

Spring 2006

Wharton

ALUMNI MAGAZINE

New Paths to Prosperity

Alumni foster growth and opportunity worldwide

Also: A grand kick-off for Wharton's 125th anniversary celebration



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Professor Sigal Barsade on emotions at the office



BRETT SHAHEEN, RHODES SCHOLAR, AND AZIZA ZAKHIDOVA, MARSHALL SCHOLAR

Undergraduates to Study International Development Through Rhodes, Marshall Scholarships

Two Wharton undergraduates plan to use two prestigious national scholarships to continue their research in the area of international development. **Brett Shaheen, W'06, C'06**, a senior pursuing a dual degree from Wharton and international relations at the College of Arts and Sciences, has been named a Rhodes Scholar. **Aziza Zakhidova, W'06, C'06**, a senior in the Huntsman Program in International Studies and Business, has been named a

Marshall Scholar.

Brett Shaheen plans to study international relations at Oxford, building upon his research in international development. He brings to Oxford an impressive resume of research and practice, including work in Jordan and India, an analysis of the microfinance industry for which he received a University Scholars research grant, and a stint as editor-in-chief of Penn's *Economica: The Undergraduate Journal of Economics*.

"Being in the field of a microcredit organization and experiencing rural life in the developing world," he reports, "has brought a new sense of urgency to my work," which he is excited to continue with his studies at Oxford next year.

Aziza Zakhidova intends to pursue an MPhil in Development Studies at Cambridge University and then an MSc in Economics

at the London School of Economics. Her studies will focus on economic development, with an emphasis on the transition economies of former Soviet Union countries.

Born in Uzbekistan, Zakhidova lived in Japan and Italy before moving to the U.S. at the age of 12. She resumed her study of Japanese language and culture as a student in the Huntsman Program, studying abroad at Hitotsubashi University in Tokyo during her junior year. Currently, Zakhidova is conducting research, funded through a University Scholars Research Grant, on the impact of a JBIC line of credit extended to Uzbekistan for the improvement of Uzbeki agricultural colleges.

MBA Students Bring Expertise to Philadelphia Non-profits

"I have always been involved with the communities I live in," says Wharton MBA student **Franco Tapia, WG'06**, "and when I heard about the NPBLP program, I immediately thought it would be a great fit. The ability to use Wharton's resources to help the greater Philadelphia community is something I'm proud to be a part of."

In April 2005, Wharton's Social Impact Management Initiative launched a unique program called the Non-profit Board Leadership

Program (NPBLP). Working with the Non-profit Center at LaSalle University, the NPBLP selects and trains ten Wharton MBA students to serve on the boards of directors of non-profit organizations in Philadelphia.

MBA students placed through the NPBLP use their high-level knowledge of such areas as accounting, finance, and marketing to make a direct impact on the business strategies of organizations in the community around them.

NPBLP's first group of participants was selected from over 50 applicants.

Program participants will attend board meetings, serve on a board sub-committee, and receive one-on-one mentorship from a senior board member. They will also take part in quarterly development sessions, where they work with experts to find potential solutions for the challenges they face in their board positions.

"These partnerships will benefit organizations and communities that typically do not have access to MBA talent," says **Sadaf Kazmi, WG'06**, the program's student director.

"Over the course of the next semester," reports Mishra, who's working with Philadelphia's Arts & Spirituality Center, "I plan to focus on providing a framework for increased transparency in what is currently a start-up-like environment."

Two New Knowledge@Wharton Services: Indian Version, Audio Podcasts

KNOWLEDGE@WHARTON audio podcasts are now available through iTunes, as well as the Knowledge@Wharton site and Audible.com. On February 15, Knowledge@Wharton was the #1 most popular podcast in the "Business" category on iTunes. Podcasts include articles narrated by professional readers as well as original interviews with Wharton faculty such as Jeremy Siegel and Peter Fader.

The next new service from Knowledge@Wharton will be an Indian version — announced in January with an anticipated Fall 2006 launch date. India Knowledge@Wharton will be published in English, featuring articles on topics such as business process outsourcing, family business and R&D for management leaders interested in learning more about one of the world's fastest growing economies. Knowledge@Wharton already produces regional content in Spanish, Portuguese, and Chinese.

Wharton Represented by Six Faculty Members at World Economic Forum

WHARTON WAS WELL REPRESENTED in Davos, Switzerland, in January during the annual meeting of the World Economic Forum, an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. Participants included professors Ravi Aron, Stephen Kobrin, Howard Kunreuther, John Paul MacDuffie, Jeremy Siegel, and Michael Useem.

Faculty Examine Lessons from Hurricane Katrina

HURRICANE KATRINA RAISED fundamental questions about how the nation can, and should, deal with the inevitable problems of economic risk and social responsibility. A new book from Penn Press, *On Risk and Disaster: Lessons from Hurricane Katrina*, co-edited by Wharton professor Howard Kunreuther, gathers leading experts to examine lessons from Hurricane Katrina. Contributing writers include Wharton professors Kunreuther, Robert Meyer, and Scott Harrington.

Entrepreneur in Residence Series Links Entrepreneurs and Students



ON FEBRUARY 7 CHUCK JAMES, WG'85, CEO, C.H. JAMES & CO., MET WITH STUDENT KATERINA CAI, WG'07, AS PART OF WHARTON'S ENTREPRENEUR IN RESIDENCE (EIR) PROGRAM. WHEN JAMES JOINED HIS FAMILY'S CHICAGO-AREA PRODUCE-WHOLESALE FIRM, HE FOCUSED ON GOVERNMENT CONTRACTING SECTOR FOR GROWTH. FROM 1985-1992, C. H. JAMES & CO. GREW AT A 31% ANNUALIZED GROWTH RATE. TODAY THE COMPANY HAS ANNUAL REVENUES IN EXCESS OF \$50 MILLION IN PRODUCE DISTRIBUTION AND QUICK SERVICE RESTAURANTS.

Global Consulting Practicum Starts Projects in China, Israel

FOR THE FIRST TIME, the Global Consulting Practicum has projects in China. The GCP has a pilot partnership in the North with the Guanghua School of Management (Peking University) and in the South with Fudan's School of Management. The GCP also participated in the first-ever Wine Export Conference with Israel's wine industry. Students are working with leading beverage experts, brand experts, and Israeli wineries to enhance exports to the U.S.

NFL Players Back on Campus

MORE THAN 35 NFL PLAYERS came to Wharton on February 26 - March 1 and April 3-5 as part of an ongoing initiative to assist players in preparing for their post-playing careers. Organized by the Wharton Sports Business Initiative and Executive Education Division, the three-day event brought together players from teams such as the Philadelphia Eagles, New England Patriots, New York Giants and NFC Champion Seattle Seahawks, who attended sessions taught by faculty including Professors Kenneth Shropshire, Peter Linneman, Georgette Poindexter, William Tyson, and Jeremy Siegel.

Executive Education Launches New Learning Model, Runs First Program at All Wharton INSEAD Alliance Sites

WHARTON EXECUTIVE EDUCATION has introduced the Wharton Learning Continuum, a new learning model that supports participants from before they arrive in the classroom until after they return to the office. This unique executive education model spans nine to 12 months to support individuals — and their companies — before, during, and after leaving the classroom. Innovations include manager's briefings and the use of Virtual Classrooms to reconvene the cohort at three-month intervals for follow-up.

Wharton Executive Education has expanded its reach geographically as well, as "Leading the Effective Sales Force" has become the first Executive Education program to run at all four of the Wharton INSEAD Alliance sites: Philadelphia, San Francisco, Singapore, and Fontainebleau, France. In this program, co-directors Professor Leonard Lodish and INSEAD Professor Erin Anderson address how to cut costs while raising sales. ♦



'Springtime for Harker' by Wharton Follies; 30 Years of a Wharton Tradition!

On February 12, winter's first big snowstorm arrived in Philadelphia just in time for the Wharton Follies 30th Reunion performance at the Zellerbach Theater. To the delight of the audience and returning alumni, the 2006 Follies production of "Springtime for Harker" braved the weather and went on with the show. The event showed the lighter side of Wharton's 125th anniversary celebration as the Follies themselves reached a 30-year milestone.

The Follies have become one of the defining traditions at Wharton and are regarded as a "must-see" event. The Follies were inspired by **Charlie Seymour, WG'75**, who worked with classmate **Larry Wilson** to produce a string of theatrical productions at Houston Hall, International House, and Annenberg's Prince Theater. With more than 100 students serving as producers, performers, writers, and crew, Follies is now both one of the largest clubs and highest profile organizations within Wharton, staging one of the most elaborate productions of its kind at any professional school.

This year's plotline parodied "The Producers" with backstage comedy framing the musical numbers. In this alternate universe, Graduate Division Vice Dean Anjani Jain and MBA Program Director Peggy Lane hatch a plot to create a Follies show so expensive and disastrous that its failure will oust their Dean, Patrick Harker, as payback for his taxing the pair with useless tasks, such as attending to his dry cleaning or cleaning his office. As the Follies preparations balloon out of control, Harker finds no idea too absurd and no cost too great. The scheming duo hopes that he will finally be exposed for his profligacy.

Needless to say, the lavish show-within-a-show "Springtime for Harker" becomes an unqualified success, thanks to some last-minute downsizing and "outsourcing" of skits. Harker ultimately ends up reaping all the accolades, despite the efforts to sabotage him, ensuring a new Follies production (and a new challenge for the onstage Lane and Jain) in 2007.

If you missed the show and wish to appreciate the performance from the excellent cast, you are in luck. The 2006 Wharton Follies DVD is available for sale online at store.yahoo.com/wga/follies2006dvd.html.

— Martin Thibodeau

PHOTOS BY JERRY MILLEVOI





TURNAROUND EXPERT STEVE MILLER ADDRESSED AN AUDIENCE OF RESTRUCTURING PROFESSIONALS AND STUDENTS AT PHILADELPHIA'S UNION LEAGUE.

Second Annual Restructuring Conference Draws Strong Industry Attendance

“The real purpose of restructuring is to fix a company that is broken,” said Robert Stevens “Steve” Miller, chairman and CEO of Delphi Corp., at the 2nd Annual Wharton Restructuring Conference on February 10. “Saving Chrysler felt like a higher calling. If the company failed, it would put a half-million people out of work.”

Miller, a sought-after chief executive and corpo-

rate director, has a strong sense of the lives — as well as dollars — at stake in his work. After joining Chrysler Corp. in 1979, Miller negotiated with 400 lenders and the U.S. government as the architect of the Loan Guarantee Act that bailed out the troubled company.

The subtitle of the conference was “Identifying Opportunity in the Next Wave of Restructuring” — and the theme of identifying opportunity applied equally well to the MBA student organizers themselves. While Wharton has alumni strength in this area, the MBA Restructuring Club and its conference are only two years old. MBA students specifically interested in turnarounds and distressed

investing sought to fill a gap in club offerings, and drew their membership from multiple disciplines — finance, accounting, law, and management.

The relatively new student conference found a receptive audience. The event was fully subscribed with about 115 student/faculty attendees, 19 speakers, and 156 investment bankers, lawyers, and other restructuring professionals — more than twice the professional turnout of the year before. The conference theme is uncommon among business schools and drew a handful of student attendees from as far afield as Stanford.

This year’s co-chairs — **Ajay Bijoor, Borja Madrid, and Will Rudat**, all **WG’06** — helped organize panels to cover operational turnarounds, distressed investing, and financial restructuring. In addition, they enlisted two illustrious keynote speakers who share a name — Miller — but brought insight from different sides of the restructuring table.

While Steve Miller spoke from the operational perspective, the conference’s second keynote speaker, Henry S. Miller, chairman, managing director and co-founder of Miller Buckfire & Co., has represented debtors, creditors, and other parties in complex reorganizations and chapter 11 matters for Calpine, Delta Air Lines, Sunbeam, and Dow Corning, to name only a few among dozens of clients. ♦

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Leo Charney

Susan Scerbo

Laura Siegfried, WG’89

Editorial Assistant

Mark Natale

Design

Warkulwiz Design Associates

Art Director

Martin Thibodeau

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>

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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>

Seen and Heard on Campus

A SELECTION OF RECENT WHARTON SPEAKERS ON CAMPUS AND AT CONFERENCES

JANUARY 2006

- Jan. 10:** David Abrams, Abrams Capital
Jan. 12: Mark Sutton, member of Group Executive Board and chairman, CEO Americas, UBS
Jan. 17: Marc Kaplan, WG'00, director of strategy, Textron, Inc.
Jan. 17: Raph Koster, chief creative officer/game designer, Sony Online Entertainment
Jan. 19: Peter Dickstein, C'77, WG'81, president & CEO, eProsper
Jan. 20: Joseph Landy, W'83, co-president, Warburg Pincus
Jan. 21: Mark Baiada, founder and president, Bayada Nurses

FEBRUARY 2006

- Feb. 6:** Justin Lahart, columnist, *Wall Street Journal*
Feb. 7: Chuck James, WG'85, CEO, CH James & Co.
Feb. 7: Jeff Rathke, deputy director, NATO Operations, Office of European Security and Political Affairs, U.S. Department of State
Feb. 8: Rebecca Rimel, president and CEO, Pew Charitable Trusts
Feb. 9: Ken Krieg, Under Secretary of Defense for Acquisition Technology & Logistics, Office of the Secretary of Defense; David Storch, chairman, president, and CEO, AAR Corporation; Lieutenant General Donald Wetekam, Deputy Chief of Staff, Installations and Logistics, United States Air Force
Feb. 10: Robert "Steve" Miller, chairman and CEO, Delphi; Henry Miller, chairman and managing director, Miller Buckfire; Frank Lanza, chairman and CEO of L-3 Communications; Clayton Jones, chairman, president & CEO, Rockwell Collins Inc.
Feb. 14: Dr. Stephen Friend, executive vice president, Advanced Technologies & Oncology, Merck; Alan Kwan, vice president, Yahoo! International
Feb. 15: Philip D.M. dePicciotto, president, athletes and personalities, Octagon
Feb. 16: Gary L. Gottlieb, MD, WG'85, president, Brigham and Women's/Faulkner Hospitals
Feb. 17: G. Steven Burrill, CEO and founder, Burrill & Company; Michael J. Dormer, worldwide chairman, Medical Devices Group, Johnson & Johnson; Anne Wilkins, WG'93, vice president and director, The Boston Consulting Group; Steven Nichtberger, MD, C'83, W'83, president and CEO, Tengion, Inc.
Feb. 21: Bob Venturi, H'80, and Denise Scott Brown, founders of Venturi, Scott Brown & Associates; Sundeep Bahn, C'94, president, CEO, Medsite; Sanjay Pingle, W'93, executive vice president, Medsite
Feb. 22: Mitchell Ziets, W'84, president and CEO, MZ Sports LLC
Feb. 24: Dr. Sophie Vandebroek, chief technology officer, Xerox Corp.; Phil Edholm, chief technology officer and vice president of network architecture, Nortel; Matthew J. Espe, chairman and chief executive officer, IKON Office Solutions

Wharton Technology Conference Celebrates 10th Year



TOMMY LEONARDI

AT THE 10TH ANNUAL WHARTON TECHNOLOGY CONFERENCE ON FEBRUARY 24, DR. IRVING WLADAWSKY-BERGER (PICTURED ABOVE), VP OF TECHNICAL STRATEGY AND INNOVATION FOR IBM, DISCUSSED THE LONG-TERM VIABILITY OF SOCIAL NETWORKING APPLICATIONS. HAVING WEATHERED A DECADE OF TECHNOLOGICAL CHANGE, THE MBA-STUDENT-RUN CONFERENCE FOCUSED ON THE THEME OF "SUSTAINABLE TECHNOLOGY LEADERSHIP: INVESTMENTS STRATEGIES, MARKETS, AND PEOPLE."

