail. It includes high-ranking officers from Williams-Sonoma, Safeway Inc., The Home Depot, J.C. Penney and Company, Tiffany & Co., Federated Department Stores, The Gap, Neiman Marcus Group Inc. and Walgreen’s Co., just to name a few. The group is chaired by Baker, who remains a director of Kohl’s Corp., after serving 13 years as its president.

substitutes demand at the independent stores," according to their paper on the subject.

The Initiative's next big step is to award research funding for qualified faculty projects. Before the end of this year, Hoch, Cody and co-faculty director Louis Stern, WG'59, will help choose recipients for somewhere between $50,000 and $100,000 in grant money.

In some cases, successful research proposals may come directly from the Initiative's advisory board members. Hoch says he's looking forward to talking with many of them about company data they might consider making available to Wharton professors. "There's a lot of data out there and we have all sorts of high-powered analysts … That's exciting."

In addition to the researchers and professionals at the January meeting, about 30 undergraduates and MBA students and 10 young Wharton alumni attended. The meeting helped extend a crucial bridge between student life and the job market, Cody says. Already last summer about 50 Wharton students were placed in internships with the help of the Baker Initiative. Their employers included Federated Department Stores, Nike, Kohl's , Mother's Work, Liz Claiborne, and Home Depot.

Elizabeth Schweitzer, a junior from Westchester, N.Y., who has tailored her studies to retail, was among the student participants in the last two advisory board meetings. She says her contacts through the Baker Initiative have been invaluable, including Cody's help in passing her resume on to a Bloomingdale's recruiter, a referral that resulted in her internship at the chain's Manhattan store this summer.

"This is my top choice internship … It's very hands-on. For me, it's going to perfectly round out my experience," she says.

Beyond the plum summer job Cody helped her land, the self-described retail-obsessed undergraduate says the Initiative has had a huge impact on her field's profile throughout the Wharton community by reminding students that investment banking and consulting are not their only employment choices.

"I think that the connection between Wharton students and faculty and the members of the advisory board has been great," Schweitzer says. "It has opened so many opportunities." ◆

New York-based writer Sharon L. Crenson is a frequent contributor to the Wharton Alumni Magazine.

The CEO's Path to the Top: How Times Have Changed

When Edward D. Breen was named chairman and CEO of scandal-plagued Tyco International in July 2002, one national magazine reasoned that he had taken on a job that would make "lesser CEOs quake in their wingtips." But Breen's footsteps to the top were not just steady; they also tracked a new pathway to the executive suite, one no longer dictated by the older, company-trained, academic-elite candidates. Breen was 46, a graduate of a non-Ivy League school and, to everyone's relief, had moved up the corporate ranks of another company entirely, never holding a job at Tyco until he was named CEO.

As one of the top human resource executives at EDS, Tracey M. Friend found that her entrepreneurial background was a plus when she interviewed for the job of portfolio manager for recruitment services. A graduate of the University of Florida, the 35-year-old Friend had already built and sold her own Internet recruitment and training company and worked for two competing technology companies before joining EDS last August. "Skills and capabilities open the doors, not degrees," she said.

And when Ed W. Flowers, 48, was named senior vice president for human resources at Russell Corp. — the Atlanta-based apparel company — in July 2003, he had no reservations about joining the executive ranks of a company where he had never worked. "People advance in their careers today based on performance," said Flowers, a graduate of the University of North Carolina at Charlotte who had previously been global head of HR for the Merisant, a Chicago-based maker of table sweetener products. Advancement is "not based on an entitlement mentality."

Good-bye, Organization Man

In a new study that compares Fortune 100 executives in 1980 with their counterparts in 2001, Peter Cappelli, director of Wharton's Center for Human Resources, and Monika Hamori, a professor at Instituto de Empresa in Madrid, have documented what business people like Breen, Friend and Flowers, along with many others in the corporate and recruiting worlds, have no doubt already witnessed: The road to the executive suite and the characteristics of the executives who get there have changed significantly over the last two decades.

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To summarize: Today's executives are younger, more likely to be female, and less likely to have Ivy League educations. They make their way to the executive suite faster than ever before (about four years faster than their counterparts in 1980), and they hold fewer jobs along the way. They spend about five years less in their current organization before being promoted, and are more likely to be hired from the outside.

What's more, the Organization Man, the lifelong corporate employee who worked his way faithfully and slowly up the executive ladder, appears to be headed out the door — increasingly nudged, apparently, by women. According to Cappelli and Hamori's *The Path to the Top: Changes in the Attributes of Corporate Executives 1980 to 2001*, not a single woman held a top management job in the Fortune 100 in 1980. In 2001, 11% of the Fortune 100 top executives were women. Compared to men, the women executives are younger (47 vs. 52); move into executive positions faster (21 years vs. 25 years), and are less likely to be lifetime employees (32% vs. 47%).

