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COVER ARTICLE

"Whatever the time frame, more and more students are seeing entrepreneurship as part of their career path."

Mark Fraga,
Managing Director,
Wharton
Entrepreneurial
Programs



Illustration by
Robert Pizzo

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Editorial Staff

EDITOR

Robbie W. Shell

STAFF WRITERS

Tom McMahon

Mike Baltes

Mukul Pandya

EDITORIAL ASSISTANT

Julia Feldman

DESIGN

Warkulwiz Design Associates

EDITORIAL OFFICE

344 Vance Hall, 3733 Spruce St.

Philadelphia, PA 19104 (215) 898-8478

Fax (215) 898-2695

alumni.affairs@wharton.upenn.edu

URL address: http://www.wharton.upenn.edu/alum_mag/alum_mag.html

Administration

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Dean and Reliance Professor of Management and Private Enterprise

ROBERT E. MITTELSTAEDT

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THE NEXT CHAPTER

Transitions are a natural part of any vibrant enterprise, and Wharton is no exception. We have, in fact, made it a primary strategic objective to embrace change — not only in responding to changes in the world around us, but also in *creating* change through innovation and the advancement of knowledge.

This commitment — and the leadership, spirit, heart and passion that every member of our community contributes to it — is what I have been in love with every day and every year that I have spent at Wharton. And as I prepare to step down as dean this summer, I remain in awe of the continually growing capacity of this community to achieve higher levels of excellence in the years ahead.

Over many years — and the terms of many deans — Wharton has emerged as a powerhouse as the result of a conscious effort to build and nurture a unique community and institutional culture. We have

an unusual ability to put ideas into action quickly with a swiftness of decision-making and implementation rarely associated with academic enterprises. This is a place that promotes a strong, vibrant dialogue that defines issues, explores options and executes strategies. Students, faculty and alumni all have key voices and all contribute to the inventiveness that transforms Wharton and keeps us the world's leading business school.

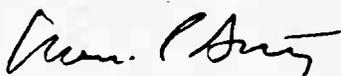
These are easy words to say, but at Wharton they ring decidedly true. We see myriad examples of what we can accomplish every day as a result. We see it in the major curricular reengineering at the early part of the decade and the ongoing enhancements brought about by newly developed courses and teaching technologies; in the steady increase in teaching quality ratings and in student-sponsored teaching awards; in the growth of our

international alumni boards, alumni conferences and alumni leadership in fund raising; and in the design of the new academic building.

Above all, Wharton is a worldwide community of leaders. This is the real core of our success: our goal as a community is to make each year better than the one before; for each class to leave Wharton stronger than they found it; to never be content to reach the “top” — but to raise the bar still higher at each pinnacle of achievement. Others have come before us and we have stood on their shoulders, on the strength of their work, to achieve new measures of excellence. It is now my turn to pass along this community to others who will build and sustain Wharton's leadership in the years ahead.

It has been an honor and privilege to serve as dean of this great institution and to work with so many wonderful people along the way. I thank you all for your continued commitment to Wharton.

With warm regards,



Tom



25TH ANNIVERSARY TRIBUTE

More than 700 business school students, professionals and community activists from across the country attended the 25th annual Whitney M. Young, Jr. Memorial Conference,

whose theme this year was “Building on the Vision: Linking Our Community to the Global Economy.”

Those in attendance were the first to learn of a \$1 million gift pledged by the African-American MBA Association (AAMBAA), in the form of money to be raised from alumni and current students over a five-year period. The donations will be used primarily to support Wharton’s new academic building scheduled for ground-breaking this spring. A small portion of the gift will be directed to the Houston A. Baker, Sr. fellowship. Baker, WG’37, was one of the school’s first African-American alumni.

The conference, held Jan. 15-16, was also the occasion for conference organizers to announce a \$5,000 gift to the school in honor of Dean Thomas

P. Gerrity. “We wanted to show our appreciation for what he has done not only for Wharton but to help the African-American MBA community as well,” says Brian Ellerson, WG’99, vice president of AAMBAA and a member of the executive board of the Whitney Young conference.

At the conference, Gerrity “noted that we are the only student organization to pledge money to the new building, a reflection of our commitment to the school,” adds Ellerson.