- Feb. 27:** Jonathan Greenblatt, founder, Ethos Water
Feb. 28: Daniel Kahneman, professor of psychology, Princeton University, Nobel Prize winner in economics; Gary Rappaport, president, CEO, Rappaport Companies

MARCH 2006

- Mar. 14:** Marcio Moreira, vice chairman, McCann Worldgroup
Mar. 21: Karim Rashid, W'88, designer and founder, Karim Rashid Inc.
Mar. 23: William McDonough, former chairman, Public Accounting Company Oversight Board
Mar. 24: Ray Gilmartin, former CEO, Merck & Company; Susana Malcorra, deputy executive director, United Nations World Food Programme; Rod Paige, former Secretary, U.S. Department of Education; Lynn Scarlett, Deputy Secretary, U.S. Department of the Interior; Wendy Taylor, founder, Bioventures for Global Health
Mar. 28: Howard Morgan, founder and director of Idealab
Mar. 30: Dr. Klaus Kleinfeld, president and CEO, Siemens ♦

MAY 11 – 14, 2006



W E E K E N D

Wharton reunion

Join us on campus and rediscover the unique energy of the Wharton community. An array of social events will give you the opportunity to reconnect with old classmates and friends, and our renowned professors will offer an assortment of programs and presentations. There is no better time to become reacquainted with the School. For additional information please contact Alumni Affairs at **215-898-8478**, email us at reunion@wharton.upenn.edu or visit our website at www.wharton.upenn.edu

1956 1961 1966 1971 1976 1981 1986 1991 1996 2001

All MBAExec Reunion | Emeritus Society Reunion



PHOTOS BY KARUNA KRISHNA AND MEMORY MAKERS



125
YEARS

Wharton in India: A Global Kick-Off

On January 6, Wharton's 125th anniversary festivities launched at the sold-out 2006 Global Forum in India. More than 400 alumni and business leaders offered a warm welcome and a rousing kick-off to a 16-month-long celebration that includes a faculty tour around the United States and other special events.

While India's National Center of Performing Arts was nearly 8,000 miles from the site of the Wharton School's founding, attendees found themselves in a fitting location. The host country's burgeoning economy and rapidly changing society showcased both the reach and promise of Wharton's impact 125 years after the School invented collegiate business education.

"Wharton brought U.S. management thinking to a wider audience in the developing world and Asia," said attendee **Tarun Kataria, WG'85**, head of Asia/Pacific sales for HSBC Ltd. in Hong Kong. "I'm here to celebrate Wharton's contribution to global economics and finance."

Donald Woo, WG'73, president of Tower Group Asia, who also flew in from Hong Kong, agreed, "Wharton is a very powerful source of business education that benefits not just the students but the whole business world."

Wharton currently has more than 3,000 alumni who live in Asia — its highest number of alumni outside the United States. The School's regional influence was underlined by participants who included **Deepak M. Advani, WG'98**, SVP and chief marketing officer, Lenovo; **Rangnath (Rangu) Salgame, WG'94**, president, India & SAARC Region, Cisco Systems; **Shiv Vikram Khemka, WG'90, G'90**, vice chairman of SUN Group; **Dhruv M. Sawhney, WG'71**, chairman and managing director, Triveni Engineering and Industries Ltd.; and Finance Minister of India, P. Chidambaram, who spoke on "The Indian Economy at Inflection Point." Also discussed were critical issues affecting India — including outsourcing, foreign investments, and Indian pharmaceuticals — as well as more general topics, such as the future of telecom, alternative medicine, and social entrepreneurship.

Wharton alumnus **Anil D. Ambani, WG'83**, chairman of Anil Dhirubhai Ambani Enterprises, served as chairman of the Forum's Organizing Committee. Speakers included Narayana Murthy, chairman and chief mentor, Infosys Technologies Limited; **Takeshi Natsuno, WG'95**, senior vice president and managing director, Multimedia Service, NTT DoCoMo, Inc.; **Kenneth Moelis, W'81, WG'81**, president, UBS Investment Bank; **Pridiyathorn Devakula, WG'70**, governor, Bank of Thailand; and Wharton professors Jeremy Siegel, Ian MacMillan, Harbir Singh, Jitendra Singh, Michael Useem, Jagmohan Raju, and Anjani Jain.

While the Global Alumni Forum was an occasion for celebration, it was also an opportunity for business. The School announced the upcoming fall 2006 launch of Knowledge@Wharton India and presented the Wharton-Infosys Business Transformation Awards (WIBTA) 2006, Asia Pacific. The awards entered their fifth year, recognizing visionaries and organizations that use technology in an innovative and creative manner to revolutionize their businesses. Honorees were Cyworld, a South Korean social network service comprising nearly 17 million people; Kiran Mazumdar-Shaw, founder of Biocon India; and OhmyNews, a South Korean online citizens' reporting forum.

Shaili Shah Kejirwal, W'02, an associate with Tamara Capital Advisors, a Mumbai private-equity firm, saw the celebration through a more personal lens. "125 years is a lot of history," she said. "Since the beginning, Wharton has had a very proud and rich tradition of graduates becoming business leaders around the world. I know that I can go anywhere in the world, and find someone in the alumni directory who's very distinguished. I know they'll be very responsive because I am a Wharton alumna."

2006 Global Alumni Forums Don't miss upcoming Global Alumni Forums in Istanbul June 8-9 and Rio de Janeiro August 10-11. The Wharton School holds Global Alumni Forums in centers of economic promise and business growth around the world, giving alumni the chance to learn about business opportunities and meet regional business and government leaders. For more information, email: globalalumniforums@wharton.upenn.edu or call 1.215.573.6774. Visit the website at www.wharton.upenn.edu/alumni/forums/.



PHOTOS BY TOMMY LEONARDI



Events Calendar Wharton 125

125th.wharton.upenn.edu

Join more Wharton leaders at the Wharton 125 celebration in a city near you.

2006

Wharton marks 125 years of innovation and leadership in management education and research

MINNEAPOLIS

01 May 2006

featuring: George Day
Competitive Marketing Strategies

WASHINGTON, D.C.

02 May 2006

featuring: Olivia Mitchell
Social Security/Retirement

NEW YORK CITY

03 May 2006

featuring: Kenneth Shropshire
Sports Business

SAN FRANCISCO

08 May 2006

featuring: Barbara Kahn with
Dean Harker
Wharton West Anniversary Celebration

BOSTON

01 June 2006

featuring: David Reibstein
Marketing

PHILADELPHIA

11-14 May 2006

Alumni Reunion Weekend

ISTANBUL

08-09 June 2006

Global Alumni Forum

125
YEARS

Wharton Economic Summit Brings World Business Leaders to Sold-Out Event in New York

“We are talking about what’s happening in real time on the real frontiers,” said Wharton real estate professor Peter Linneman at Wharton’s first-ever Economic Summit, held in front of a sold-out audience on February 1 at the Pierre Hotel in New York City. Linneman was moderating an impressive real estate panel that included Bill Mack, W’61, senior

principal of Apollo Real Estate Advisors LP and president of the corporate general partners of the Apollo Real Estate Funds; Sam Zell, chairman of Equity Group Investments; and Mort Zuckerman, WG’61, chairman of Boston Properties, editor-in-chief of U.S. News & World Report, and publisher of the *New York Daily News*.

The Economic Summit represented the U.S. kick-off to Wharton’s 125th anniversary celebration. The day-long event included panel discussions on the futures of real estate, corporate governance, and energy investing; presentations from renowned Wharton finance professor Jeremy Siegel and alumnus **Michael Milken, WG’70**; and a concluding speech by shareholder activist Carl Icahn.

The summit’s speakers included Jan Eliasson, president of the United Nations General Assembly, who delivered the opening keynote speech; and host Maria Bartiromo, from “Wall Street Journal Report with Maria Bartiromo” and CNBC’s “Closing Bell.” Media covering the event included CNBC, Bloomberg TV, *BusinessWeek*, *The Economist*, *Forbes*, Reuters, and the *Wall Street Journal*.

In the first panel discussion, **Martin Lipton, W’52**, founding partner of the corporate law firm Wachtell, Lipton, Rosen & Katz, made the case against hedge funds, who he says are “pressuring companies to act for short-term performance.” Lipton spoke on a panel titled, “After the Corporate Governance Revolution: The

Imperial Board of Directors” with fellow alumnus **Arthur Collins, WG’73**, chairman and CEO of Medtronic.

The day’s last three panelists addressed renewable energy, arguing that only high energy prices will drive enough demand to fund the development of renewable fuels. “We’ll be a hydrocarbon-based economy for a long time,” concluded Aubrey McClendon, chairman and CEO of Chesapeake Energy, who sat on the panel with **William Macaulay, WG’68**, chairman and CEO of First Reserve, and David Crane, president and CEO of NRG Energy.

In his much-anticipated session, Jeremy Siegel assessed “the most critical long-term economic issue facing the developed world” — the economic effects of aging populations.

According to Siegel’s predictions, the developed world will have an increasingly smaller slice of the world’s GDP, while the comparatively young populations of India and China will contribute a projected 77% share of the world’s GDP by 2050. ♦

— Susan Scerbo

PHILADELPHIA
13 June 2006
Tenth Annual Wharton
Leadership Conference
Leading with Resilience:
Coming Back from
Challenge and Adversity

TORONTO
15 June 2006
featuring: George Day
Competitive Marketing
Strategies

RIO de JANEIRO
10-11 August 2006
Global Alumni Forum

ST. LOUIS
10 September 2006
featuring: Richard Shell
Negotiations

PHILADELPHIA
15 September 2006
featuring: Michael Useem
Leadership Through
Innovation

HOUSTON
22 June 2006
featuring: Kenneth Shropshire
Sports Business

Join us in global conversations with the world’s thought leaders. Meet us in a city near you, in Philadelphia for Alumni Reunion Weekend, and in Istanbul and Rio de Janeiro for Global Alumni Forums. Contact Nicole Rayer at rayern@wharton.upenn.edu or call 215.898.0919 for more information. Please note that all event dates are subject to change.



RWJF

Wharton Leader

DR. RISA LAVIZZO-MOUREY

A Healer for the Health Care System

There's no doubt that aspects of the United States' health care system are ailing. Millions of working people are uninsured, access to services varies widely, and Medicare is predicted to reach a crisis in coming years.

No one is better suited to help heal the system than Risa Lavizzo-Mourey, MD, WG'86. As the president and CEO of the Robert Wood Johnson Foundation (RWJF) since 2003, Lavizzo-Mourey applies principles she has learned from her

training in business, medicine, and public policy to guide strategic investments that redesign systems and improve the health and health care of all Americans.

From a career as a practicing physician and work in academic medicine, she moved into the public sphere as an expert in health care policy, held positions in government, and played a key role in philanthropy. After earning her medical degree from Harvard, Lavizzo-Mourey went on to earn her MBA at Wharton. At the Medical School of the University of Pennsylvania, she served as a Robert Wood Clinical Scholar, where she specialized in geriatric medicine. While at Penn she became the Director of the Institute of Aging and the Sylvan Eisman Professor of Medicine and Health Care Systems.

While the Foundation's \$9 billion in assets makes it the nation's largest philanthropy dedicated exclusively to health and health care, its resources are dwarfed by the scope of the need. Under Lavizzo-Mourey's leadership, the Foundation refocused its priorities and restructured its grant-making activities into an "impact framework." This framework brings more integrated strategies to a highly targeted set of program priorities.

The framework clusters the majority of the Foundation's grantmaking into four strategic portfolios: Human Capital, Vulnerable Populations, Pioneer, and Targeted. Like an investment fund, each portfolio targets specific high-impact goals, seeks results across different time frames, and assumes varying levels of risk. Human Capital aims to develop a diverse workforce of health care leaders and practitioners; Vulnerable Populations addresses health and health care problems that intersect with social factors like poverty, race, education and housing; Pioneer invests in innovative and cutting-edge programs that often involve high-risk; and the largest of the four, Targeted, addresses the urgent need for short-term action with long-term impact in eight areas — health care coverage, nursing, childhood obesity, health care quality, disparities in health care, public health, tobacco, and addiction prevention and treatment.

The problems Lavizzo-Mourey aims to solve are indeed big — bigger than any single leader or even any private foundation — but she is able to recognize issues on a system level, understand the individuals affected, and bring together the people and organizations needed to make a difference. As committed to healing individuals as well as society, she still treats patients at a community health clinic in New Brunswick, NJ.

Lavizzo-Mourey says of herself: "What continues to energize me is the opportunity to address big problems in the area of health and health care, to make a difference on a large scale, and to touch people directly and change their lives."

Why did you change your path to philanthropy?

I grew up as the daughter of two physicians and intended to have a career as a practicing physician focused on individual

Wharton Facts

Penn's Leonard Davis Institute (where Dr. Risa Lavizzo-Mourey is an adjunct senior fellow) was established in 1967 as a formal cooperative venture among Wharton and the University of Pennsylvania's schools of Medicine, Nursing, and Dental Medicine.

LDI works to improve public health through multidisciplinary studies on medicine, economics, and social and ethical issues that influence health care. The Institute emphasizes research on the efficient allocation and appropriate use of health care resources and the development of innovative health care delivery systems.

patients and their health care. While I never envisioned a career in philanthropy, in hindsight it was a natural progression.