"From the 1950s through the 1970s, American executives looked a lot alike," write Cappelli and Hamori. "They tended to be model organization men who stuck faithfully with the companies that first hired them, and they climbed methodically up the corporate ladder until, at last, they retired. The dominant notion during this time was that a business career ran its course *inside* a corporation."

According to Cappelli, *Fortune* magazine editor William H. Whyte put the phrase "Organization Man" on the map when he wrote a book by that title in 1956, posing what was then viewed as a novel question: "Why would executives ever leave their firms?" Further studies answered that question: In the Organization Man era, executives only left the fold if a company didn't deliver on its promise of upward mobility. But, write Cappelli and Hamori, "there were hints throughout the 1970s that things were changing ... Our research puts executive careers under the microscope once again."

In a recent interview, Cappelli acknowledges that he is still unsure what to call this new corporate executive model. But he is definitely convinced of two things. First, the new model "is here to stay, through the conceivable future." Cappelli points out that by focusing on the more conservative, larger Fortune 100, the study utilized companies "most likely to be able to retain the traditional model of organizational careers." So if these august, institutional business models have experienced change over the last 20 years — as they have, according to this research — then "it's likely that the changes we measured would be [even] greater in smaller corporations," Cappelli writes. And even though 45% of executives in 2001 are still classified as "lifers" — those who spend their entire careers in one company — the percentage is down from 54% in 1980. Also, the number of "lifers" in young companies (those existing for 30 years and less) is only 17%.

Second, the new model clearly underscores that "different skills are being rewarded, and that a new type of executive will benefit from this trend," says Cappelli. "The businessman in the gray flannel suit — the person who was nameless and had no independent profile but fit into the organization — that person clearly suffers in this model. People who can promote themselves clearly win. It's tempting to say that people with more merit get ahead now, although I'm not exactly sure that this is true because it's hard to judge real merit. But the people who appear to have merit clearly have the advantage in this model."

In *The Path to the Top*, Cappelli and Hamori also report:

- Changes in size, age and management structure of the Fortune 100 companies, as well as the list's industry concentration, contributed to executive career evolution. Only 26% of companies in the 1980 Fortune 100 list were also in the 2001 list. "The changes in the Fortune 100's makeup dramatically highlight the continuing shift in the United States toward a service economy," Cappelli and Hamori write. 'The decline of the manufacturing sectors on the list (from 17% to 1% of the total) and the rise of financial services (from zero to nearly 17%) are especially striking."
- Corporate hierarchies are flattening. "We measured a considerable change in the distribution of executives by job responsibility between 1980 and 2001. Not all companies have exactly the same hierarchy of titles, but most have three tiers — CEO and chair level, EVP level and VP level ... We found that the percentages in the top and middle tiers declined (27.8% to 22.8%, and 65.1% to 59.3% respectively), while the percentage in the lower tier expanded substantially (from 7.1% to 17.8%), again supporting the perception that corporate hierarchies have become flatter."
- Different types of firms offer different prospects for advancement. "It's clear, for instance, that there are huge advantages to working in a growing firm. Executives are much more likely to be promoted in firms with healthy growth rates than in stagnating companies ... Other things being equal, younger firms offer faster advancement, perhaps because of their tendency to have flatter hierarchies." Also, "the youngest firms — presumably the fastest growing — do the most recruiting of outside talent."
- The "speed to the top" depends on the industry. This report and previous work suggest that "companies in fast-growing industries offer better prospects for advancement. For example, the two industries offering executives the fastest paths to the top in 2001 were wholesale trade and financial services — two industries that had no companies big enough to be in the Fortune 100 in 1980." But Cappelli found one finding particularly surprising: In both 1980 and 2001, executives reached the top more quickly in industries that were undergoing

"It's clear ... that there are huge advantages to working in a growing firm," says Cappelli. "Other things being equal, younger firms offer faster advancement, perhaps because of their tendency to have flatter hierarchies."

structural change. In 2001, for instance, the steel industry offered one of the fastest paths to the top (just over 23 years). "It makes sense because turmoil creates opportunity," Cappelli said of an industry wracked by consolidations and restructurings. "One of the reasons you get to the top faster is that people are being jettisoned quickly."