In its 25-year history, the conference has created the Whitney M. Young, Jr. endowed chair for an African-American professor at Wharton, and has helped minority businesses through donations to the West Philadelphia Enterprise Center, among other initiatives. ▼



FROM LEFT: LORI GRIGGS, CONFERENCE CHAIRPERSON; RICARDO MICHEL, PRESIDENT OF AAMBAA, AND ELLERSON

PHOTOGRAPH / JERRY MILLEVOI

M&T PROGRAM MARKS ITS 20TH

On Friday, May 14th, 1999, alumni from all over the globe are invited to campus to celebrate the 20th anniversary of The Jerome Fisher Program in Management & Technology.

Twenty years ago, the undergraduate management and technology program was created to meet the need for top quality professionals with both the technical and managerial skills necessary to operate in a complex business environment. It was the first business and engineering dual-degree program in the nation, and today remains the best program of its kind.

The reunion, to which all M&T alumni and their spouses are invited, will start in the engineering school with an address by William Hamilton, WG’64, and Joseph Bordogna, the first directors of M&T, who will

Continued on page 27

UNDERGRADS ABROAD: NEW VENUES FOR BUSINESS EDUCATION

Opportunities for Wharton undergraduates to study business abroad were significantly expanded in February with the approval of four new student exchange programs.

Agreements have been reached with Oxford University in England, Chinese University in Hong Kong, San Andrés University in Buenos Aires, Argentina, and Johann Wolfgang Goethe University in Frankfurt, Germany.

Exchange programs for undergraduates are already offered in Milan,

Tokyo and Hong Kong; two living/language immersion programs are offered in Lyon, France and Madrid, Spain.

These study-abroad options allow Wharton students to combine foreign language and culture courses with business courses that satisfy Wharton’s degree requirements. Students who take part in one of these programs are therefore able to graduate from Wharton on time.

Between 15 and 20 percent of each junior class studies abroad. Opportunities for additional exchange programs are being studied. ▼

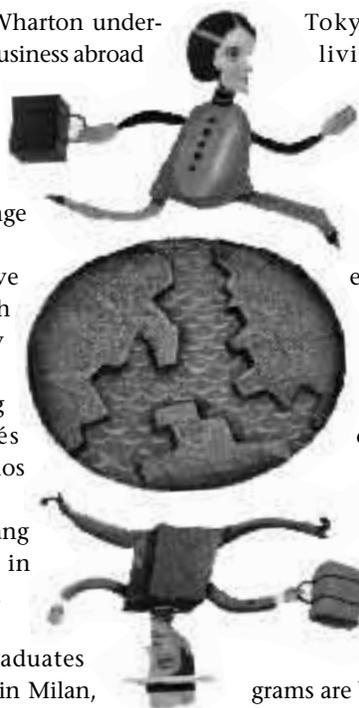


ILLUSTRATION / BRIAN REA



THERE'S SOMETHING ABOUT ...THE FOLLIES

Dramatis personae: Andi DX-850, an android terminatress from the future; Tank Hill, a Texan football jock; Lisa Conchita Alonza, Puerto Rican firecracker and software programming wizard; Steve Brown, a calm, caring, nurturing first-year male (obviously a work of fiction); Timmy, a spunky submatric; Dr. Evil, bald dean of Stanvard (a merged Harvard and Stanford), prone to evil plots and misvaluations; and Thomas P. Gerrity, Dean, the Wharton School.

Plot: Dr. Evil sends android Andi back to the past, disguised as an MBA student, to destroy Wharton so that Stanvard can be number one. All that stands between Dr. Evil and success are: Andi's unexpected attraction to a fellow classmate; Vance Hall, whose legendary hot and cold spells

make it immune to a scheme aimed at sabotaging its thermostats; a computer program that refuses to malfunction (talk about fiction); and Dean Gerrity, whose clever negotiating with the enemy wins the day AND gives the Follies its title: "There's Something About Gerrity."

This rollicking production, put on by a team of more than 200 MBA students, includes a video of Jeremy Siegel predicting stock market fluctuations based on headlines and high boots, a scene from the Titanic, rap music, opera, a spoof on "Saving Private Ryan," and the usual attacks on recruiting, computing, reprographics and reprehensible male MBAs.

As always, music says it all. A few excerpts:

Give Us Jobs Please (to the tune of "We Beseech Thee" from Godspell)

Consulting! For thee we travel most
Marketing! We'll work for Kraft or Post
Banking! Wall Street or we are toast
Industry please, hire us!
Healthcare! HMOs are the key
Real Estate! The next Trump we may be
Anything! We need to be loan free
We'll do anything, hire us!

All we need is jobs
After we graduate
All we need is jobs
Loan payments can't be late
All we need is jobs
Bonuses would be great
We beseech thee, hire us!