My personal connection with philanthropy began as a Robert Wood Johnson Clinical Scholar at Penn. Certainly, that initial connection with philanthropy, with the Foundation I am now privileged to lead, has taken me down paths I could not have imagined when I arrived in Philadelphia in 1982.

Philanthropy at its best can be transformative — changing the lives of its beneficiaries as well as changing the trajectory of entire neighborhoods and communities, changing entire systems, changing public policy and private action. My background and experience in various aspects of medicine, business, academia, and government, give me a unique perspective and understanding of these different fields. For example,

the lessons I learned at Wharton help me apply concepts from business into health care. I can also help the Foundation serve as both a convener and bridge between the different fields and areas we are working.

It takes a multidisciplinary approach to attack root causes head-on and transform the health care system and with it, society as a whole.

Given the unequal access and inferior health care of racial and ethnic minorities, what steps can be taken to reduce these disparities?

It's important to recognize that a lot of people don't appreciate that Americans from different racial and ethnic backgrounds are not getting the quality of care that they should. I have been thinking about and writing about this area for a couple of decades now. In fact, a few years ago I had the opportunity to co-chair The Institute of Medicine's Committee on Racial Disparities in Health Care.

The Foundation's strategy is focused on finding and implementing practical, evidence-based solutions that target diseases where both the evidence of racial and ethnic gaps and the recommended standard of care are clear. What we are realizing is that when you bring those two characteristics together, you begin to see not only changes in attitude but also real gains. These gains are not just in reducing disparities, but in improving the overall quality of care as well.

And that really is the kind of work the Foundation is doing, working on testable ways of solving the problem. I am

heartened by the fact that there are signs that we are improving the quality of care and narrowing the disparities gap in some areas.

Many children in our country are significantly overweight. What strategies might be effective in dealing with this epidemic of childhood obesity?

If the trend in childhood obesity continues, we are in danger of raising the first generation of children who will live sicker and die younger than their parents. Fortunately, there are a lot of strategies, and a handful of approaches that I am confident will help halt the rise in childhood obesity.

Children have to learn healthy lifestyles in their current environment. Average American lifestyles have become incre-

ably sedentary. It is hard for many people to make the healthy choices that they want to make. It is hard for them to find healthy foods and to integrate

physical activity into their lives so that it is not an extra activity but just something that is done everyday. So what we are trying to do through a coordinated effort is to improve the environments for kids so that they think of healthy choices as normal choices, as the right choices.

RWJF has a four-pronged approach to halting the increase in childhood obesity. We are building the evidence regarding what works to promote healthy eating and physical activity among kids; testing innovative approaches so we can spread promising models; educating leaders and investing in advocacy strategies; and working on ways to help health care providers screen and counsel to prevent and manage childhood obesity.

We are very much committed to building evidence and testing innovation. For example, RWJF has provided grant support to the Food Trust of Philadelphia, which operates a network of community-based farmers markets, school markets and nutrition education programs to address diet-related health problems in America's lower-income communities. Its Corner Store Campaign is teaching children to make healthy choices at corner stores that are close to schools, and offers an incentive system to encourage them to buy healthy snacks as opposed to non-healthy snacks. And that innovation has been shown to work over the long term.

Continued on page 35

Wharton launched the first MBA program in health care management in 1970, and continues to innovate with its newest joint program: the Roy and Diana Vagelos Program in Life Sciences and Management, established for undergraduates in 2005.

Wharton offers joint programs in health care, biotechnology, and life sciences in conjunction with Penn's schools of Nursing, Medicine, Veterinary Medicine, Dental Medicine, Engineering, and Arts & Sciences.

New Paths to

PROSPERITY

From microfinance
to network creation,
Wharton alumni are
fostering growth and
opportunity worldwide.

BY NANCY MOFFITT AND SHARON L. CRENSON

ILLUSTRATION: DAN PAGE



Rosalind Copisarow had begun to see her work as invisible. Most of her waking hours were spent in front of a computer screen churning out cash-flow projections on deals financing the extraction of oil and gas from the North Sea. It was 1983, and Copisarow, WG'88, G'88, was a 25-year-old commercial banker in Citibank's oil and mining department.

"I never saw a single thing we financed — women weren't allowed on the oil rigs anyway — and I never touched or felt or had any idea of the impact, good or bad, of anything I worked on," she says of that time.

This feeling that her work was disconnected from real life planted the seeds of Copisarow's ultimate defection from commercial banking. It also began her dramatic personal journey toward something she now calls "soul work." Today, at 47, Copisarow is Senior Vice President, International Operations, Europe, Asia & Middle East for ACCION International and a world leader in the microfinance industry. Prior to joining ACCION last year, Copisarow founded and ran microfinance organizations in Poland and the U.K., receiving numerous international awards along the way, including the Officer's Cross of the Order of Merit in recognition for her services to the Polish economy and a special award from the U.S. Government, presented by then-First Lady Hillary Clinton.

In the pages that follow, the *Wharton Alumni Magazine* continues Copisarow's story, as well as sharing the narratives of several other pioneering men and women, each passionate about work they say "feeds the heart." Whether as a day job or second-shift volunteer work, these alumni are expanding Wharton's impact by applying business

skills and networks to open opportunities, expand education, and create livelihoods around the world.

ADDICTED TO HELPING THE MASSES

ROSALIND COPI SAROW

Copisarow has told the story of her move

to microfinance dozens of times: The year was 1993, and she was stuck in a seat between two banking competitors on her regular British Airways flight from London to Warsaw. Forced to keep her work documents safely inside her briefcase, she began reading the *Financial Times*, and came across a story about Grameen Bank, a microfinance organization in Bangladesh. "I read about the more than a million women this organization had made unsecured loans to, some of the poorest people in the world, and that the repayment rate was 98 percent," she said. "It was astonishing."



By this time, Copisarow was vice president and country officer of J.P. Morgan's Poland branch, where she had been working to bring market economy principles to post-Iron Curtain Poland. It was an exhilarating time for Copisarow, who by then had her MBA and MA from Wharton/The Lauder Institute, spoke four languages (English, French, Spanish, and Polish), and had a dozen years of investment banking experience.

"It was very exciting because everything there was a first in Poland," she says. "We did the first Euro Bond issue, the first project finance, the first syndicated loans, the first of every kind of financial structure to get things off the ground. It was high-level adrenaline. Things were moving very quickly; construction was rapid. But while I was walking to meetings in Poland, I would always see very poor people on the streets. And I was very aware of the people in the countryside who were being left way behind while huge developments were going up in the main cities. In spite of all the progress, the gap between rich and poor was widening."

When she read about Grameen Bank, the little voice that had nagged her throughout her career became louder. Microfinance could be an answer for the poor in Poland.

As fate would have it, Copisarow found herself seated next to Poland's then-finance minister, Leszek Balcerowicz, at a J.P. Morgan-hosted dinner a few weeks later. She asked him if he had heard of Grameen Bank. He responded that he thought it was an amazing success story. Copisarow then heard herself asking Balcerowicz what he would think of a "crazy foreign woman" bringing the microfinance concept to Poland. He replied that if she was willing to give up her fast-track banking career to do that, he would support her in every way he could.

Microfinance had by this time shown itself to be a highly successful tool in the poorest countries worldwide. Could it be equally useful for a transition economy such as Poland, Copisarow wondered?

"I certainly never imagined that I was capable of setting up a company," Copisarow says. "Until that point, I had worked for huge companies as a cog in the middle levels. I also didn't know anything about the micro-business market. Even the Polish people I talked to told me I was crazy — that the Poles didn't even trust each other, let alone a foreigner. But I saw in Poland this extraordinary spirit of striving and hoping and believing and I couldn't believe that people had totally lost the ability to trust each other. In the end, I thought I would just give it a go, and if it failed, very little would have been lost."

But it didn't fail. In July 1994, on the back of the Bush administration's SEED Act (1989), which provided special support to Eastern European countries through the creation of independent American Enterprise Funds, President Bill Clinton announced the Polish-American Enterprise Fund and USAID would provide \$24 million to launch a microfinance institution in Poland. Copisarow was its founder and CEO.

Within five years, Fundusz Mikro was able to break even with 35 branches in every major town and city in Poland and \$45 million in loans to 40,000 people, creating over 10,000 new jobs. And Copisarow, by then "utterly addicted" to microfinance, was ready to go home to London, where she hoped to adapt her model to serve the poor in the most developed economies. "I felt that I had really finished the work that I had set out to do," she says, "which was to create a Polish institution for Polish people run by Polish people. I didn't want to overstay my welcome."

She founded Street UK, a British microfinance organization, in 2000, a process that was anything but easy. The government had little initial interest in the venture, which was ultimately backed by charitable foundations and several sympathetic banks. Street UK's progress was further stymied by Britain's tax and benefits system, with many potential clients stuck in an informal economy "no-man's land" between receiving benefits and running a legitimate small business. In an effort to begin a real dialogue with policy makers and regulators, Copisarow created StreetLab, a research and advocacy initiative, to work alongside Street UK conducting pilots with controlled groups of clients and recommending specific policy changes. She also created StreetServe, a full back-office service for other microfinance and community loan funds in the U.K. StreetServe is now not only Street UK's main source of revenue, but has also improved the cost-efficiency and transparency of performance of the industry as a whole. Meanwhile, StreetLab's work has contributed to a number of significant improvements to the U.K.'s tax and benefits system, consumer credit regulation, and enterprise-related policies.

Today, a year into her new post at microfinance pioneer ACCION, Copisarow hopes to bring her vast microfinance experience to the poorest regions of intermediate countries, nations like China and Turkey with thriving, sophisticated cities but thousands still living in extreme poverty in rural areas. "I will begin to look not just country by country, but city by city and market by market," she says. Her plans include going into the poorest areas of the Middle East, Africa and Asia and Eastern Europe.

Created in the 1970s by a number of parallel initiatives, including ACCION International's in Latin America and Opportunity International's and Grameen Bank's in Asia, the

microfinance industry has become increasingly prominent in recent decades. Today, microfinance institutions are active across the globe and the industry itself has become a competitive market, emerging from its low-key non-profit origins into the mainstream financial industry.

“A great aspect of the success of this industry is that it’s one of very few that has the capacity to shift from a solely non-profit activity to mostly for-profit,” Copisarow says. “The significance of this is absolutely huge. You now have a very complex and tricky array of providers from huge global banks to non-profit foundations.”

The challenge for industry leaders like Copisarow, she says, is to respond to the needs of these private sector players. “We are rethinking the microfinance industry by trying to incorporate it into commercial banks — which already have the infrastructure, the back-office, the branches, the staff, the capital — and help them serve micro-entrepreneurs as an additional client group,” she says. “If we can do this, we reach many more people more quickly and more cheaply than by building NGOs from scratch and reinventing everything.

“The work has become absolutely fascinating,” says Copisarow, who was born in France but grew up in the U.K., studied human sciences as an undergraduate at Oxford and grew up in a family where giving back was a routine part of life. “The whole effort is toward maximizing outreach and minimiz-

ing the transaction costs of these tiny loans. The more we can keep these costs down, the wider the group of financial institutions interested in providing them will be.” With an estimated market of 500 million households worldwide and only about 15 million households now being served, “there is a huge potential still untapped, and so much good to be done,” she says.

FINANCING BETTER SCHOOLS IN LOW-INCOME NEIGHBORHOODS

SARA VERNON STERMAN

In 1999, the Wissahickon Charter School

was just a dream. In a modest Philadelphia living room, its founders talked of a curriculum that focused on environmental studies and service and that took full advantage of the natural beauty of neighboring Wissahickon Park. Today, the school serves 425 students in grades K-8 who learn in a clean and modern facility. Classrooms are spacious and vast hallway windows allow natural light and woodland views,



brightly painted walls are covered with students' many works of art, and a blue tile "river" winds its way through the main corridor.

Across many of Philadelphia's poorest neighborhoods, a scatter of new charter schools like the Wissahickon Charter School have taken seed since charter school legislation was passed in 1997. For many, Sara Vernon Sterman, SW'97, WG'99, has served as a vital catalyst.

Sterman is Managing Director of the Community Services Lending Group at The Reinvestment Fund (TRF), a Philadelphia-based non-profit that has developed a successful model for underwriting charter schools as well as childcare and social service organizations. "My arrival coincided with this opportunity to create a new financing product for charter schools, which were just beginning to take shape when I came to TRF in 1999," Sterman says. "It was uncharted waters — nobody knew much about charter schools at that point, and they were seen as too high-risk for most lenders. They had very little collateral, for instance, no credit history and untested management teams."

Despite these challenges, Sterman forged ahead. And today, "charter school financing is by far the largest part of my unit's budget and a substantial part of what TRF does today," Sterman says. In all, The Reinvestment Fund has financed 29 charter schools, serving over 15,000 students in the last seven years. And with more than \$53 million in charter school loans and a 0% loss rate, TRF has developed a national reputation for turning the risk associated with such financing into success stories. Recently, Sterman's unit was awarded a \$10 million grant by the U.S. Department of Education to expand charter schools in the Mid-Atlantic region, one of just five such grants awarded nationally and one of only two \$10 million grants. The grant will be used

to establish a \$60 million TRF Charter School Growth Fund (TRF Growth Fund).

Unlike public schools, charter schools must locate their own facilities, a process that is often complicated and costly. The TRF Growth Fund will offer financing and technical services in construction management and energy efficiency planning in order to cut the overall project costs that come with charters. It will also deliver organizational and business assessments to help stabilize the start-ups and will allow for significant expansion of the charter school movement in Pennsylvania, New Jersey, Delaware, Maryland, and the District of Columbia. "In states like Maryland, where the fledgling charter school movement is only beginning to take hold, we expect demand for such funding to only increase in the next few years," Sterman says.

Like Copisarow and her role in expanding the credibility of microfinance worldwide, Sterman has legitimized charter school financing for more mainstream lenders. "There are so many instances where TRF has gone into an area that traditional lenders are not ready to tackle," she says. "After we are successful, things have opened up. We have played an important part of charter schools being able to access financial markets that initially would have been closed to them. Without our being willing to take the first baby steps with these organizations, this would not be the case."

And for Sterman, the daughter of a career business executive father and a counselor mother, this intermediary role is a perfect fit. "I don't want to be in the classroom right now myself, but I absolutely believe in quality education. And in order for quality schools to exist they need access to financing. I absolutely believe in quality childcare, and they need access to financing in an accessible way. It's very easy for financing to be very intimidating to people. I'm not a lingo person. What I really want to do is make the process as accessible as possible."