- Changes have also taken place along the "inside track" to the executive suite. Through the 1970s, "marketing was the preferred track into the executive suite, but the results here suggest that finance now offers by far the best path (it offered the best path in 1980, too, but consulting and human resources were close behind). The finance track will remain the dominant path to the top job as long as the investor community wields a powerful influence on corporations."
- Increasingly, graduates of non-Ivy League institutions have worked their way up the corporate ranks. "The top executives of powerful companies once shared the common bond of elite education," Cappelli and Hamori write. "Between 1980 and 2001, the percentage of Fortune 100 top executives with Ivy League undergraduate degrees fell by four points (to nearly 30%) while the proportion from public schools increased by 16 points (to 50%) ...The results for second degrees suggest an even greater change. There is something of an increase in the proportion of second degrees, principally MBAs and law degrees, among these executives by 2001, and the decline in the percentage that came from Ivy League institutions was much greater than for undergraduate degrees. It's unclear whether this means corporations were becoming less elitist and more open to students from all levels of society. A possible explanation is that the Ivy League produced a smaller fraction of graduates over time, especially in the exploding area of professional degrees."

"The finance track will remain the dominant path to the top job as long as the investor community wields a powerful influence on corporations."

According to Cappelli, executive search firms play a role in this changing path to the top, but he's not sure to what degree. "Head hunters are a big part of the story. They both benefited from and caused" many of the changes during the last 20 years. "Whether they were driving it is an interesting question. I would say that they responded (to the trend), and once they got in there, they facilitated the move very quickly. Ironically, one of the complaints that you hear from executive recruiters today is that it's difficult to find people to move around because no one has any experience any more. How do you assess talent without a proven track record? It's hard to get objective measures when you are trying to decide, 'Is it the steak or the sizzle?'"

When presented with these findings, executives from several search firms had different reactions. "I certainly tell people that staying with one company is a negative," says Franklin D. Marsteller, an executive search consultant with Spencer Stuart in Philadelphia. "I think that the movement between companies is a plus. A progressive resume does make people look very valuable."

But Marsteller believes that recruiters played no role in the changing market. "We really only respond to our clients' trends. We don't generate trends," he says. "I think the bigger issue over the last 20 years has been clearly not pedigree, but performance. The 1980s were the transition years away from the Ivy League and the country club set to performance and results, and the faster the better. Ed Breen, the new Tyco CEO, is an example. He was a rising star at Motorola before we recruited him."

In conclusion, Cappelli and Hamori write: "Overall, there may be something of an 'Is the glass half full or half empty?' issue in interpreting these results. Despite all the discussions about corporate job-hopping and an open labor market for executives, one might say that almost half of these top executives in 2001 were still in the company where they held their first job, and the average executive had been there 15 years. There is clearly some stability in the careers of top executives in 2001. On the other hand, these are the largest companies in the world with the biggest internal labor markets and the strongest policies oriented around promotion from within. If more than half their top executives now come from the outside, roughly half their careers have been spent elsewhere, and both the percentage of lifetime careers and average tenure are falling significantly, then something is clearly different about how executive careers operate now. The 'Organization Man' model has clearly eroded." ◆

Published: January 26, 2005

The Danger of the four P's – Pay, Perks, Power and Prestige

Jon Huntman's New Book Challenges Corporate Leaders to a Higher Standard of Conduct

The saga of Jon Meade Huntsman is the stuff from which American Dream legends are made: threadbare upbringing in Blackfoot, Idaho, where he learned a work ethic and basic moral values to outstanding Wharton graduate (W'59) to patriarch of what was the nation's largest family owned and operated business.

At the apex of that often-bumpy journey, he found himself one of America's wealthiest individuals and among the nation's top 25 all-time philanthropists.

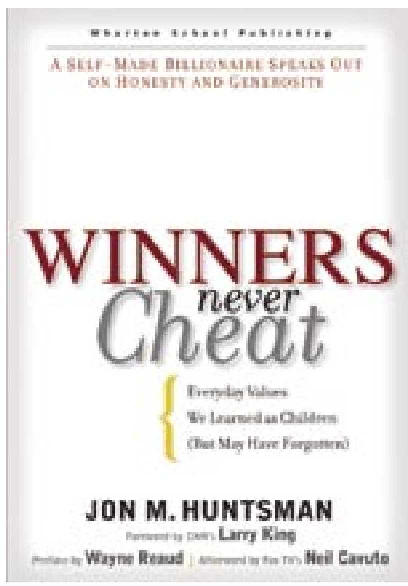
Until November 2004, he was typically referred to as industrialist Jon M. Huntsman, founder and chairman of the world's largest privately owned chemical company, Huntsman Corp., with operations in 41 countries and headquarters in Salt Lake City. Since then, he jokes, the press generally describes him as "the father of Utah Governor Jon Huntsman Jr."

In May, Huntsman also becomes an author.