1999 (to the tune of "1999" by Prince)

It all started with the Ruble
And then the Yen began to fall
Hedge funds took a beating
Then the IMF received a call
The traders started screaming
The markets tumbled everywhere
Told my boss about the long run
But no one really seemed to care...

When we first arrived at Wharton
It seemed the boom would never end
Volatility can be your foe as well as
your friend

Emerging market meltdown, which
currency will be the next?
I've got my money in a
mattress, baseball cards
and travelers
cheques

"There's Something About Gerrity" (to the tune of "There's Something About Mary")

We try to keep from grieving
Now that his time is done,
All the people tell us,
Other deans will come

It's all just a part of the cosmic process
flow
But there's something about Gerrity
that they don't know
Gerrity, there's just something about
Gerrity. ▼



PHOTOGRAPHS / JERRY MILLEVOI

LIVE, FROM WHARTON: THE LATIN AMERICAN CONFERENCE

Ricardo Hausmann, chief economist of the Inter-American Development Bank, keynoted the 8th annual Latin American Conference Feb. 19 in Philadelphia. The conference, whose theme was "Weathering the Global Storm," was broadcast live to Latin America via Galaxy Latin America's DirecTV.

Three panels at the conference discussed issues relating to future development of the region: Latin American Financial Markets; Building the Foundations for Growth; and Media, the Internet and Entrepreneurship.

Among the guest participants were: Rosario Buendia, director, structured finance, Standard & Poor's; Jonathan Kelly, director of emerging markets research, Fidelity



HAUSMANN

Investments, and Liliana Rojas-Suarez, chief economist Latin America, Deutsche Bank.

Also participating were Jim Bannantine, president, Enron Latin America; Roberto Monti, CEO, YPF Sociedad Anonima; Antonio Purón, director, chief energy practice, McKinsey Mexico; Fernando Espuelas, CEO, Starmedia; Alejandro Soberón Kuri, president and CEO, Corporacion Interamericana de Entretenimiento; Francisco Gros, chairman, Morgan Stanley Latin America, and Christina Carvalho Pinto, president, Full Jazz Advertising.

The conference, which was organized entirely by Wharton graduate students, drew more than 400 people. ▼

NEW DIRECTOR AT CD&P

Robert F. Bonner, associate director of Career Development & Placement since 1994, has been named to CD&P's top position.

As director, Bonner oversees a staff of 20 employees whose mission is to provide comprehensive career management services to MBA students and alumni. CD&P also assists corporations with recruiting.

Under Bonner's direction, the CD&P staff has already achieved the highest placement rate and highest student data collection totals in the school's history. Bonner expanded student workshops from 4 to more than 35 offerings annually, and has presented career workshops to alumni worldwide.

He has also managed the transition from paper to electronic resume submission for the Student Resume Book, initiated online collection and dissemination of student job experiences, and is part of a team managing the redevelopment of a web page serving students, alumni and employers.

Prior to joining Wharton, Bonner worked for Berkeley Associates, a training and outplacement firm, and in career services at Westchester University.

He replaces Andrew M. Adams, who left for a position in private industry. ▼



BONNER

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ALLIES IN FINANCE



More than 30 instructors from 11 historically black colleges spent a day in New York last January learning how deals are done, how stock

is traded, how the Federal Reserve Board works, and what opportunities exist for minorities in the banking industry.

It was part of a three-day seminar on campus, called the Management Education Alliance, aimed at helping instructors from black colleges improve their teaching credentials and finance curricula, and by extension, better prepare minority graduates for a career in business.

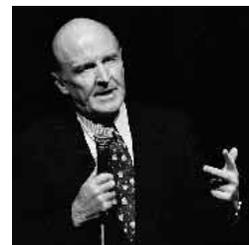
"We shared information on course selection, text books, technology, research agendas, teaching skills and so forth," says Anthony M. Santomero, Richard K. Mellon professor of finance and director of the Wharton Financial Institutions Center, who helped organize and direct the program at Wharton.

The day in New York included several presentations at Merrill Lynch and a speaker from Goldman Sachs in addition to a visit to the New York Stock Exchange. At Wharton, finance professors and business professionals offered sessions on investing, financial markets, international finance, financial research issues, core finance skills and recruitment, among other topics.

Participants in the conference came from such universities as Howard, Tuskegee, Hampton, North Carolina A & T State, Florida International, Jackson State and Clark Atlanta. ▽

SPEAKING OF MANAGEMENT:

Jack Welch, chairman and CEO of General Electric Co., shared his thoughts on leadership with several hundred Wharton students at the Zweig Executive Dinner Series on campus Feb. 17.