Sterman, 38, had no clear career path in mind when she graduated from UNC Chapel Hill with a degree in history, just a vague sense that whatever path she took, her work should "feed her heart."

She stumbled into the newly created Teach for America program in 1990 and began a two-year teaching commitment in New York City elementary schools, where she found herself ill-equipped to handle some of the realities of life for today's city kids, "everything from kids not having proper dental and medical care to non-English-speaking, first-generation immigrant kids."

And as she watched Teach for America grow and change during an additional teaching stint in Washington, D.C., and a program management position back in North Carolina, she began to see the need for strong management skills at non-profit organizations. "It was the constant need to fundraise, literally payroll to payroll on occasion, that created a sense of instability and uncertainty for employees," she says today. "Idealistic young people probably thrive in that kind of environment — I did because it was a noble cause — but it's not the way you build a lasting organization."

And so she began pursuing her master's in social work from Penn and her MBA from Wharton, finishing both degrees by

“The microfinance industry has the capacity to shift from solely non-profit activity to mostly for-profit ... a very complex and tricky array of providers from huge global banks to non-profit foundations.”

1999 and thinking that perhaps one day she would serve as an executive director of a non-profit.

It was the time of the Welfare Reform Act, when legislation set a timetable that States had to follow to reduce their welfare rolls and mandatory work requirements were set for anyone on welfare. Suddenly, childcare became a national issue as thousands of women with children entered the workforce. “I began wondering what all of these women were going to do,” Sterman says. “How were they going to find quality childcare that they could afford?” To find some answers, she began a research project for Philadelphia Citizens for Children and Youth (PCCY), a study that examined subsidized childcare programs in Philadelphia and the impact of waiting lists on low-income families and their ability to hold jobs.

As luck would have it, Sterman found a kindred spirit in Wharton classmate Sharon Kershbaum, C’92, WG’98, who introduced Sterman to The Reinvestment Fund, where she had just completed an internship. Deluged with calls from childcare organizations seeking loans to expand, TRF was looking for a summer intern to write a business manual for childcare providers. With her recent work with PCCY, Sterman fit the bill perfectly.

And so began Sterman’s relationship with TRF, a Philadelphia-based organization that makes loans, equity investments, and grants for affordable housing, small business, community services, commercial real estate, workforce development, and energy conservation projects in four states. “I love where I work, the people and the organizational culture. The organization keeps changing. It never gets boring and it attracts really bright and socially motivated people. It challenges my head and feeds my heart.”

TAKING MICROCHIPS TO MICROCREDIT

IQBAL QUADIR

Iqbal Quadir, G’83, WG’87, was working for an investment banking firm in New York City when an “aha!” moment hit him. It was 1993 and the company had recently installed a network that freed employees from passing their work around on floppy disks. Of course, that kind of connectivity means a computer glitch can shut down a business faster than the Federal Reserve can raise interest rates.

Just when Quadir’s group was beginning to work more productively, more creatively and faster, his computer network crashed, virtually shutting him down with it.

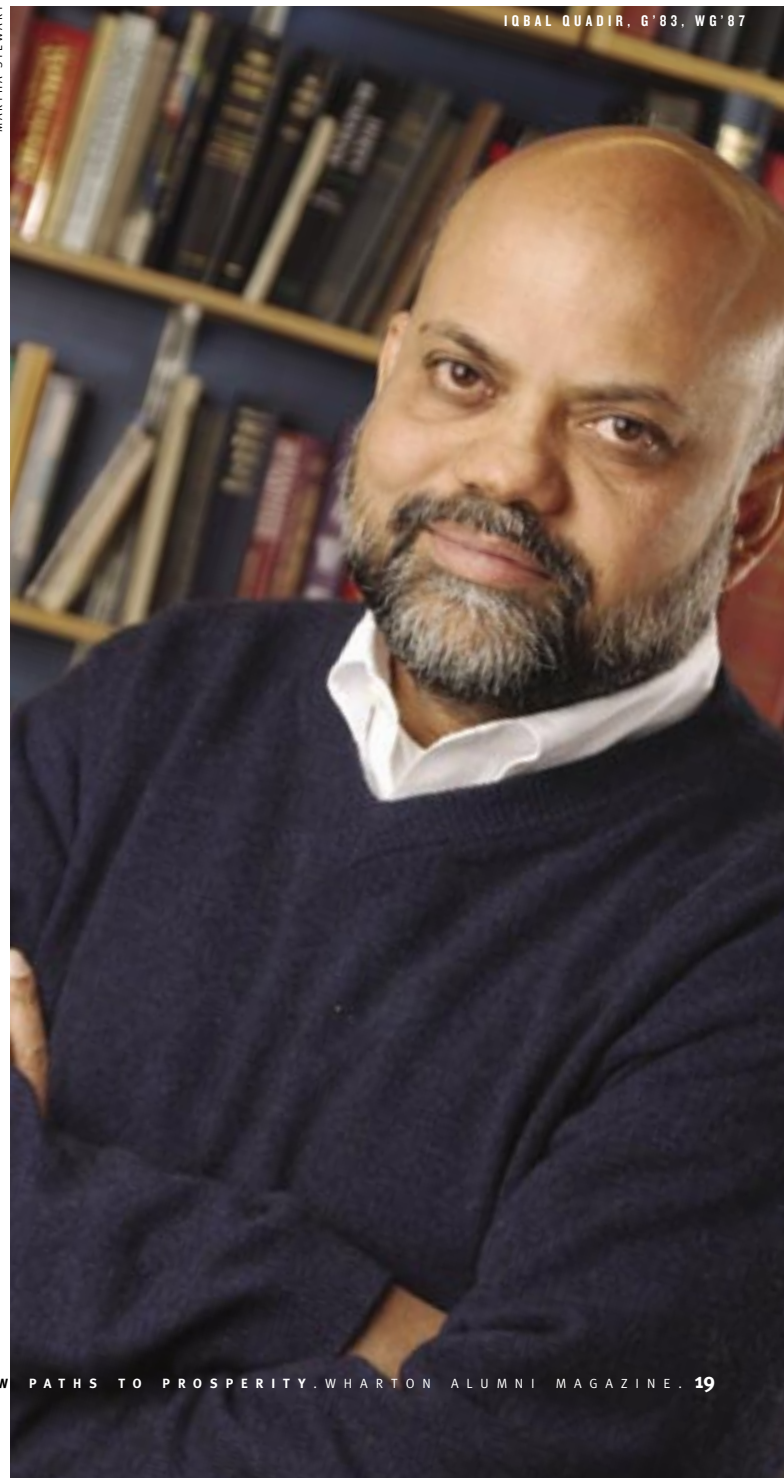
For some reason, that wasted day reminded him of one decades earlier in his native Bangladesh, back when the country’s war for independence raged. There were no telephones, no reliable way to make contact from village to village, and for a time, even the minimal boating access the village relied on was shut down.

One day, his parents sent their son on a 10 kilometer walk to another village with a pharmacist. They needed

medicine. But after walking all morning, 13-year-old Iqbal arrived to find the pharmacist gone, off to a town where he could replenish his medical supplies. Back the boy walked, a wasted day. All for lack of a telephone to call ahead.

Sitting in front of his disconnected computer in New York 22 years later, a realization dawned: If connectivity meant productivity, then it must be a weapon against poverty. That started the wheels turning on an amazing micro-lending partnership that eventually would bring 200,000 phones to Bangladeshi villages through GrameenPhone, serving 80 million people with an average of 400 people using each of those phones.

MARTHA STEWART



Back in 1993, a tight deadline loomed. Quadir quickly learned of the Bangladesh government's plans to issue cellular phone licenses in 1994. That gave the budding entrepreneur just a year to gather investors and develop a solid strategy to bring phone service to a country where on average only two telephones existed per 1,000 people. Worse, virtually none of the nation's 100 million rural inhabitants had access to a phone. That kind of luxury was generally reserved for the 20 million people living in urban areas.

“We believe in wealth creation as a mechanism for a virtuous economic cycle — one that develops and helps society and the community at large.”

That's when Quadir's Wharton education kicked in. After his undergraduate years at Swarthmore College, known mostly for its liberal arts focus, Quadir says Wharton was his first real introduction to business. Second, the school instilled in him a belief that business is an effective solution to problems faced by societies. And perhaps most importantly he learned that putting your money in the right places would lead to progress — and profits. In other words, putting money into a venture didn't mean spending it — it meant setting up an infrastructure that would return even more money while advancing people's lives. It's the simplest of concepts, of course. Business people just call it investing. But this basic realization changed Quadir's outlook.

“It's a very important part of my growth,” he says.

Getting back to the telephone distribution problem, Quadir had limited resources. He needed to convince other people and institutions to ante up. He partnered with Grameen Bank, a trusted institution in Bangladesh that already specialized in micro-lending in some 35,000 villages.

Quadir proposed that Grameen make \$200 loans to women who would use the money to purchase phones, then sell fellow villagers airtime. The fees would allow the women

to pay back their debt to the bank and support themselves and their families. Quadir also convinced Telenor, the Norwegian telephone company, to invest in his company and build the network.

“In a way, I was a little chimpanzee who convinced these gorillas of my idea,” Quadir says.

It's an interesting footnote that Grameen works almost exclusively with women on these loans. It found that these enterprising women are significantly more likely than men to pay back their loans. This has also worked well for the phones. Bangladeshi men go away from home to work, and the women left behind are the ones calling out to check on them. If a woman needs to make such a call, she is generally much more comfortable knocking on another woman's door to use the phone than going to a man's house.

GrameenPhone has become a raging success financially. A group of Americans who backed him originally — his friends like Joshua Mailman, Phil Villers, and Ben Cohen — collectively put in \$1.65 million and got \$33 million back eight years later selling their stake. In addition to the 200,000 phones distributed to villagers, GrameenPhone installed another 6 million throughout Bangladesh. Competitors have added an additional 4 million units since the government issued its licenses, and Quadir predicts that within a year, the companies will double the number of available telephones from 10 to 20 million.

That kind of connectivity, he says, makes the country much more attractive to other capital investments.

Selling his own shares in GrameenPhone made Quadir, 47, financially independent, and he's using that status to build other socially conscious ventures. He created a foundation in America dedicated to development in Bangladesh. Each year the foundation awards the applicant with the best idea a \$25,000 prize. Quadir also recently served as Entrepreneur in Residence at Wharton, completed a visiting professorship at Harvard University, and in January co-founded a program in development entrepreneurship at the Massachusetts Institute of Technology. He describes the new venture as a hub for students interested in entrepreneurship in developing countries or in low-income communities in the United States.

And Quadir himself is never far from his next big idea. Currently, he is working to install mini-power plants that use cow dung as fuel to provide electricity. Although Bangladesh is rich in natural gas, there is little infrastructure to distribute it.

So far, experiments in two villages succeeded in providing 20 households with electricity for six months. The next hurdle is a big one, however. While Nokia jumped at the chance to distribute their phones for Quadir's first project, the generators he needs for his second effort are not yet in mass production.

No doubt they will be when Quadir is finished.



NEAL WILSON

APURV BAGRI, AMP'93

CREATING ACCESS FOR THE NEXT GENERATION

APURV BAGRI

Apurv Bagri's passion about the societal good that can come from entrepreneurship is palpable even during a cross-continent telephone conversation. Wealth creation through entrepreneurship strengthens communities not just through job creation, says Bagri, AMP'93, but by creating a number of other intangibles as well — productivity enhancement; national competitiveness; improved quality of life; enhanced national education, training for new technologies that dramatically improve the quality of the workforce; enhanced efficiency of government services, and personal wealth creation leading to philanthropy.

It's a compelling argument, one that Bagri lives each day as the chairman of TiE, a fast-growing, not-for-profit net-

working and mentoring group that today has 45 chapters in the United States and nine other countries.

TiE, founded in 1994 as The Indus Entrepreneurs, was started by ethnic South Asian entrepreneurs in Silicon Valley. Today, the organization is reaching out to entrepreneurs from all national backgrounds and all industries, from modest start-ups to public multinationals. For a \$100 fee, any entrepreneur can join, and is eligible to receive contacts and tips, entry to TiE Inc. events and mentoring from the organization's charter members, whose ranks include such luminaries as Infosys founder and chairman Narayana Murthy, former McKinsey CEO Rajat Gupta, and C.K. Prahalad, the Paul and Ruth McCracken Distinguished University Professor of Corporate Strategy at the University of Michigan.

Based in London, Bagri founded TiE's U.K. chapter in 2000 after meeting many of the organization's founders during his travels to Silicon Valley. The chapter found its feet very quickly, and Bagri joined the TiE board in 2002. Bagri was recently appointed as TiE's chair to continue the group's goal to grow beyond its core North American and Indian

A HUB FOR SOCIAL IMPACT MANAGEMENT

For social entrepreneurs, doing good

and making money are not mutually exclusive. In the words of Ian MacMillan, Fred R. Sullivan Professor of Management and Director of the Sol C. Snider Entrepreneurial Research Center: "It's a process whereby the creation of new business enterprise leads to social wealth enhancement so that both society and the entrepreneur benefit." [For more on MacMillan's research, see p. 28, "Experimental Entrepreneurship: Removing the 'Tin Cup Dependencies'"]

Wharton has been a leader in social entrepreneurship since Joseph Wharton first wrote his plan to educate leaders who would become "pillars of the State, whether in private or in public life." The three-year-old Wharton Social Impact Management Initiative (SIM) brings together all the intellectual efforts, across the university, to find entrepreneurial approaches to social problems. As an umbrella organization, SIM aligns faculty, students, and external organizations to offer insight into innovative ways that public or private enterprises can find effective solutions for social issues.

Recent initiatives include an annual day-long conference on Social Impact Management and a new course on "Entrepreneurship and Societal Wealth Generation," which aims to teach students that "many social problems, if looked at through an entrepreneurial lens, create opportunity for someone to launch a venture that generates profits by alleviating that social problem."

The course takes a hands-on approach, requiring student groups to develop their own business venture plans, which will ideally become real-world businesses. In addition, Wharton students considering social entrepreneurship can access the SIM-sponsored Wharton Net Impact. Founded as Students for Responsible Business in 1993, Net Impact aims to promote social impact careers among the Wharton MBA community, in such key areas as social enterprise, non-profit management, international and economic development, socially responsible investing, and corporate social responsibility.

markets. And Bagri, who with his father Lord Bagri, president of the London Metals Exchange runs Metdist, a large non-ferrous metals group, has himself served as mentor to an interesting hodgepodge of start-ups, from a software services company to a purveyor of health drinks.