This winter, Wharton School Publishing (WSP) went to press with Huntsman's first book, *Winners Never Cheat: Everyday Values We Learned as Children (But May Have Forgotten)*, an accessible prescription for returning traditional principles to the marketplace. It is being hailed as an over-the-counter antibiotic for times when many seem to have drifted from basic values of right and wrong.

The genesis of the 200-page book was another Huntsman work-in-progress. At the end of last summer, Huntsman found himself nearly finished with an autobiography, his fourth attempt to chronicle his life.

Huntsman had submitted several draft chapters to Wharton School Publishing (WSP) for evaluation after it had expressed an interest in publishing the book. In reading excerpts, WSP Editor and Wharton professor Jerry Wind and WSP vice president and editor-in-chief Tim Moore were struck by the number and variety of anecdotes that played on the theme doing well by doing good.



They urged Huntsman to temporarily lay aside the autobiographical effort in order to pen a book they believe will resonate in today's business arenas and classrooms – and will be applicable for corporate CEOs and top executives as well as mid-managers and supervisors. Huntsman embraced the task with enthusiasm; he was surprised at how easily the words flowed on to paper. (Ironically, this chemical magnate dropped high school chemistry after two weeks. His favorite subjects: English and math.) As the book evolved, it became clear that the messages in *Winners Never Cheat* are relevant to a wide range of organizations and institutions.

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Winners Never Cheat went from conceptual discussion to final proofs in four months, during a time when Huntsman, 67, had just pulled his company from the cusp of disaster to its best performance ever, was in the middle of his son's campaign for governor, and was arranging to take his company public in February 2005.

"Since the turn of the century, we have seen a total crash of business ethics," observes Huntsman. "Bastions of American capitalism came tumbling down with lightning speed. I became convinced the timing of this book was as important as the message. Something needed to be said — and quickly — about the importance of winning while playing by the rules."

Enron and others of its ilk "brought down the economy more than we will ever know. The cheaters caused many companies great pain."

As Huntsman sees it, the 1980s and 1990s were go-go business years and in the headlong rush to make money many overdosed on greed, forgetting the ethical foundations of their personal lives.

Huntsman expects cynics to argue he is oversimplifying current moral issues in a world that has become so highly competitive, technical, fluid and pressurized. Counters the author: What is so complex or situational about honesty, keeping one's word, being decent and gracious to others, or giving back some of what we received?

Such basic codes of conduct were

taught by parents, relatives, teachers, coaches, scout leaders, clerics and friends during our formative years, regardless of our religious background or economic standing.

"I played a lot of sandlot football, basketball and baseball as a youngster. We never required referees to call fouls, foul balls or out of bounds. We knew. We didn't need rulebooks to regulate play or official scorers to determine who won. We knew. We stopped play when somebody went down or got hurt because taking advantage of an injured player was poor sportsmanship."

"We knew better than to cheat or be poor sports back then, he insists, just as we know better today. We were taught not to cheat, not to be rude, not to double-cross people, not to be stingy." "There is no such thing as a moral agnostic," Huntsman argues. "An amoral individual is nothing more than a moral person who, for one reason or another, temporarily and quite often creatively disconnects his or her actions from the moral compass. People running on all mental cylinders know right from wrong. Period."

In his book, Huntsman lays much of the blame for the marketplace's current moral vacuum on corporate lawyers, investment bankers, Wall Street investors and morally complacent CEOs, people he does not believe are inherently evil but rather trained to place professional standards and short-term gain above personal ethics. To-wit:

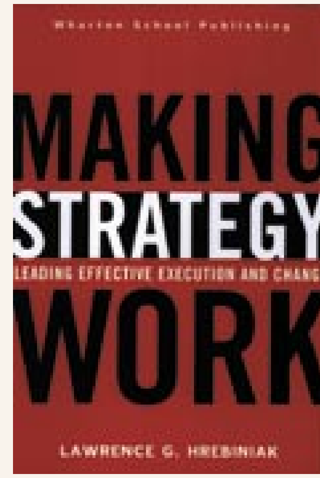
- "One's word being one's bond has been replaced with one's word being subject to legal review."
- "What is considered standard rules of play on Wall Street is a Class A misdemeanor in Peoria."
- "Whether they realize it or not, executives in leadership roles solely for the four Ps — pay, perks, power and prestige — essentially are on their way out."

Huntsman is unapologetic about his relatively harsh words. CEOs, lawyers, lenders and major Wall Street players, he argues, must be held to a higher

Continued on page 33

It's Not *Whether* to Execute: It's *How*

Making Strategy Work: Leading Effective Execution and Change, **Lawrence G. Hrebiniak**



It's even tougher to execute strategy than to design it. And without effective execution, even the best strategies are worthless.