PHOTOGRAPH / JERRY MILLEVOI

PHOTOGRAPH / TOMMY LEONARDI

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UNDERSTANDING ECONOMIC ISSUES & FINANCIAL MARKETS

Jeremy Siegel defines and explains major economic issues and financial trends, providing a framework for how they impact business strategy and financial performance. (7 weeks)
MAY 18 – JULY 6 (NO CLASS JUNE 15)

BUILDING A BUSINESS CASE

An applied course on how existing firms or new ventures can evaluate a new business concept and test its viability before presenting it to others or over-committing resources. (6 weeks)
MAY 12 – JUNE 16

MANAGING THE WORKPLACE: PEOPLE, STRATEGY & LEADERSHIP

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JUNE 24 – JULY 29

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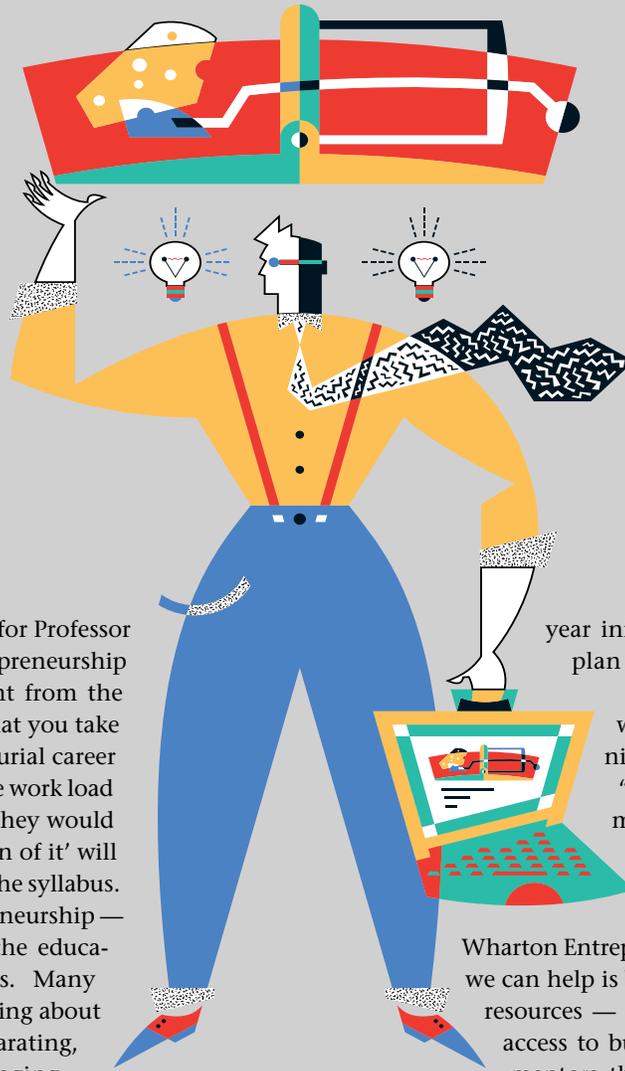
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DRIVEN TO SUCCEED: WHARTON'S ENTREPRENEURSHIP PROGRAM ATTRACTS TOP TALENT

Students and Alumni Launch an Imaginative Array of New Products, from Micromovies to Imaging Machines to Ear Warmers



Wharton students who sign up for Professor Ian MacMillan's advanced entrepreneurship class are given fair warning right from the start: "We highly recommend that you take this course only if an entrepreneurial career is a serious consideration since the work load is high and students who think they would like to take the course 'for the fun of it' will probably regret doing so," reads the syllabus.

The message is clear: Entrepreneurship — whether in theory, practice or the educational setting — isn't for slackers. Many words come to mind when thinking about starting a new business — exhilarating, challenging, terrifying, discouraging, rewarding — but 'easy' isn't one of them, as anyone who reads the voluminous literature on this subject can verify.

Ian MacMillan's words of caution aside, however, interest in entrepreneurship among Wharton students has increased dramatically over the past few years: In 1996, students started an entrepreneurial club (the E-club) that currently has 120 dues-paying members and sponsors an annual conference featuring nationally-known entrepreneurs and business professionals. Students continue to fill up courses offered through the Goergen Entrepreneurial Management Program, making the entrepreneurial major second only to finance in popularity. And Wharton this

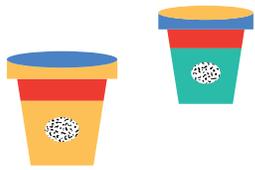
year initiated a school-wide business plan competition that drew more than 125 student entries and will award \$25,000 to the winning team later this spring.