"There are hundreds of thousands of entrepreneurs who have ideas and passion, but lack structure or an understanding about how to begin the path to entrepreneurship," Bagri says. Getting off on the right foot is sometimes just a matter of making an introduction to the right person.

"The doors often don't open just as you would like when you are a young entrepreneur," he continues. "So we get them to see the people they need to see. We have access to hard-hitters and powerful decision makers across the world who can help spread the entrepreneurship gospel around the world." Other times it's much more complicated: coaching on loan proposals, funding, market strategy.

"TiE brings together successful people and uses them as a powerful tool to help transform the lives of others," Bagri says. "We believe in wealth creation because wealth creation is a mechanism for a virtuous economic cycle — one that develops and helps society and the community at large."

Scholars across the globe agree that collaborations between the poor, civil society organizations, governments, and large firms can create the largest and fastest growing markets in the world. Large-scale and wide-spread entrepreneurship, many experts argue, is at the heart of the solution to poverty.

Bagri was born in India but moved to London with his family in 1960, when he was a year old. Throughout his education in Britain and in Wharton's Advanced Management Program, Bagri has remained committed to India, both from a business standpoint and a social and cultural one. "While I have grown up here and have very much a British and Western orientation, I have a cultural understanding, affinity, and affection for India which tempers a lot of what I do," Bagri says. "In our family, we believe in going beyond financial contributions to charitable organizations. We believe in giving a significant amount of personal time." In addition to TiE, Bagri sits on the boards of a host of other organizations, including the Royal Parks Foundation, the City University and the London Business School.

And while Bagri admits that his work with TiE consumes a huge amount of his personal time, he makes no complaints. "I probably spend 25 percent of my time on work for TiE, and this is time I have to find. But it has been the most extraordinary process I have ever been through. I've met people who are kings and people with very little. Each one has helped open another dimension to my understanding and appreciation not only of business but of life and people. Each one has a story and each one has taught me as much as I have taught them." ♦

Writers Nancy Moffitt and Sharon L. Crenson are frequent contributors to the Magazine.



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When Feelings Go to Work

Emotions have a logic of their own. Wharton's Sigal Barsade shows how feelings play out in the workplace.

By Marina Krakovsky

Years ago, shortly before Wharton Management Associate Professor Sigal Barsade went to graduate school, she worked in a group that included a curmudgeonly, crabby coworker. Since Barsade wasn't working closely with "Crabby," she assumed this woman had no effect on her life. That is, until Crabby went on vacation.

"The group became a much more sociable and pleasant place to be," recalls Barsade, an associate professor of management. "Then, when she returned the next week, everybody got uptight again. I remember how striking it was. It wasn't that she was telling us what to do, but just the way she was in the workplace that was influencing others."

Barsade says that the experience led directly to her research into "emotional contagion," the transfer of moods among people in a group. Emotional contagion and other emotional effects interest Barsade because they help explain phenomena that, on the surface, may not seem rational.

"There are things that go on that don't seem to make sense," Barsade says — things like the effect of somebody else's mood or general disposition on your own productivity. "If they're doing a technical task effectively, why would the fact that they're curmudgeonly affect other people's work?

Or why, if on the way to work I got into a traffic jam and was cut off by a driver, would I then be more likely to reject projects in an innovation meeting four hours later? That's not rational, but it happens."

It happens for two reasons: people are emotional creatures and emotions are social. "No person is an emotional island," Barsade likes to say. "We're walking mood inductors," passing our own moods on to others, who in turn pass them on to people they encounter.

Proving the Ripple Effect

Several years ago, Barsade found substantial evidence of this ripple effect in an experiment involving business students engaged in a group decision-making exercise. Barsade's team videotaped and analyzed the interactions of four groups of students acting as managers trying to agree on how to divvy up a fixed sum of bonus money among their employees, with each manager arguing on behalf of his or her own candidate.

Unbeknownst to the participants, each group contained a confederate — a drama student named Rick who'd been



specially trained to act out a different mood and energy level with each group. The result: even though his requests were the same with all the groups, the participants acted differently in direct response to Rick's mood in their group. In the two groups where he exuded negativity, the other participants took on his bad mood — and behaved less cooperatively. And when he acted calm and happy, the rest of that group was pleasant and cooperative.

"I was in the room," recalls Barsade, "and it was palpable: you could just see the emotions being transferred among the students."

This result wasn't unexpected: over a decade of research has shown evidence of social contagion, and some of the groundbreaking findings made it into Malcolm Gladwell's bestseller *The Tipping Point*. But even Barsade was surprised by at least one result from her own study: positive emotions were as contagious as negative ones. In fact, in the two groups where Rick acted in low-energy ways, his good mood proved more contagious than his bad mood. That low-energy/positive group, apparently influenced by Rick's demeanor, actually suggested giving him more money than he'd asked for. (And even months after the experiment, when fellow participants would pass Rick in a Wharton building where he was taking one class, they would treat him differently depending upon the mood he'd acted out in their group.) Barsade's conclusion: positive and negative emotions are contagious, and the more positive the emotion the more cooperation and less conflict.

Part of what's interesting about this experiment is that even though the participants were clearly influenced by Rick's mood, none of them seemed aware of what had gone on. In fact, in a post-negotiation multiple-choice survey, everybody connected their personal effectiveness in the negotiation with other factors: nobody seemed to think that their decisions had anything to do with their mood or the mood of others in the room.

Subconscious Reactions Have Measurable Impact

Such obliviousness to the ways emotions affect our thoughts and actions is typical, Barsade says, as emotional decision-making often occurs on a subconscious level. In one study looking at how emotions influenced the hiring of customer service workers for an HMO, she and professor Lorna Doucet of the University of Illinois found that the strongest predictor of somebody's being hired or passed over was not the résumé or any other factor; it was the candidate's susceptibility to emotional contagion. The greater a candidate's propensity toward emotional contagion, the less likely he or she was to be rated highly and to be hired. And the interviewers didn't seem to know that they were rating candidates according to that criterion. "Here's an emotional tendency that people are picking up on that they're not necessarily aware they're picking up on," Barsade says.

But it's not just that people made subconscious, gut-level hiring decisions. In this case, the emotional decisions actually made a lot of sense. After all, it's very reasonable that workers hired to answer calls from irate customers cannot be as effective if they're overly swayed by the emotions of others. In

fact, the ability to stay even-tempered in such circumstances might be more important to success in this job than any seemingly more rational, objective factor. As Barsade puts it, "It might seem irrational, but for the organization it ultimately makes sense."

Many of the dynamics of social contagion are still a mystery. For example, if both positive and negative emotions are contagious, what determines which emotion prevails in a given group? Do managers and other leaders have much emotional influence on their followers — or are they, as some

"Whenever we interact with people, we're constantly exchanging mood back and forth."

research suggests, actually more susceptible to emotional contagion than the typical group member? At least one thing is certain, Barsade says: "Whenever we interact with people, we're constantly exchanging mood back and forth." And as the negotiation study showed, even just one person can start an emotional wave that ripples throughout a group. Through enough influential individuals, an organization can develop an emotional culture that has rippled out through people feeling and conveying either positive or negative emotions.

Some organizations understand the power of emotions in the workplace and actively foster a positive emotional culture. Barsade says that Mary Kay Cosmetics encourages "positive programming." Similarly, the professor cites a Southwest Airlines ad that suggests the employees' positive spirit rubs off on customers.

That kind of culture may well attract a certain kind of personality. Barsade describes a videotape of Southwest's former VP of Human Resources Elizabeth Sartain talking about what drew her to the airline. Her boss at her previous company had once chided her for laughing loudly in the hallway, saying it was unprofessional to be "cackling" in that way. Not so at Southwest, Sartain said, where she could laugh with abandon.

By calling her laughter unprofessional, the old boss was clearly expressing his company's norm about emotional expression. (Barsade points out that, oddly enough, more companies are comfortable with expressions of anger than of joy, according to one study.) But the incident also illustrates another area of Barsade's research: emotional diversity among coworkers.

A Little-Considered Aspect of Emotional Diversity

Barsade says that while there's been a lot of research on demographic diversity in the workplace — the effect of differences such as ethnicity, gender, and age — few scholars

have looked into differences in emotional styles. And that's somewhat surprising, given that people often attribute problems at the office to personality clashes. In a study entitled "To Your Heart's Content: A Model of Affective Diversity in Top Management Teams" published in *Administrative Science Quarterly*, Barsade and several colleagues used their remarkable access to psychological data from the uppermost echelons of corporate America to analyze some of the effects of emotional diversity. They found that a good emotional fit between a CEO and his or her top managers was strongly related to positive attitudes about the group and a sense of greater influence over group members. Not only that, there was a connection with the bottom line. Quite simply, "the more [emotionally] diverse the team, the less money the company made," Barsade says.

She argues that this link is no coincidence. "Each of these people has a personality that makes other people think that others in the group are like them, and that leads to both better group processes and the ability to manage the company in a better way as exemplified by profits," she explains.

Putting Organizations on the Couch

Barsade brings the topic of emotions into every class she teaches, from the Foundations of Leadership and Teams course for MBA students to her talks to executives. Lesson number one: dismiss the importance of emotions at your own peril. "If we don't think about emotions, it's to our detriment because they're still influencing us. Emotions are productive sources of information and a means of communication that should be paid attention to and not viewed as superfluous or distracting noise," she says.

Emotions can influence not only our attitudes, but also our decision making and even our behavior, as the emotional contagion study showed. But knowing something is happening gives us insights into what we're doing and why — and can help keep us from becoming slaves to our emotions. For example, Barsade describes the all-too-common experience of coming into a meeting feeling annoyed and irritated and "finding ourselves screaming at somebody who's not the person we're mad at." We're less likely to let that happen — and risk damaging relationships — if we understand the power of emotions. Likewise, being aware of the possibility of emotional contagion helps us resist it.

Affective/Effective Strategies for the Workplace

By if emotions are so powerful, how can we resist catching them? One way is to avoid making a strong nonverbal connection with the other person. Barsade suggests not looking at the person too directly — or even leaving the room, if possible. If avoidance is impossible, you can try reasoning your way out of catching the bad mood. "Realize that this is happening, that you are not actually upset — that it is the

SIGAL BARSADÉ Associate Professor of Management

Recent Consulting:

Anti Defamation League, Fair Haven Community Health Center, Hewlett Packard, National Basketball Association, Merrill Lynch, Oxford Health Plans, Jewish Home & Hospital, and the United Mortgage Corporation.

Professional Leadership:

Editorial Board, *Academy of Management Review*, 2002-present; Editorial Board, *Administrative Science Quarterly*, 1999-present

Corporate and Public Sector Leadership:

Board Chair, Connecticut Children's Museum, 1999-present

Research Areas:

Micro-organizational behavior; emotions in organizations; team dynamics; organizational culture; emotional intelligence; senior management teams

Education:

PhD, University of California, Berkeley, Haas School of Business, 1994; BA, University of California, Los Angeles, 1986

other person who's upset — and actively regulate your emotion," Barsade advises. A further step is to bring the negative emotion into the open by labeling what's happening out loud and even asking your colleague why she is feeling anxious or angry. Barsade acknowledges that it may seem difficult to bring up such emotions head-on, but nonetheless she says that the simple act of labeling emotions can often lead the other person to become self-aware — and thus better able to control her feelings. This is particularly true if it is a good relationship, she adds, "but can also work in not-such-good relationships, if people don't want to be publicly perceived as being negative."

Emotion and reason have classically been seen as opposing forces, and the insight that changing your thoughts can change your feelings forms the basis of a popular form of psychotherapy. But the true relationship between thoughts and feelings is far more complex. Not only can thoughts lead to feelings (good or bad), but feelings also lead to thoughts and actions, which can feed off each other. "Emotions and reason are completely intertwined," Barsade says.

"I'm not saying that emotions are necessarily primary," she adds. "What I'm trying to do is to get people to understand that emotions are an important piece of information that they can use to understand their world in general — and work in particular. Emotions matter." ♦

Marina Krakovsky is a San Francisco Bay-area journalist who writes frequently about business, psychology, and science.



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Experimental Entrepreneurship: Removing the 'Tin Cup Dependencies'

Although it has one of the most dynamic economies in Africa, Botswana also has one of the world's highest known rates of HIV/AIDS infection. In this country of 1.56 million, an estimated 350,000 people are living with the disease. The largest segment of HIV infected citizens are between the ages of 15 and 49.

In response, the Botswana government is developing comprehensive programs to cope with both the disease and the region's shortage of physicians and medical personnel. In conjunction with Harvey Friedman, chief of the Division of Infectious Diseases at the Penn Medical School and director of the Penn Program in Botswana, Botswana's Ministry of Health has authorized a center at Wharton — the Sol C. Snider Entrepreneurial Research Center — to help the country develop a more efficient system to manage HIV/AIDS therapy and monitor HIV patients. One early result of that initiative has been a software monitoring program that, in the long run, could enable nurses to deliver diagnostic and prescriptive services to many more HIV patients than currently possible.

According to Ian C. MacMillan, director of the Snider Center as well as Wharton's Dhirubhai Ambani Professor of Innovation and Entrepreneurship and professor of management, and James D. Thompson, associate director of Wharton Entrepreneurial Programs, the Botswana project illustrates a new concept they have developed in a study called "Societal Wealth Creation via Experimental Entrepreneurship." The idea is to promote philanthropy which supports business entrepreneurship under a for-profit model that attacks social problems and creates new societal wealth.

A Shift to Private Domain

Based on four experimental entrepreneurial philanthropy programs that are already in progress, including the one in Botswana, the Snider Center hopes to attract philanthropists to fund university research that can identify potential business opportunities and set up pilot programs to carry them out. Once this happens, the Center anticipates that local entrepreneurs will join these businesses and increase what MacMillan calls the "social wealth of a society."

"The basic thesis is that many social problems, if looked at through an entrepreneurial lens, create opportunities to launch a business that generates profits by alleviating the initial problem," says MacMillan. "In essence, it is a shift in activity from the public domain (governments and non-governmental organizations) to the private domain (businesses and private individuals). This sets in motion a virtuous cycle: The entrepreneur is incented to generate more profits and by doing so, solves more problems."