In 2002, when Larry Bossidy made these points in his best-seller Execution, they seemed revelatory. Three years later, the centrality of execution is so obvious it's nearly a cliché. But there's a big difference between *talking* about execution and actually *improving* it.

In *Making Strategy Work*, Wharton Professor of Management Lawrence Hrebiniak targets that gap. In place of anecdote and guesswork, he offers a disciplined, research-based process model for fully aligning your organization's skills, resources, and culture behind the strategies you define.

Strategy formulation and execution are even more interdependent than many managers realize, says Hrebiniak. Moreover, certain strategy flaws have especially serious implications for execution. One example: the failure to integrate enterprise strategy with strategy at the business or division level.

Consider the company that views one division as a mature cash cow, while that division has identified new opportunities for transforming itself back into a "star." The strategy mismatch leads to wars over resource allocation and performance metrics — and neither the enterprise nor the division executes successfully.

Hrebeniak's model doesn't just illuminate the ways corporate strategy should drive business strategy: it encompasses organizational structure, short-term operating objectives, incentives, controls, and more.

Drawing heavily on the recent Wharton Executive Education Survey, Hrebeniak notes that many companies still fail to structure themselves for effective execution. "Design or redesign efforts are handled badly... Integration or coordination of diverse structural units is poor or incomplete. The link to strategy when changing structure is unclear or often simply missing."

That link is, of course, crucial. Hrebiniak shows how cost leadership, product differentiation, diversification, and growth-oriented strategies each imply different choices about structure. Should you centralize or decentralize? Move towards "process" or "purpose"-based structures? Apply matrix management? While nobody works from a clean slate, his insights will be invaluable in evolving your organization alongside your strategies.

Having discussed how to define operating units, Hrebiniak turns to integrating and coordinating them. One key insight: the types of interdependence that exist amongst your units directly impact your ability to execute.

Consider the case of "reciprocal interdependence," where each unit or function can "change the rules," and even veto the actions of others. In such an environment, it's tough to achieve consensus amongst marketing, engineering, and production. If your strategy is built upon rapid introduction of new products, you'd better pay far greater attention to coordination. Hrebiniak offers detailed solutions — ways to clarify responsibilities and strengthen accountability.

Which brings us to the final element of his model: *incentives and controls*. Among the topics he covers: making sure you're incenting the right things, and using performance appraisals to support strategy, not undercut it.

— BILL CAMARDA

Spiridellis continued from page 7

to create two animated parodies. For the Inauguration, they did a spoof of "She'll Be Coming 'Round the Mountain," with President Bush glorying in having four more years in the White House. Though a little less pointed than the campaign videos, the parody still included "appearances" from Pope John Paul II, Kofi Annan, and the ubiquitous Clintons.

The other Yahoo video was a Christmas-time paean to one of Gregg's favorite Jibjab characters, the Grumpy Santa. In it, Santa, always grimacing, laments getting cookies at every stop on his December 24 eve trip instead of what he really wants — cash. A book the brothers wrote three years ago for kids, "Are You Grumpy Santa?", in which Santa is plagued by elves shrinking his suit, slipping on a noodle, and the like, is still in print.

Gregg said while he likes the business end of Jibjab, the real strength and fun is in the creation of the animations. To that end, Jibjab will continue to look for partners like Yahoo, which can take care of distribution and related infrastructure. "To use a Wharton term, our core competency is creating the animation," he said. "Our job is to make people laugh."

But while the political and Santa parodies have been fun, what they have done for Jibjab is get the company noticed in the marketing community. After showing their political animations to the Sundance Film Festival, the brothers last January landed a contract to create the branded trailers for the films in the festival. They are working on a pilot for a potential animated TV series as well.

"But what we would really like to do is be a leader in on-line original content in many areas," Gregg said. "Right now, in the next 18 months, our goal is to have three to six premium corporate clients for whom we are doing branded work. Yes, movies, TV, all that would be wonderful. We would love to be mentioned in the same breath as, say, Pixar. But that is getting ahead of ourselves."

Gregg's wife, Helen, whom he met in Philadelphia, is a banker. "Someone in this family has to have a serious job," he said. He has the continual lament of many of those who by virtue of the entertainment business need to be in Southern California. The brothers grew up in Manalapan, a suburb in central New Jersey.

So while they now want to capitalize on their fame and concentrate on the on-line consumer business, the brothers still intend to keep on parody-ing.

"I'm sure by summer we will have another political animation out," Gregg said. "There is always something going on in Washington. We might not know what it is right now, but there certainly will be something." ◆

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standard because their actions have such tremendous ramifications. He does admit his recent experience taking the company public provided him with many exceptions to his rule. "I dealt with some genuinely decent, committed people," he says.