"The entrepreneurial environment here is incredibly rich, and we intend to ratchet it up even more," says Mark Fraga, managing director of

Wharton Entrepreneurial Programs. "One way we can help is by easing the path to available resources — through our courses, through access to business people as coaches and mentors, through the availability of industry and market data and so forth.

Our goal is to package these resources so that students know they are here and can access them. It's one way we have of encouraging more students to start a new venture, either while they are in school, when they graduate, or 5 or 15 years down the road. Whatever the time frame, more and more students are seeing entrepreneurship as part of their career path."

The *Wharton Alumni Magazine* decided to check out some of the new products that are being marketed by alumni and students, as well as those still in the concept or testing stage. We have chosen products that are primarily non-technical, e.g. that one can wear, eat, play with, lie on, listen to or apply.



Experiences, anecdotes and insights are noted on the following pages. Whether the start-ups failed or succeeded or are somewhere in-between, every person interviewed had positive — and sometimes even humorous — feelings about the process. As Brad Oberwager, WG'97, put it: "Starting a company wasn't all that difficult. Running it was."

Below, meet some great ideas.

A Super Bowl of Ice Cream

It would seem that Jeremy's Microbatch Ice Creams, the two-year-old premium ice cream company started by Jeremy Kraus, W'98, when he was an undergraduate in Wharton's entrepreneurial program, leads a charmed life.

The latest example: In January, Kraus won an essay contest that landed his company a free 30-second commercial, worth \$1.6 million, on the Super Bowl. The day after the commercial ran, the company web site logged more than 250,000 hits in 24 hours (compared to its usual 1,000). "It has tremendously increased our brand awareness," says Kraus, 22.

Jeremy's Microbatch Ice Creams, based in Philadelphia, had sales of \$100,000 in 1997, \$1 million in 1998 and is anticipating \$10 million this year. Six flavors of ice cream were in 3,000 stores at the beginning of January. Kraus expects that figure to climb to 7,000 this spring. He has four full-time employees — including partners Tom Shelton, W'99, and Sam Cohen, W'98 — five part-times ones and is looking to hire more.

The company continues to innovate. "All our flavors are limited editions in nature. We are experimenting now with a non-alcoholic beer-flavored one," he says. "That will probably get us tons of free press.

"We position the company more as an innovative flavor house rather than the manufacturer of any one flavor of ice cream," he adds. "It's a new way of thinking for the ice cream industry."

It's been a heady two years — helped along by milestones like landing a \$1 million investment from a venture capital firm — but Kraus is already able to look back and realize how he might have done things differently. For example, "I would have advertised less in the beginning and focused more on in-store tactics. That means things like allocating additional capital to producing elaborate in-store points of sale rather than purchasing a billboard."

And he would have "grown a bit more slowly in the beginning. I tried to grow very fast in 1998 and things became a bit turbulent. For example, I should have been more discriminating about where I sold the product. I was grabbing sales from anyone I could, not taking full account of what effect that would have on the product niche. I was willing to sell to 'laggard' outlets when I should have been focusing all my attention on the true innovators and opin-

ion leaders. All sales are not equal in the beginning of a brand-based enterprise."

Wrap-Around Ear Warmers

When Ron Wilson and Brian Le Gette, both WG'95, were students in the entrepreneurial program, they came up with an idea for ear warmers that wrap around the back of the head. After doing a private placement one month before they graduated and raising several hundred thousand dollars from classmates, the two launched the ear warmers on QVC in December 1995. They sold 5,000 in eight minutes.

In the 1996-97 season, the company, called The Gorgonz Group, sold approximately 250,000 warmers and in 1997-98 approximately 600,000. Sales are generated by the company and their licensee, Wells Lamont, the world's largest glove manufacturer. The ear warmers continue to sell on QVC and are currently being test marketed in stores like Sears, JCPenney and Target.

In 1997 Wilson and Le Gette started another company called Gray Matter Holdings with two other partners. GMH has already developed several new products, including a self-opening beach towel with a built-in air pillow (already launched) and a radio-controlled glider for kids (about to be launched.)

"None of our ideas are rocket science," says Le Gette. "Success depends on how you execute them."

Which leads to Le Gette's first piece of advice, "the need to be flexible. The people who succeed are the ones who can recognize that the path has changed, that there might be an alternative opportunity to which you can quickly redirect your efforts and money," he says.