"It's not that we don't subscribe to the traditional form of philanthropy and non-profit work," says Thompson, who, like MacMillan, is a native of South Africa. "What we are arguing is that this is another dimension of socially oriented work and philanthropy that can have significant impact with relatively low levels of funding

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support. For people who understand true entrepreneurship, it resonates. They get the business angle." They understand that profits are accompanied by "doing social good."

A Focus on Africa

The four societal wealth enterprises pursued by the Snider Center are all based in Africa and supported by seed money from the Center. The industries within which they fall are human healthcare, animal nutrition and human nutrition. "I try to distinguish between social entrepreneurship vs. societal wealth creation," says



James D. Thompson, associate director of Wharton Entrepreneurial Programs, and Ian C. MacMillan, Executive Director, Sol C. Snider Entrepreneurial Research Center

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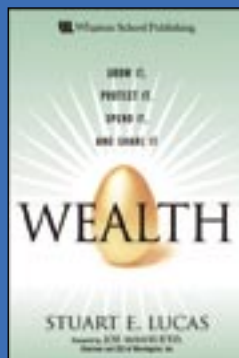
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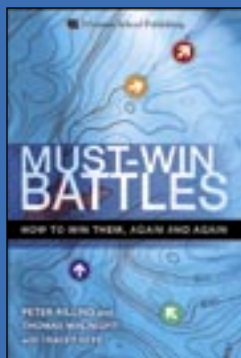
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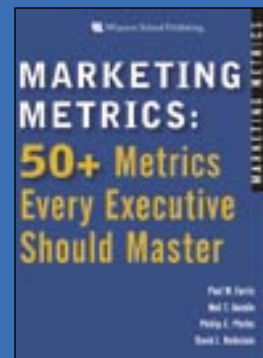
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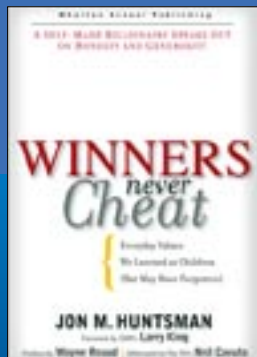


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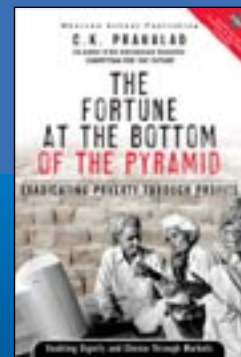


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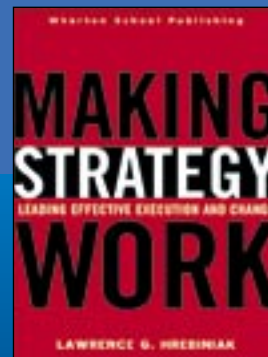
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MacMillan. “We are not talking about hot-dog stands in Harlem; rather we are trying to launch high-impact programs that help thousands, if not tens of thousands, of people.”

While the largest of these enterprises is the HIV/AIDS program based in Botswana, whose ultimate goal is to increase the life span and employment potential of AIDS-infected workers, the Botswana approach can be duplicated in other areas as well. Essentially, Wharton and its vast resources work toward identifying the problem, designing a solution and then recruiting an entrepreneur willing to run the business. “If there was an easy, entrepreneurial solution to a given problem, someone would have found it already,” says MacMillan. “What we are doing is taking the problem and mobilizing the talents of great institutions to find a solution. The entrepreneur doesn’t have to pay the full fare for that talent.”

The HIV/AIDS software was introduced in February 2005 in Gaborone, the capital of Botswana and home to the country’s largest private sector anti-retroviral center. Since then, 9,000 patient records have been entered into the database. The chief physician at the hospital is beginning to identify patients for treatment with the help of two nurses, the first non-physician personnel to use the system. Furthermore, nurses and reception staff enter relevant data as patients come through the clinic, using a server that is accessible for that purpose.

“The reason we started in Africa is that we understand it,” said Thompson. “But the intention is to make it a global program. Africa is just the launch pad.”

Preventing Erosion of Profits

According to the Snider Center study, small- and medium-sized enterprises, which employ nearly 55% of South African workers, have few, if any, HIV/

“For-profit businesses can alleviate some of the societal problems around the world,” says Emily Gohn Cieri. “The more the business grows, the more the problem is alleviated, the more the issues are solved.”

AIDS intervention programs in place, “despite the fact that a quarter of all medium-sized enterprises have reported a tangible erosion of profits due to HIV/AIDS infections.” The reasons behind the lack of HIV/AIDS programs in the business community include lack of “information and access to services; a low willingness to pay; a reaction to the stigma; [the absence of] pressure to act from stakeholders; unfit delivery models, and limited capacity.”

The software intervention model developed at the Center “plans to overcome these obstacles by enabling [small- and medium-sized enterprises] to participate in a network of subscribing firms that send their workers to a network of clinics, with an entrepreneurial database manager acting as the informational hub between multiple firms and clinics,” according to the study, which goes on to note that the entrepreneurial HIV/AIDS software provider will make money by selling the software and support services to the “rest of Africa and then the rest of the developing world.”

How will the program’s success be measured? “You will see in the not-for-profit world an attempt to come to some standardized form of measuring,” said Thompson. “But every program we do is unique. On the AIDS project, how many people can we get into treatment programs who need it? How much longer can we keep them vital and contributing to the economy and the well-being of their families? What

is the reduction in economic costs to that company, by having an employee able to work for another seven to 10 years? Just the fact that clinicians can have access to real-time data and are able to use it to understand the conditions of patients will have an impact on certain therapies. We are designing a study we hope will demonstrate that the program, as a whole, will increase the quality of care.”

Using this and other examples, MacMillan and Thompson argue that entrepreneurship creates societal wealth, not just through job creation, but by creating a number of other intangibles as well — productivity enhancement; national competitiveness; improved quality of life; enhanced national education, training for new technologies that dramatically improve the quality of the workforce; enhanced efficiency of government services, and personal wealth creation leading to philanthropy.

MacMillan teaches a course at Wharton on societal wealth generation. “A lot of times, courses in social entrepreneurship get tagged with non-profits,” says Emily Gohn Cieri, managing director of Wharton Entrepreneurial Programs. But this doesn’t have to be the case. “We are looking at building for-profit businesses that will or can alleviate some of the societal problems around the world. The more the business grows, the more the problem is alleviated, the more the issues are solved.”

The concept also appeals to successful business people and families, says Todd Millay, executive director of the Wharton Global Family Alliance, a joint venture between Wharton and CCC Alliance, a consortium of successful families and individuals who collaborate regularly on wealth management and family office matters.

“It’s a powerful idea. Once [philanthropists] see this concept and see that it is Wharton, that’s an extremely powerful connection for an audience that is first and foremost successful business people. They evaluate things in the context of a for-profit business. It is a harder sell to get them interested in straight-out philanthropy. It’s easier to say, ‘We are launching a business that will do a lot of good and make money.’”

Sidestepping Obstacles to Development

Admittedly, by working to develop societal wealth enterprises in developing areas like Africa, MacMillan and Thompson hope to sidestep two major obstacles that often plague business development around social problems — low profitability and lack of seed funding.

“If philanthropists endow the seed funding for societal wealth enterprises, in many economies, particularly developing ones, it should be possible to attract local entrepreneurs who are quite happy to live with the smaller profit streams eschewed by their counterparts in wealthier economies,” notes MacMillan. “A powerful appeal to philanthropists is that their contribu-

tions have a chance to remove problems ... and the associated recurrent ‘annual tin cup’ dependencies. Perhaps the idea behind the proverb — give a man a fish and he soon goes hungry, teach him to fish and he eats forever — represents a viable option in today’s world.” ♦

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It's a lot easier to swim *with* the tide than against it. But many companies are so focused on "micro" level issues that they forget about the economic ocean they're swimming in. When recessionary "waves" ride ashore, they're caught utterly unaware.

That, says, UC Irvine business professor Peter Navarro, is precisely what happened to Cisco CEO John Chambers. This once-vaunted leader ignored unmistakable signs of weakness in 2000 and 2001 — thereby leaving Cisco with \$2 billion in inventory write-downs, and a plummeting stock price.

In his new Wharton School Publishing book, *The Well-Timed Strategy*, Navarro makes a powerful case for more fully integrating business cycles into your strategy — and shows exactly how to do it.

Integrating Business Cycles Into Strategy

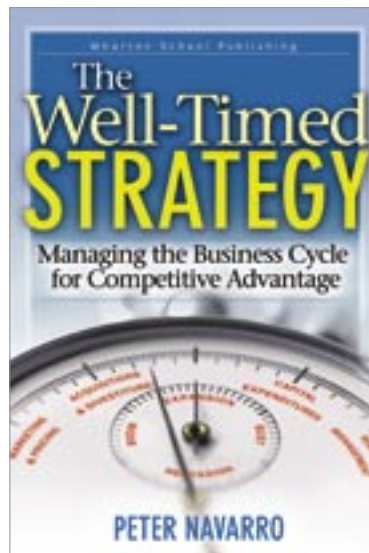
Inventory is one obvious issue. Navarro's advice may not be so self-evident, however. The standard wisdom, of course, is to keep inventory turns as fast as possible, to maximize cash flow. If you're doing your job consistently well, that implies a flat inventory ratio throughout the business cycle.

But Navarro recommends "macro-managing" turnover ratios: tactically *increasing* them (by trimming inventories) when forecasts signal recession, and *decreasing* them (by raising inventories) when indicators signal expansion — so you can deliver fast, as soon as customers ramp up ordering.

As the latter example shows, managing to business cycles isn't only about mitigating risk, says Navarro. It offers significant

opportunities for competitive advantage.

Case in point: hiring. Late in an expansion, labor becomes scarce, and wage pressures rise. When that happened to Isis Pharmaceuticals, the firm began relying more heavily on temporary workers and postdoctoral students. When a recession hits, wage pressures abate, and talent pools deepen. That's when Isis



hires aggressively, "cherry picking" talented workers at far lower cost.

Similarly, when Xilinx saw a recession coming, it implemented sophisticated tactics for preserving valuable intellectual capital. Among other elements, the program offered knowledge workers a year-long sabbatical with a small stipend if they returned to school or worked for a non-profit. By avoiding the \$250,000 investments required to hire and train each new engineer, Xilinx saved \$35 million. And when the recovery started, Xilinx was able to offer innovative new products far more

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rapidly than its competitors.

Another case in point: M&As. While Nortel was burning up \$75 billion in shareholder value through bad acquisitions, the well-known credit scoring firm Fair Isaac exercised "ruthless patience" through a three-year hunt for HNC.

HNC's predictive software offered powerful strategic synergies when Fair Isaac first considered acquiring it in 1999. But the price was too high. HNC then spun off a business unit, reducing its valuation. Fair Isaac looked again, but still couldn't justify the acquisition as accretive to earnings. Finally, in 2002, after the tech stock crash, Fair Isaac pounced. In the first year after the acquisition, Fair Isaac's revenue jumped 60% — but more important, its net income per share more than quadrupled.

Navarro shows how an awareness of the business cycle can also impact your marketing and product mix. Fast-food chicken franchiser El Pollo Loco found itself facing recession in a dangerous



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position: all of its growth was coming from price increases. Solution: an aggressive shift towards lower-cost dark meat, including a “Leg and Thighs” deal that drove profitable volume, even in tough times.

Centex, a leader in the hugely volatile home-building industry, responds to the first signs of economic cooling by raising the proportion of lower-cost homes it builds. The firm has developed a highly sensitive mechanism for sensing economic changes. All 55 Centex divisions scrupulously track local trends, in tandem with comprehensive “macro” data on jobs, housing starts, and building permits.

Which raises a crucial point: Navarro’s techniques assume that you can predict business cycles with reasonable accuracy, and know how to intelligently evaluate the economic forecasts you’re being given.

To that end, Navarro introduces three sets of tools: leading economic indicators, from stock and oil prices to the “ECRI dashboard” of growth and inflation indicators; more complex forecasting models; and daily signals from economic reports.

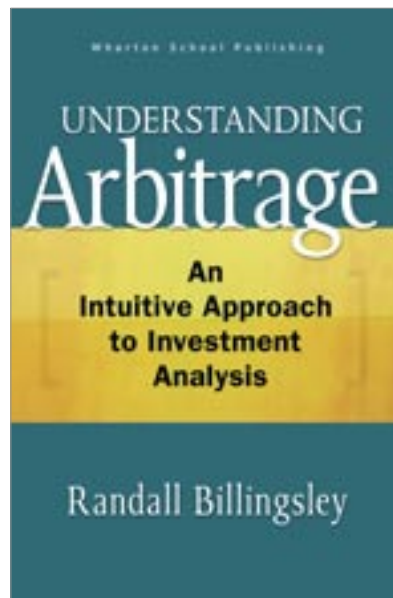
At the top of his list, an indicator that’s been getting plenty of attention lately: the *yield curve* — the spread between short- and long-term interest rates. “Inverted” yield curves have signaled five of the last six recessions. The yield curve inverted a full 12 months before the 2001 recession, and was promptly ignored by most of corporate America, much to its regret.

In January 2006, the yield curve inverted again. Whether you plan to follow or disregard it this time, you’d better know what you’re doing, and *why*. Which makes this book *especially* timely.

Demystifying Arbitrage, Identifying Mispricings

Arbitrage is the common thread that binds together much of contemporary fi-

nancial thought. You’ll find it at work in corporate risk management, derivatives analysis, asset pricing, portfolio management, and beyond. The underlying goal of arbitrage seems simple enough: identifying fleeting “mispricings” of assets or portfolios, and exploiting them for profit. But many managers, financial professionals, and investors would benefit from a far deeper understanding of arbitrage than they possess.



The subject has attracted more than its share of mystification. On one hand: breathless, low-content articles about enigmatic hedge fund traders and secretive currency speculators. On the other hand: intensely mathematical treatments that daunt all but the most technical.

Into the breach rides Randall Billingsley, associate professor of finance at Virginia Tech’s Pamplin College of Business. In *Understanding Arbitrage*, newly published by Wharton School Publishing, Billingsley aims to give readers a strong intuitive understanding of classic arbitrage.

Billingsley brings exceptional experience to this assignment. He’s spent 14 years teaching CFA candidates about

derivatives and risk management. His case study on equity valuation was designated as assigned reading by AIMR (now the CFA Institute), the organization that awards the CFA designation.

Students find arbitrage slippery, he notes, because it’s often presented in arguments that are “long on technical detail but short on economic intuition.” To remedy that, he focuses on a wide array of examples. That allows him to compare and contrast, and to illuminate elements common to all. Instead of touching just “one part of the elephant” — say, M&A — *Understanding Arbitrage* offers an integrated picture.