Huntsman makes clear his book is not a sermon just for others. He sees it as a personal booster shot, as well. "Because of the pressures we face daily, each of us requires periodic reminders to check for the proper, decent, courageous and generous course."

Huntsman took his business public primarily to reduce the crushing debt incurred in pulling his company out of the perfect economic storm that began in earnest in 2001 and raged for another three years. There was a compelling secondary reason, as well: It would give wife Karen and him the opportunity to sell stock over the coming years and place the proceeds into the Jon and Karen Huntsman Foundation for continued philanthropic work. In the last 20 years — the family only began keeping track in the mid-1980s — the Huntsmans have given away more than a half a billion dollars to schools, cancer research, charities, libraries, scholarships and the arts. (A little known fact is that Huntsman, an active Mormon, is one of the largest donors to Catholic social services in the Diocese of Salt Lake City.)

Even when the company was bleeding red ink in the most recent downturn, the elder Huntsman secured personal loans to meet his philanthropic obligations. "It's easy to say, sorry, I can't meet my pledge payments this year," he says. "But one has to keep one's word even when it's painful."

Huntsman attended the Wharton School on a chance scholarship, one of those breaks in life that people like Huntsman view as a reason why they must give back once they have it made. That opportunity gave him the training and contacts to launch and nurture a career that took him to the pinnacle of success. He did not forget his alma mater. He provided a $40-million lead gift to build Jon M. Huntsman Hall. In addition, Huntsman, chairman of Wharton's Board of Overseers, provided an additional $10 million for the Huntsman International Program.

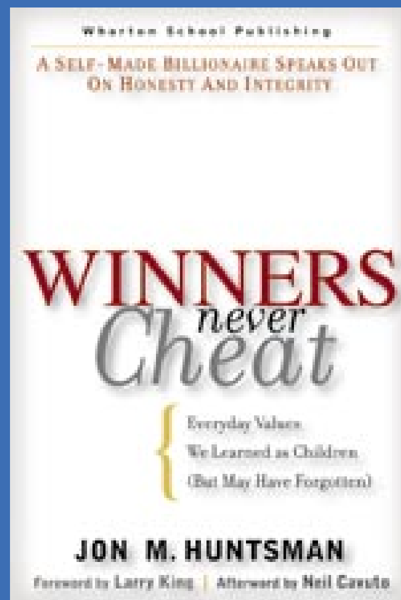
It was at the 2002 dedication of Jon M. Huntsman Hall that Vice President Dick Cheney said of his longtime friend: "In his creative gifts, in his business success, in his great philanthropy, in his human qualities, Jon stands in a class all of his own."

Huntsman views the Wharton School as the pre-eminent preparation for running global enterprises. It is inside this Wharton experience, he believes, that playing by the rules becomes a core element of training.

This duty to give back is the nucleus of Huntman's message in *Winners Never Cheat*. He has contempt for those who measure success by how much they make rather than how much they give away. But the duty to give is not just for the wealthy. Huntsman lets no one off the hook, insisting that philanthropy is not based on economic status. ◆

Wharton School Publishing

is pleased to announce the upcoming book
by Wharton alumnus Jon M. Huntsman, W'59.



This book will be available in early May at www.whartonsp.com and at booksellers everywhere.

From the foreword by Larry King:

Jon Huntsman is living proof you can do well by doing right. Leo Durocher was quite wrong when he said, "Nice guys finish last." Not only can nice people finish first, they finish better. Jon has little patience for situational ethics in the marketplace or life. He paints proper behavior in bold, black-and-white strokes. He believes in the adage that if you have one clock everyone knows what time it is. If there are two, no one knows the time.

Some additional endorsements for the book:

"How timely! How needed it is for one of the finest human beings, industrial leaders and philanthropists on the planet to compellingly drill down on 10 timeless, universal values for business and life. This book edifies, inspires and motivates all of us to model these commonsensical lessons for our organizations.

Primary greatness is character and contribution. Secondary greatness is how most people define success—wealth, fame, position, etc. Few have both. Jon's one of them."

— Dr. Stephen R. Covey, author, *The 7 Habits of Highly Effective People and The 8th Habit: From Effectiveness to Greatness*

"Jon Huntsman's new book ought to be mandatory reading for leaders—and those who aspire to be leaders—in every field. His secrets for success are no secrets at all, but invaluable lessons that he has reminded us, with his life and now with his words, are the pillars upon which we can build our lives, too."

— Senator Tom Daschle

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Wharton
University *of* Pennsylvania

Alumni Association Update

And So it Goes...