As an example, "in 1998, our major retailer (QVC) completely changed their strategic focus in a way that had an enormously negative impact on our deal with them and with products we were [planning to sell through them], such as a tool for inserting nails and a child's lunch bag with insertable windows for graphics and a recordable chip for messages. QVC's action meant that we have had to advertise in other areas and distribute through other channels much more quickly than we thought," says Le Gette.

His second suggestion is to direct your entrepreneurial efforts into an area with which you are familiar. "We didn't," he says. In order to launch the ear warmers, "Ron and I had to learn all about plastics, materials, the sewing process, retail distribution and so forth. It probably made things a little harder."

Making It in the Music Business

Rob Weber, W'82 and a graduate of the Jerome Fisher Program in Management & Technology, helped write the





Weber



Le Gette and Wilson



Kraus

PHOTOGRAPH / JERRY MILLEVOI

business plan for a musical instrument company in the mid 1980s. Within a year, he had become the company's director of marketing.

"I had two responsibilities," he says. "Raising venture capital money and overseeing the introduction of the new product (electronic musical instruments known as synthesizers). Basically I was trying to create an awareness and an image."

Between 1984 and 1988, the company, called Ensoniq, grew from zero to about \$24 million in sales. Weber, who left to look for another entrepreneurial venture, held on to his stock and cashed in when the company was sold a year ago. He spent the next two years helping to launch a product that ended up not succeeding, and then ran a company called Elastomeric Technologies, a manufacturer of specialized electronic components known as connectors. He sold the business in 1995 and now has his own investment and consulting firm focusing on emerging growth technology companies. He is also a lecturer in Wharton's entrepreneurial program.

"The hardest thing in launching any product is to get the timing right, to find the equilibrium between when development is done and when there is awareness and enthusiasm for the product," he says. "With Ensoniq, we generated a lot more excitement than there was availability of product. So there was a real shortage in the marketplace along with quality problems ..."

"You want to create excitement, you want to be aggressive and hit the market hard, but you need to temper this with actual readiness. The marketers can't always control this. They have to be in sync with development, ask hard questions, find out how close production really is to a final

product. I now have my own theory. You take whatever amount of time the people in development tell you they need to get the product ready, double it and add six months, and by then you're probably closing in on the right time." Also, Weber adds, "have customer service ready before you ship your first product. It gives you a nice safety net."

Finally, Weber says, "try to be a big fish in a small pond, meaning focus your limited marketing dollars hard in a few places. For Ensoniq we selected three magazines and a few distribution outlets. It also helped to have a sales manager who was from the music industry."

A Treasure Chest for Young Readers

The business plan for Secret Cove is subtitled, "A Buried Treasure for Our Brightest Kids, Every 30 Days," and it refers to the way in which the plan's authors think about reading. Secret Cove would be America's only premium book club for children, dedicated to "restoring the magic in home reading" for kids who are "buried in the haze of marketing around blockbuster TV tie-ins."

"The idea evolved tremendously," says Brenda Thickett, WG'99, "from the original concept of offering personalized stories to children on the Internet to our current plan for a book club. We went back to the drawing board last fall and spent weeks researching the publishing industry and interviewing parents, daycare centers, teachers and independent book sellers."

The research blitz ended with the idea for Secret Cove. "One thing we noticed in a lot of book stores was the small number of children's books that were face out on the shelves," says Rob Steiner, WG'99, another of the business





Oberwager

Schlagman



Corner

PHOTOGRAPH / JERRY MILLEVOI

plan authors. “Many, many more are crammed in with only their spines showing. These books, a lot of them written by unknown authors, fall between the cracks, even though they might be excellent choices. That’s where we feel the marketing opportunity lies.”

Secret Cove’s inventory of books would be chosen by a proprietary board of experts in child development and children’s literature, and the books would arrive in treasure chest boxes with the child’s name printed on the lock.

All five students involved in the business plan have firm commitments after graduation. “But we also want to see how much farther we can take this idea,” says Steiner, a former reporter for the *Wall Street Journal* who has a job with BCG in Toronto. “If the idea gains momentum, at some point one or more of us might want to jump back into it.”

Steiner suggests a reality check before going too far with a business plan. “Too many people lose the discipline of sensible, pragmatic thinking, especially in an era when the Internet seems to have thrown basic realities out the window. Everyone gets fascinated by their own ambitions. They forget that you have to figure out, above all, how your product fits into the evolution of the market.”