This book begins where any treatment of arbitrage must: with the Law of One Price, which posits that investments with identical payoffs, however structured, should be priced the same; when they aren’t, arbitrageurs’ transactions rapidly eliminate the differences.

Billingsley captures the essence of arbitrage with one of the simplest examples imaginable: What happens if gold’s trading for \$10 more in Hong Kong than in New York? Why might that happen? Is it sustainable? How can it be exploited?

He demonstrates what happens when you incorporate asset valuation models into arbitrage, e.g., CAPM and APT. Then, using scenarios involving silver and interest rates, Billingsley shows how the cost-of-carry model can reveal arbitrage opportunities arising when spot and forward or futures prices don’t accurately reflect the value of time.

Next, he turns to international arbitrage and currency exchange, showing how to assess cross-border differences in interest rates and inflation, and walking through the specific steps needed to arbitrage rate differentials. (Many readers will recall that George Soros “broke” the Bank of England: Billingsley explains how that was accomplished.)

Understanding Arbitrage carefully explains the relationships amongst call, put, exercise, and stock prices; time to expiration, and risk-free rates — and shows how these relationships

are used to create synthetic securities. Billingsley then turns to an area where the power of arbitrage is “particularly compelling and elegant”: options. This material is indispensable. In addition to generating two Nobel prizes, arbitrage-related options pricing touches business decision-making constantly: from determining whether to expand a profitable new business line, to valuing executive stock options.

In his final chapter, Billingsley addresses capital structure: especially the revolutionary Modigliani-Miller theorems. He begins by noting that just as “cutting an extra-large pizza into eight rather than six pieces does not increase the amount of pizza you can eat for dinner,” neither are capital structure

decisions relevant to a firm’s valuation. (Modigliani himself used this analogy, quoting Yogi Berra as his source.)

Working with an idealized example, readers walk through measuring the effects of financial leverage, arbitraging misvalued capital structure, and analyzing capital structure from the standpoints of bondholders and equityholders.

What’s missing from this book? For one thing, the advanced math: Billingsley focuses on nuts-and-bolts transactions and the intuitive side of arbitrage instead of advanced financial analysis. Second, Billingsley focuses primarily on “classic” approaches to arbitrage that are riskless and self-financing. He’ll prepare you to encounter other forms — such as tax, regulatory,

or index arbitrage — but you’ll have to look elsewhere for detailed discussions. (He does, however, offer a cogent two-page précis of the Long Term Capital Management affair, and LTCM’s far-from-riskless strategies.)

Billingsley is an elegant, careful writer with deep knowledge. He’s insightful enough to focus on what’s important, well-tuned to newcomers’ questions, and comfortable using real-world metaphors to humanize his subject. If you keep bumping up against arbitrage — and you keep intending to get your arms around it — he’s written the book you’ve been waiting for. ♦

LAVIZZO-MOUREY *Continued from page 15*

You have urged doctors to resume the old practice of making house calls in order to see how patients live and to cut back on emergency room visits. Are there other new “old” ideas that you would recommend?

Benjamin Franklin had it right, “An ounce of prevention is worth a pound of cure.” We could bring down health care costs dramatically and improve the length and quality of life by having a society that is more healthy and committed because it is fit.

Another “old idea” that dates back to Franklin and beyond is having a health care provider who is part of the network and social fabric of a community. At the Foundation, we refer to them as the front-line workforce, the people who are actually doing the hardest job — the most direct care with the patients. They are members of the community who help break down the barriers that often prevent people from feeling like that they are getting care appropriate for their culture, that is meaningful to them, and has the continuity they want and need. Connecting health care providers to the communities they serve bears revival.

A very old concept that is particularly relevant for our work with childhood obesity, is creating a healthy environment for people to get back in touch with the equations about how the energy we put in has to be matched with the energy we burn. The proportions are now one and a half times what they should be, and the amount of energy that

we are able to burn just doing our regular day-to-day activity has diminished to basal levels.

What advantages do you see in examining patient populations rather than individual patients?

While there is nothing like connecting with a patient one-on-one and doing everything within your power to help that person, there is only so much you can do in that one visit or through the doctor-patient relationship.

For example, think about some of the work that has been done to reduce the prevalence of tobacco use. As a geriatrician, I frequently treated patients with health problems that resulted from a lifetime of tobacco use and exposure. As a physician there was little I could do. However, at the Foundation, we have an opportunity to think about making root changes: having smoke-free work environments, taxing cigarettes, or setting the price of tobacco so that it is a deterrent to smoking. By combining all those things, we can help millions of people lead longer and healthier lives. For me, it’s like going from singular to plural.

When we take all of those societal or system-wide opportunities for changing the population’s health and combine them with what individuals can do with one single patient, we really have the opportunity to transform society in major ways. ♦

Interview by Suzanne Wolkenfeld, a business and financial writer based in New York.

Alumni Association Update

Wharton on the Road



Vige Barrie
CW'74, WG'76

DEAR FELLOW ALUMNUS,

Living in somewhat rural upstate New York, I always welcome the opportunity to travel, especially if it means expanding my horizons and meeting Wharton alumni from all over the U.S. and the world. In this, Wharton's 125th anniversary year, such opportunities abound. Throughout the year, Wharton will be gathering alumni in cities around the world and in the U.S. to strengthen our shared sense of community as our worldwide network continues to expand.

WHARTON GLOBAL FORUMS

It all started with the January global forum in Mumbai, India, which served as the kick-off event for the school's anniversary celebration. Alumni who attended were treated to unique and energizing sessions with business leaders engaged in endeavors throughout the region. But that was only the start, because we soon will be holding forums in Istanbul, Turkey and Rio de Janeiro,

Brazil. Each of these events promises to be one-of-a kind, providing an incredible opportunity to meet alumni and business leaders from these very different parts of the world.

THE WHARTON NETWORK

There has been much talk in the press lately about globalization and its impact on the way we do business and live our lives. Wharton, with its global alumni network, gives each of us connections to increase our understanding of this phenomenon. I hope that you will consider attending at least one of our 125th anniversary events to expand your own horizons and leverage the unique access that your Wharton network provides. If you are unable to attend the events outside the U.S., there are also several forums that will be held in various U.S. cities.

Visit www.wharton.upenn.edu/alumni for upcoming forum locations and information.

I hope to see you at one of the upcoming events, but in the meantime, I always welcome your comments and suggestions.

Vige Barrie, CW'74, WG'76

Chair, Wharton Alumni Association
Business: 315-859-4623
E-mail: vbarrie@hamilton.edu

Club Spotlight: Shanghai

STRENGTHENED WITH REUNION, NEW OFFICE, AND NEW STAFF FOR SHANGHAI CLUB

On December 1, 2005, the Wharton Club of Shanghai held a reunion for all alumni in China to announce the establishment of a Shanghai Representative Office. The event attracted almost 300 alumni from the undergraduate, MBA, doctoral, and executive programs. Wharton has a long history in China, and this event was proof — the oldest attendee, **Albert Chang (Zhang Zhen)**, earned his doctorate from Wharton in 1945!

SHANGHAI OFFICE TO ESTABLISH NEW PROGRAMS

The Office will support faculty research on China, the development of the Chinese language edition of Knowledge@Wharton, new executive education initiatives in China, and other China-related programs. In attendance were over 300 guests representing all of the School's divisions, and distinguished guests including Ding Xue-xiang, Director General of the Shanghai Municipal Bureau of Personnel. The office will be led by **Phillip Y. Wu, WG'95**, who will serve as managing director. Phillip is president of the Wharton Club of Shanghai.

The Wharton Shanghai Representative Office will take a lead role in the marketing, design and support of short-term executive education programs in China. Other initiatives have included the Shanghai Municipal Government Program, to prepare Shanghai government officials to broaden their global view and build their business knowledge and leadership capabilities, and a partnership with Dazhong Transportation (Group) Co., Ltd., to help this company's executives learn about U.S. trends and best practices.



L-R: Jeff Sheehan, associate dean of the Wharton School; David Li, WG'92, chairman and country head, UBA China; Wang Shihao, senior executive vice president, Bank of Shanghai; and Phillip Wu, WG'95, president, Wharton Club of Shanghai.

REUNION EVENT FOR A CLUB WITH A LONG SUCCESSFUL HISTORY

The reunion event was organized by the Wharton Club of Shanghai, and was sponsored by UBS China and its Chairman, **David Li, WG'92**; and the Bank of Shanghai and its Chairman, **Fu Jian Hua**. The Club and its ties to the business community in Shanghai go back almost 20 years. The Club was established in 1987 by 14 alumni to build a channel for the exchange between/among the school, the alumni in Shanghai and alumni from other regions. Over the years the Club has held many events and hosted numerous leaders from government, business, and academia. The Club has hosted faculty and administration on an ongoing partnership to build Wharton's presence in this thriving city.

For more information about events and joining the Wharton Club of Shanghai visit <www.whartonchina.org/>



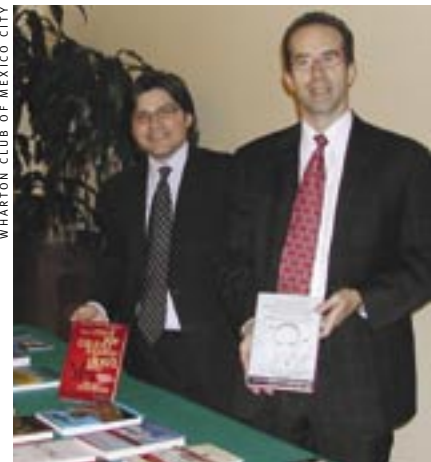
Wang Shihao, senior executive vice president of Bank of Shanghai, welcomes Wharton alumni to the reunion party.

China is one of the largest sources of international students for Wharton, with nearly 50 students graduating each year.

Club Spotlight: Mexico City

THE WHARTON SPIRIT IN MEXICO: THE ALUMNI CLUB OF MEXICO CITY

After a period of relative quietude, the Wharton Club of Mexico City has experienced a resurgence since June 2004 when **Julio de Quesada, WG'76**, led the Wharton Latin American Global Alumni Forum in Mexico City. In 2005, the Club organized a flurry of activities, including hosting a guest speaker, **Ricardo Salinas Pliego**, who spoke about his success in television and communications. Other programs included an event welcoming the Class of 2007 Lauder students in the MBA/MA program and a breakfast with Senator **Demetrio Sodi**, a candidate for mayor of Mexico City. The Club has also participated in several worldwide events arranged by the School, including the May 2005 Alumni Leadership conference in Philadelphia, attended by **Gerald J. Hamilton, WG'80**, and the MBA World Tour and Information Session for MBA candidates. Perhaps the highlight of the year was a visit from Professor **David Reibstein**, who spoke to the Club about Marketing Metrics.

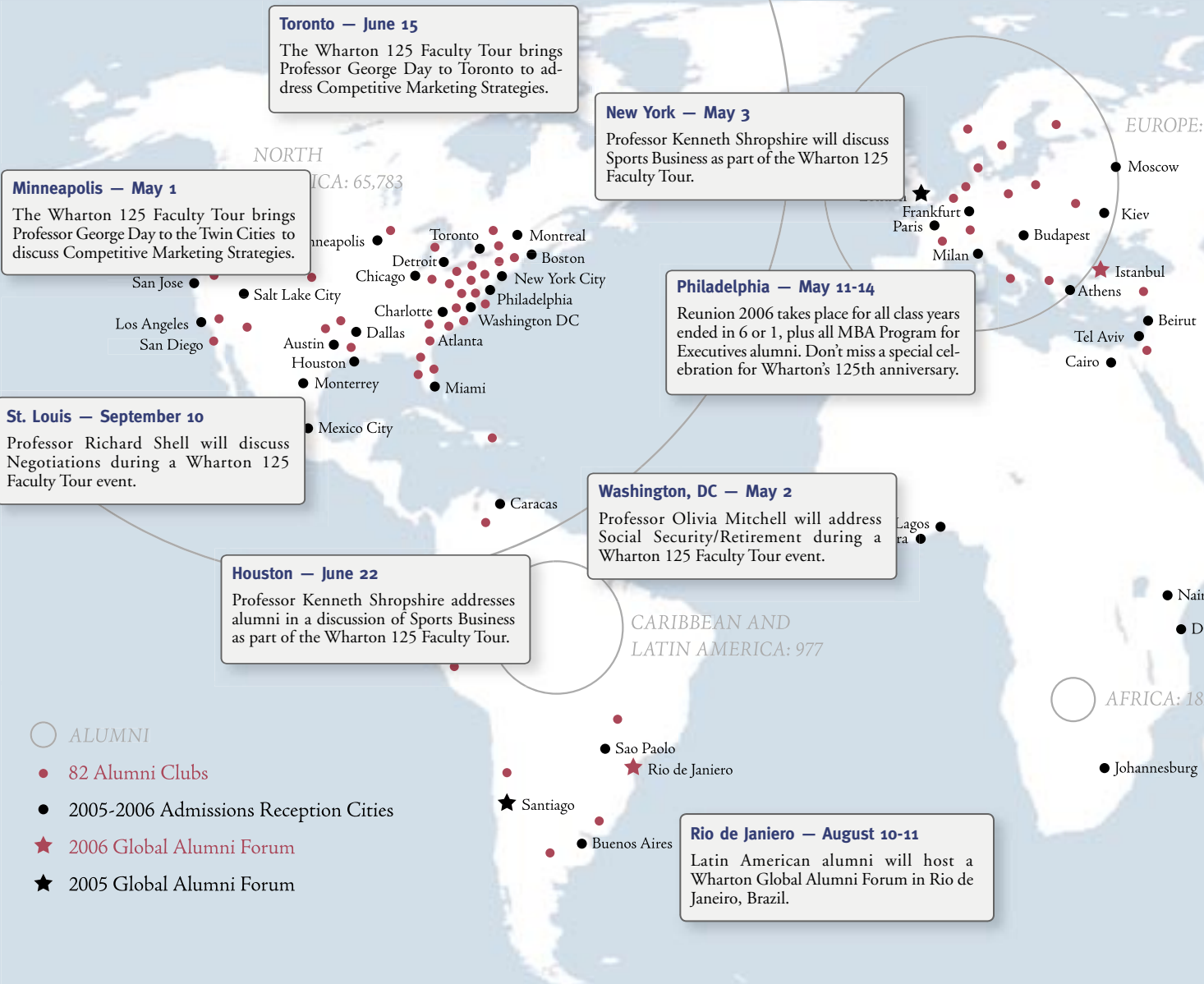


Gerardo Quiroga, WG'96, and Luis Katz, WG'95, browse Wharton School Publishing titles at a Wharton Club of Mexico City event.