DAVID N. FELDMAN, ESQ., W'82, L'85

DEAR FELLOW ALUMNI:

In this, my final message to you as Chairman of the Wharton Alumni Association Board, I'd like to look back on some of the exciting developments I've seen in our alumni network in my seven years of service with the Board. I'd also like to share some thoughts on whither we go from here.

We're more visible. When I joined the Board, it was a hard-working and active but little known and little recognized body. Now, with our presence in this Magazine, numerous events held jointly with the Board of Overseers and other Boards, much greater presence on campus and significant support from our amazing Dean and his administration, our Board and the alumni network it represents are very much on the radar screen. This means more and more support from the school, as well as more opportunities for alums to benefit from participation in the network.

We're evolving. Thanks to technological developments, our club network has grown from a geographic based set of affiliations to include so-called "affinity" clubs such as the Wharton Private Equity Network and Wharton Health Care Network. We expect several more groups in the next year or so. Affinity clubs allow alums to network with others in their industry, not just those who happen to live in the same city.

We're making our voice heard. Your alumni club leaders from around the world attend an Alumni Leadership Conference each May in Philly. The Board and school are committed to continuing this annual event, which ensures that your local needs and interests are heard and addressed by the alumni leadership and the administration. This interaction has had positive results, including, for example, the school's funding of mailings by individual clubs.

We're more student-focused. We have underscored the need for current and prospective students to learn about, understand and access the alumni network — which is key to the future success of both the network and the school itself. In addition to "priming" the pipeline for future active alums, we are letting students and prospective students see firsthand that being a Wharton student or grad means having access to a tremendous and welcoming group of dedicated alums.

We're more development-focused. We believe that the Board has a responsibility to help the school build greater financial support from its alumni. Altruistic? Perhaps — but this is also a self-serving endeavor for all alumni. As we help raise endowment, program and scholarship dollars, we contribute to the long-term value of our own degrees. Unfortunately, we rank very low against our peer institutions in terms of percentage participation by alums in the Wharton Annual Fund. Our Board has made it one of our missions to determine the reasons for this reduced level of participation and to suggest ways to improve it. We hope more and more alums will realize the importance of giving back to the school and the community that gave them so much.

As for the future … I am honored to have been part of the growth of the last seven years, and I am confident that my successors will build well upon the foundation we have laid. As they carry on this important work, I ask four things of them on behalf of our alumni: 1) maintain as a priority the strengthening of the alumni network, 2) be willing to think big thoughts and consider big changes, 3) tell every active alum how much the school needs their time and talent, and ask for his or her ongoing commitment and 4) support our Dean and administration, while also challenging him to always advance the interests of the alumni network.

To you, my fellow alumni, I wish for you an endless number of connections among fellow Whartonites, an attitude to "take the call" when a student or Wharton alum calls you, and a strong feeling of connection back to your alma mater.

As always, if you are currently an active member of Wharton's alumni network, thank you for your dedication. If you are interested in getting involved, start by going to **wave.wharton.upenn.edu** to find a Wharton alumni club in your region or your area of interest.

Please feel free to call or e-mail me directly with any questions. Thank you for your support of the Wharton Alumni Association and thanks for letting me communicate with you here in the Magazine for the past several years.

Sincerely,

David N. Feldman, Esq.,
W'82, L'85
Chairman, Wharton
Alumni Association
dfeldman@feldman weinstein.com

Alumni Association Update

Club Spotlight:

THE WHARTON CLUB OF SEATTLE: ATTRACTING MANY YOUNG ALUMNI

Thanks to the ubiquitous Microsoft, most people now think of Seattle as a hotbed of technology rather than the rainy and distant metropolis that was portrayed in the movie "Sleepless in Seattle" back in 1993. As a result, the city now attracts many young alumni who are pursuing careers in Technology or Telecom, or who are just heeding the call to "go west, young man." Many newcomers are surprised to find that the weather is, contrary to what is reported, often sunny and pleasant. And there are those who believe that the locals conspire to keep the good weather a secret in an attempt to slow down the influx of easterners and Californians.

Like the city, Seattle's Wharton Club has seen tremendous growth over the past several years. Due to its size, the Club in Seattle is co-led by Alexa Chiang (C'92), Julie Lin (WG'97) and other Penn and Wharton alumni. The Club has been focusing on providing its members with opportunities to network with other professionals, reconnect with their classmates, and stay informed about the latest news of the School.