Nutrition to Order

Brad Oberwager, WG’97, came up with his idea for Acumin — a company that produces custom-formulated nutritional supplements — in his entrepreneurship and venture initiation course. Between the last day of classes and graduation, he raised \$500,000 mostly from family and friends, and set out to capture part of the \$14 billion market for nutritional supplements.

With the help and encouragement of his father, a Wharton grad and successful entrepreneur in his own right, Oberwager established a manufacturing operation a few blocks off campus with administrators, pharmacists and an operations and business development staff.

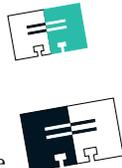
“The idea started to get some legs, but it wasn’t until we put it on the Internet that it really took off. It’s a very interactive process that depends on give and take with the customer. The Internet essentially takes the power of convenience and personalization and gives that to the customer.”

In November 1998, after 18 months of running Acumin, Oberwager sold it to GreenTree Nutrition, an “online wellness center and superstore” based in San Francisco. Oberwager is president and reports to the CEO. GreenTree sells, in addition to Acumin, products ranging from vitamins, minerals and herbs to homeopathic remedies, antioxidants and dietary supplements. Annual sales for Acumin alone are approaching \$1 million.

The decision to start Acumin “seemed so right,” says Oberwager. “What was hard was running it. I had to do everything for a while — accounting, payroll, taxes, janitorial services. Managing people was especially hard. You only have three things when you are starting a business: time, money and energy. Managing people takes an incredible amount of energy.”

If he could do anything differently, he would focus on the “leveraging aspect of the Internet more quickly,” Oberwager says. “It’s the best way to improve the customer’s experience and ensure customer satisfaction.”





Shopping to Music

When Ken Frieze, WG'95, was working for Bain & Co. in Boston, he got the idea for a music promotion and distribution company that would bring original-artist recorded music to non-music retail stores in the form of listening stations and in-store play. "Imagine, for example, walking into Urban Outfitters and hearing, while shopping, new music that fits your tastes and then finding that same music featured on a listening station located prominently in the store — stocked with CD inventory for immediate sale," says Frieze, who named his company Stage One, Inc.

Although music labels and the artists themselves were willing to pay "significant promotional fees" for this exposure, the plan didn't work for two reasons. "First, I wanted to open in thousands of locations, which meant dealing with the best national apparel chains in the country, like Urban Outfitters, Eddie Bauer, Timberland, etc. In the end, these stores were so concerned about controlling their own branding and shopping experience that they couldn't make the decision to leave the sound part of it to someone else.

"Second, there are already very large and successful businesses — including Musak, AEI and DMX — that do in-store programming. We were going head to head with them and we couldn't compete."

Frieze worked full-time on the idea for over a year. "We did pilot tests, we sold CDs, we made it work in some environments, but at the end of the day it was too risky," he says. He hardly regrets the attempt. "It was an unbelievable experience, like going to college or grad school. You learn so much.

"The *biggest* thing I learned sounds simple. There is a huge difference between talking the talk and walking the walk. We came so close to signing certain key retailers. We got all kinds of enthusiasm and encouragement, but when it came time to getting that signature on the bottom line, it wasn't there."

Frieze, who now works for a Boston-based family business called Gordon Brothers, a retail asset redeployment firm, has another observation. "Once you're known to be an entrepreneurial type, you get contacted a lot. I just heard from a Wharton friend who wants to leave investment banking and start an Internet company. My response was, 'why would you do that? If you want to start a company, start an investment banking firm. That's where your experience is.'

"In my case I had a background in retail but I had never done anything in the music business before. That didn't help."

Getting Drugs to Market

Anne-Marie Corner, WG'89, is founder and CEO of Biosyn, a Philadelphia-based biomedical company that has two

products waiting for approval from the FDA — an oral rinse for lesions caused by the AIDS virus and a microbicide/contraceptive to prevent HIV transmission.

Biosyn is definitely in the home stretch of the approval process, a grueling effort that typically takes several years — and millions of dollars — to complete. "We expect to go into trials, which last anywhere from 12 to 24 months, by the end of this year," says Corner.

Biosyn has 12 employees and 8 consultants, including product managers, project managers, toxicologists, chemists, monitors and investigators who recruit patients and administer the drugs. Also involved in the approval process are such components as a manufacturing site, a statistical site and a contract research organization that oversees the entire testing process. "This is probably the most complex, single project in terms of product development that you could ever imagine," notes Corner.

"I know everyone says this but it's true. [The start-up process] takes twice as long and costs twice as much as you think. For us, it's actually been four times as long and four times as costly. Along the way, we have had to be very creative."