Alumni Association Update

Wharton Around the World

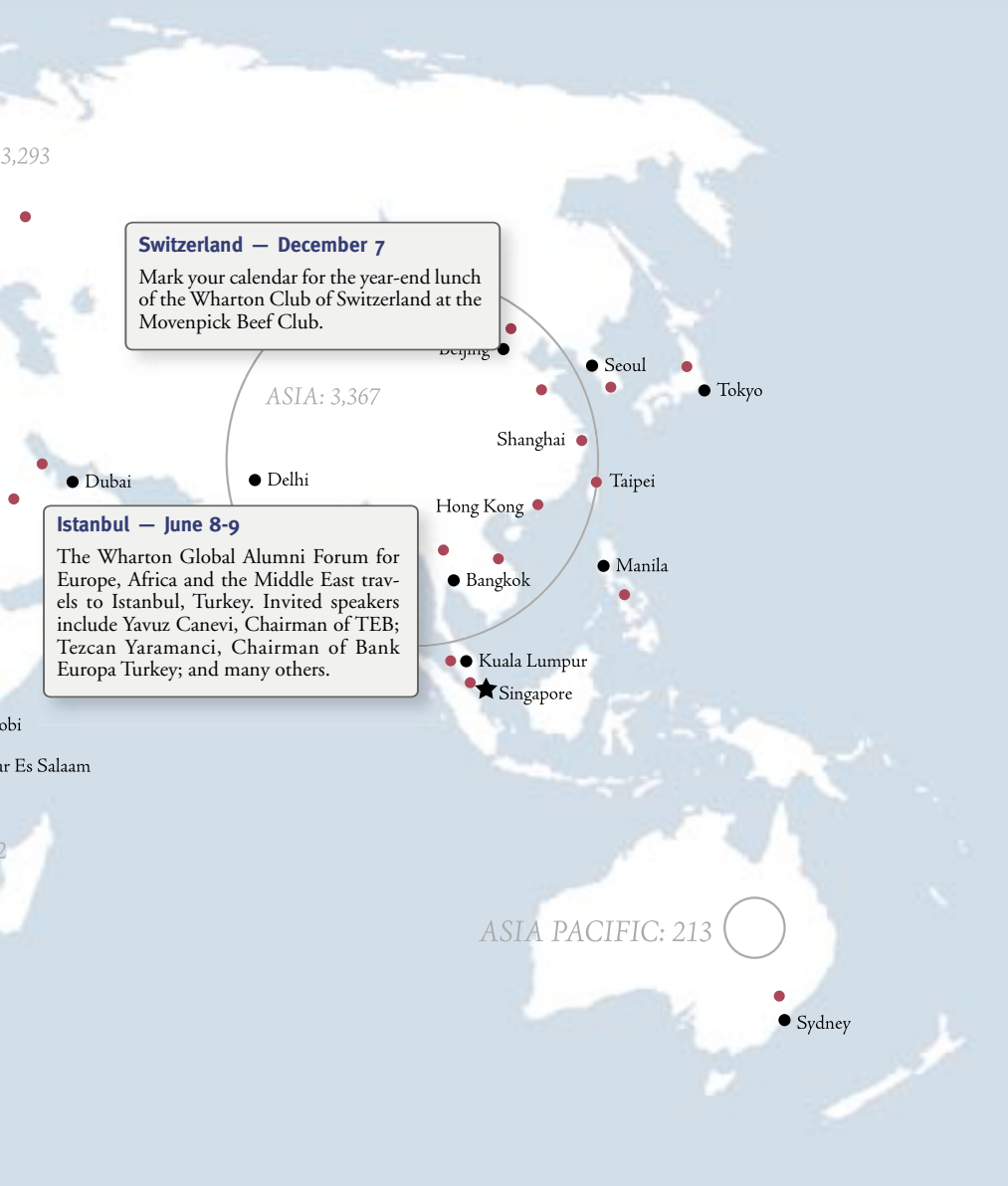
FOLLOWING ARE A FEW OF THE MANY UPCOMING WHARTON CLUB EVENTS. VISIT WWW.WHARTON.UPENN.EDU/ALUMNI/ FOR A COMPLETE LISTING OF UPCOMING EVENTS.



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Switzerland — December 7
 Mark your calendar for the year-end lunch of the Wharton Club of Switzerland at the Movenpick Beef Club.

Istanbul — June 8-9
 The Wharton Global Alumni Forum for Europe, Africa and the Middle East travels to Istanbul, Turkey. Invited speakers include Yavuz Canevi, Chairman of TEB; Tezcan Yaramanci, Chairman of Bank Europa Turkey; and many others.

ASIA: 3,367

ASIA PACIFIC: 213

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Alumni Association Update

Mexico, Distrito Federal — known in the U.S. as Mexico City — with a population of 22 million, is second in the world only to Tokyo.

REMEMBERING A SUCCESSFUL YEAR

Each November, the Wharton Club of Mexico City holds an event where it honors the contributions of its members. At the 2005 event, Julio de Quesada, who won the 2004 Outstanding Alumni Award, presented the 2005 award to **Mario San Miguel, WG'71**. The Club announced a donation to an Education Fund in Mexico City that works with underprivileged children, and presented **Monty Harris** of Wharton's Alumni Affairs office with a donation to the Wharton Fund.

For more information about events and joining the Wharton Club of Mexico City please visit www.clubwharton.com.mx.

WHARTON CLUB OF MEXICO CITY



Armando Busto, WG'76; Gerald J. Hamilton, WG'80; Wharton Club of Mexico City President Oscar R. Diaz-Flores, WG'96, and Monty Harris, Wharton External Affairs

Club Spotlight: Wharton Hedge Fund Network of the Wharton Club of New York

NETWORKING IN A HOT INDUSTRY

Given the risks that today's businesses and investors face — fluctuating commodity markets, social and political developments around the globe, and damages caused by natural disasters such as Hurricane Katrina — there is great demand for hedge funds to preserve and grow assets despite adverse events. So in early 2005, the Wharton Hedge Fund Network (WHFN) was founded as an Affinity Group of the Wharton Club of New York. **Jewel Huijnen, WG'03**, of ABP Investments, **Frank Frecentese, WG'01**, of Morgan Stanley and **Jason Breemen, WG'02**, of UBS run the WHFN.

WHFN is open to Wharton alumni in any location currently working in any of the three categories of the hedge fund community: traditional hedge fund managers who seek out investments in various types of securities; allocators, who build “funds of hedge funds” to diversify across the various hedge fund strategies; and the firms who provide services to fund managers and allocators (including attorneys, accountants, prime brokers and other service providers). Though the Affinity Group is considering holding events for those seeking to learn more about employment opportunities in the hedge fund space, WHFN's focus is firmly on providing advanced knowledge to those with experience in hedge funds.

The Wharton Hedge Fund Network started in 2005 with fewer than 70 members and already has more than 500.

WHFN



Jason Breemen, WG'02; Jewel Huijnen, WG'03; and Frank Frecentese, WG'01, of the Wharton Hedge Fund Network

LEARNING FROM INDUSTRY LEADERS

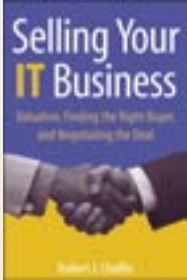
WHFN has had a highly successful first year, and has benefited greatly from the fact that many of our own Wharton alumni are leading players in the hedge fund space. The Group has held seven events to date, and has attracted several well-renowned speakers, including **Dan Zwirn, W'93**, **Barry Rosenstein, WG'84**, and **Cliff Asness, W'88**.

Zwirn, Rosenstein, and Asness all founded and manage multi billion-dollar hedge funds (D.B. Zwirn & Co, JANA Partners, and AQR Capital, respectively) and have built impressive track records in the hedge fund arena. WHFN has also held events with panels of speakers on cutting-edge industry topics, including its most recent, “Approaching the New Frontier — Where Reinsurance and Hedge Funds Meet.”

If you'd like more information about the WHFN and its activities, email whfn@whartonny.com or visit the Wharton Club of New York's site at www.whartonny.com, and click on “Special Interest Groups” and “Affinity Groups.” ♦

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

Recent Alumni Books



Selling Your IT Business: Valuation, Finding the Right Buyer and Negotiating the Deal

By Robert J. Chalfin, C.P.A., J.D., W'78, WG'78
John Wiley & Sons (2006)

“Bob Chalfin’s experience and intellect make this book essential reading for IT business owners. Provides thoughtful analysis and practical advice invaluable to anybody who is even considering selling their business.”

— *Louis W. Fryman, Esq. Chairman Emeritus Fox Rothschild LLP*

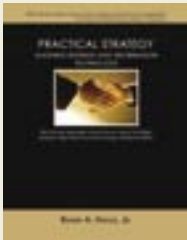


Riding the Waves: The Rise and Fall of Geotek

By Yaron Eitan, WG'84, with Uri Miron
Inkwater Press (2005)

“It tells the story of an entrepreneur who pursued an unlikely dream and, daring to risk failure, came closer to success than most would have dreamed possible.”

— *Ehud Barak, former Prime Minister of Israel*



Practical Strategy: Aligning Business and Information Technology

By Rupert A. Hayles, Jr., WG'94
Kendall/Hunt Publishing Company (2005)

“This book gives great insight on how to create the intangible called ‘alignment’ based on real-world experiences and examples. It’s a must-read for those looking to make a business impact via technology.”

— *Raymond Pawlicki, Vice President and CIO, Novartis Pharmaceutical*



Passion at Work: How to Find Work You Love and Live the Time of Your Life

By Lawler Kang, WG'96
Pearson Education (2005)

“Kang gives us a lens into ourselves. By mastering the Five Ps—passion, proficiency, priorities, plan, and prove—we can take control of our lives and careers.”

— *Dr. David Ulrich, Professor at Ross School of Business, University of Michigan*



The Quality Solution: The Stakeholder's Guide to Improving Health Care

Edited by David B. Nash, MD, WG'86, and Neil J. Goldfarb
Jones and Bartlett Publishers (2006)

Dr. Nash, WG'86, brings together diverse viewpoints seeking solutions to bridge the “quality chasm” — what the Institute of Medicine called the gulf between the vision of ideal care and the reality of what most individuals receive.

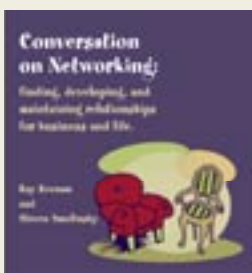


Straight to the Bottom Line: An Executive's Roadmap to World Class Supply Management

By Robert A. Rudzki, WG'77, Douglas A. Smock, Michael Katzorke, and Shelley Stewart, Jr.
J. Ross Publishing (2005)

“... the definitive work on procurement/supply base management. Every CEO, CFO, CPO, and their boards who are interested in increasing shareholder value need to read this and then make it required reading for their management and procurement teams.”

— *Dick Conrad, Senior VP, Global Operations Supply Chain, Hewlett-Packard*

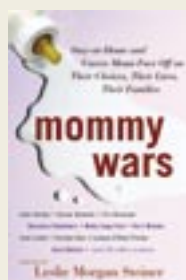


Conversation on Networking: Finding, Developing and Maintaining Relationships for Life

By Steve Smolinsky, WG'79
Always Talking Press (2006)

“Practical discussion with excellent advice from experienced networkers.”

— *Kipp Cohen, Esq., Partner, Blank Rome LLP*



Mommy Wars: Stay-at-Home and Career Moms Face Off on Their Choices, Their Lives, Their Families

By Leslie Morgan Steiner, WG'93
Random House (2006)

“... a valuable opportunity for discussing women’s “inner [conflict].” In lieu of mud-slinging, she presents a reasonable and low-key forum for mutual understanding and respect.”

— *Publishers' Weekly*

LeadershipSpotlight

ROBERT M. LEVY, WG'74

Robert M. Levy always planned to give to Wharton through estate planning, in addition to annual donations to the Wharton Fund. He still does. But he had a breakthrough several years ago when a friend asked him why he was waiting.

“The point was that I could also give in a way that I can enjoy now. That changed my perspective,” he says. “I’ve found that being personally involved has been wonderful — I have the ability to expand access to Wharton and make a difference in people’s lives today.”

That epiphany inspired Levy not only to accelerate his giving, but to become a leader and ambassador for Wharton and Penn. He is currently a Penn trustee and a member of the Wharton School Board of Overseers, and he has served as member of the Midwest Regional Advisory Board and the Wharton Graduate Executive Board. For his next challenge, he has signed on as chairman of Wharton’s upcoming capital campaign.

Based in Chicago, Levy is partner, chairman, and chief investment officer of Harris Associates, L.P., which manages \$63.4 billion in the Oakmark Funds and in equity, balanced, and international portfolios for individuals and institutions. Levy is also president of the Robert M. Levy and Diane v.S. Levy Family Foundation, as well as a director of the Bill Nygren Foundation. He is committed to helping others — a commitment that goes back to his student days, when he taught evening school classes for community members and volunteered in a community education program to help small, minority-owned businesses develop business plans.

Says Levy of the foundation he began with his wife Diane, “Our charitable giving is split between short-term and long-term solutions, and we consider education a long-term solution. By making sure that the best candidates have access to the education at Wharton, our gifts have a domino effect. We are helping to educate people who will give back to the community as leaders and role models.”

The Levys have already impacted the School with major contributions to Jon M. Huntsman Hall (where the Levy Lobby on Walnut Street is named in their honor) and the endowment of the Diane v.S. and Robert M. Levy



Fellowship. The fellowship is designated for students with less than three years’ work experience or women or under-represented minorities.

“I feel so passionate about what Wharton is trying to accomplish,” explains Levy. “A key to the continued success of the school is to be sure that top candidates choose the school. If the only impediment a potential leader has is economic, I want to help remove that barrier.”

Levy makes the point that fellowships not only provide greater access — they also allow recipients to follow their own passion instead of choosing careers primarily to pay off their student loans. He experiences this firsthand when he meets fellowship recipients for breakfast or lunch when he’s in town for Overseers meetings, and finds their energy invigorating.

“It’s very rewarding to connect with the school and get to know students,” he says. “It reminds me that my gifts are providing access to those who will be the next generation of leaders.” ♦

- KELLY J. ANDREWS