The centerpiece of the Club's programming is the semi-annual Executive Speaker Series, which invites Wharton alumni and local business executives to share their insights on their success and their industries. In addition to a visit by Dean Patrick T. Harker, the Club has had the good fortune to host Jean Bartel of Bartel Drug, Craig Tall of Washington Mutual, executives with Safeco Insurance, and Tom T. O'Keefe of Tully's Coffee Corporation. The Club has also had group presentations, including an Entrepreneur Panel Discussion featuring Terry Drayton, John Lusk, Andy Liu, Jon Staenberg, G. Kevin Doren, and David McShea speaking on "Lessons from the Crash and the Outlook Today for Starting Your Own Company." In these events, alumni got the opportunity to listen to industry veterans about their experience on various topics, such as retail competition, merger and acquisition in the financial industry, and entrepreneur's do's and don'ts.

In addition to the Executive Speaker Series, the Wharton Club participates in a number of events in conjunction with other schools. The Wharton Club in Seattle is a founding member of Seattle Business School Alliance (SBSA), an alliance whose mission is to unite Seattle area's business school alumni through various coordinated educational, social and networking events. The Club also shares social events with its Penn brethren, whose focus is more on social, sports, and cultural-type events such as curling, Penn Jazz Ensemble, and happy hour.

If you are moving to Seattle or plan on visiting Seattle, please drop a line to **whartoninseattle@yahoo.com**, and we will provide you the information on the latest events. Or you can visit Wharton's online club directory at **http://www.wharton.upenn.edu/alumni/clubs** and click on the Penn-Wharton Club of Seattle link to find out about upcoming events.

THE WHARTON CLUB OF POLAND: BEEFING UP RECRUITING

The small but dedicated Wharton Alumni Club of Poland is a unique blend of MBAs, undergraduates, AMPs and researchers. It also includes — albeit unofficially — a few dedicated current MBAs: both loyal Poles living and working in the U.S. as well as students from Poland recruited to attend Wharton.

This past year, like never before, alumni in Poland worked closely with students on campus to beef up recruiting in a country where European MBA degree schools have an extremely strong presence. The MBA students contacted dozens of Polish companies through family and friends in early fall 2004. Club president Anne Kalin WG'91, enlisted McKinsey & Co. to sponsor the recruiting reception and more than 25 interested candidates attended the October reception in Warsaw.

In late December, MBA Candidate Christian Seyne met with 10 candidates from Warsaw from a variety of high tech, marketing and telecom backgrounds. According to Kalin, "Our cooperation with the students on campus will continue. And over the years, I hope they return to Poland after Wharton to help continue the cycle of increasing Wharton's presence in Poland. This cooperation has been fantastic for Wharton."

For complete information and calendar updates, visit<**www.wharton.upenn.edu/alumni/**> *and select "Alumni Event Calendar" from the menu on the left.*

WELCOME PARTY FOR THE CLASS OF 2004, DECEMBER 7, 2004, HOSTED BY THE WHARTON CLUB OF JAPAN. Pictured on the first row (from left to right) are: Kenta Yamaoka, WG'04, Takaaki Tsubaki, WG'04, Jitender Gulati, WG'04. Second row (from left to right) are: Masaya Endo, AMP'47, Robinson Duane, Wg'04, Tomohisa Furuta, WG'04, Kazuya Nakagawa, WG'04, Koichi Tateno, WG'04, Takeshi Kihara, WG'04, Chuta Kojima, WG'04, Hideki Harashima, WG'04 and John White, WG'04

THE WHARTON CLUB OF NEW YORK IN FEBRUARY HOSTED THE PRESIDENT'S FORUM, AN EVENT THAT FEATURED GUEST SPEAKER MARIA BARTIROMO. BARTIROMO IS THE HOST OF "*THE WALL STREET JOURNAL* REPORT WITH MARIA BARTIROMO," A WEEKLY NATIONALLY SYNDICATED BUSINESS, FINANCIAL AND ECONOMIC NEWS PROGRAM PRODUCED BY CNBC IN CONJUNCTION WITH THE EDITORS OF *THE WALL STREET JOURNAL*. Pictured from left to right Rosemarie Bonelli, WG'99 (Treasurer, Wharton Club of New York), David Feldman, WG'82, L'85 (Chairman, Wharton Alumni Association), Maria Bartiromo, Kenneth Beck, WG'87 (President, Wharton Club of New York), Nigel Edelshain, WG'93 (Chairman, Wharton Club of New York).

WHARTON ALUMNI ASSOCIATION BOARD OF DIRECTORS

CHAIRMAN
David N. Feldman, Esq., W'82, L'85
Managing Partner, Feldman Weinstein LLP
Graybar Building, 420 Lexington Avenue,
Suite 2620, New York, NY 10170-1881
B: 212-869-7000 ext. 102
E-mail: dfeldman@feldmanweinstein.com

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Hamilton College
198 College Hill Road
Clinton, NY 13323
Phone: 315-725-7597
dallasvige@hotmail.com

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