For example, signing up drug manufacturers when you don't have the money up front to pay them means "you try to get the manufacturers to take equity or buy into long-term supply agreements, or whatever you can think of. It's about not accepting the strictures of the system but working them in a more creative way."

It's "sheer determination that gets you through this business of starting a company," adds Corner. "You have to keep your eyes on the prize constantly."

An Entertainment Experience

Eric Schlagman describes Mezensen, the company that he and two partners already have up and running, as a micro-movie studio with three components. One is a "unique production model — 'SmArt' — that uses a proprietary digital technology to produce high quality full-length feature films." The second is a licensing and branding business based on the intellectual properties generated by the production model. "So we could license everything from animated characters and movie images to music and graphics," says Schlagman.

The third component is Channel 8, a high-tech media service which will distribute film content, create on line catalogues and take orders for individual movie-related items, among other features.

Since June 1998, Mezensen has worked on 10 different films and established relationships with writers, actors and directors, says Schlagman, a magna cum laude graduate of NYU's film program who founded his own film production company in 1988 called Right Coast Productions, where he



wrote, directed and produced his first feature film, *Punch the Clock*. He has also sold three screenplays and worked with international film distribution companies.

Mezensen's core audience is expected to be people between the ages of 45 and 60 who see movies at least once a month. "We differ from our competitors because we link the entertainment experience to the company itself," says Schlagman.

Mezensen has made significant progress in part because of the intellectual and creative abilities of mentors associated with the project, including talent managers, entertainers, consultants and professors, Schlagman adds. "Taking entrepreneurial courses from Professors Ian MacMillan and Myles Bass last fall, for example, probably saved us about \$4 million of required capital. When you start a new company it's much more valuable to have experienced people associated with it rather than flavor-of-the-month personalities."

The company's name is also emblematic of the new venture. "At first we were told that people wouldn't be able to understand or pronounce 'Mezensen' but once we tested it, the name turned out to be very popular. There has been tremendous buy-in to it, and it also happens to be the last name of Hazel and Filbert, two of our animated characters," says Schlagman. "We are already producing our first animated short. It's called *Hazel and Filbert Are Nuts*."

Imaging Improvement

To detect the kinds of compounds that terrorists use to make bombs, airport security teams rely on a technology called quadrupole resonance (QR). NATO and the former Soviet Union countries also use this technology in their effort to clean up mines in war-torn areas of Asia and Europe.

Two years ago, one of the English inventors of this technology realized it could be adapted for imaging of the human body as well. Which is where Frank Lexa, WG'99, and Mark Chandler, WEMBA'94, come in.

Lexa is a neuroradiologist, a member of the Penn Medical School faculty and former director of their MRI center. Chandler is vice present of BTG International, a company that manages intellectual property. The two have identified areas where they feel QR imaging can do a better, cheaper and easier job than the more expensive MRI and CT scanning machines used in the majority of hospitals.

"The QR technology can be especially promising in detecting potential thyroid disease, osteoporosis and breast cancer," says Lexa. "And the machines are small and portable, unlike MRI systems which cost millions of dollars, require special walls and reinforced floors, and create magnetic fields that raise occupational safety and health issues.

"The question now is whether to start a separate company or license the technology to an existing imaging

Continued on page 27

Creation, in 14 Weeks

Students who take Karl Ulrich's operations and information management (OPIM) course, "Product Design and Development," have exactly 14 weeks to come up with an idea, a prototype and a marketing plan.

Some recent examples of student ingenuity: a new compact disk case, a folding urban shopping cart, an electronic tennis scorekeeper, a personal eye glass cleaner, a fast-food tray for eating in the car, an onion chopper, a pickpocket protector, a trash compactor for recyclables, a specially designed jog bra and a calculator for golf club selection.

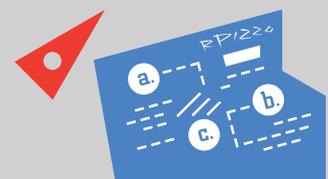
"The ideas tend to be fairly simple because of the time constraint and also because students are required to use off-the-shelf technology," says Ulrich, an associate professor in OPIM who focuses much of his research on product design, product architecture and management of product variety.

Ulrich has what amounts to a checklist for success that he uses to assess new product ideas. "First, is there a rich information channel between the designers of the product and the marketplace? That doesn't mean someone in marketing writing a memo to R&D saying, 'here is the opportunity, here are the specs.' That never works. The designers and developers must have an intimate understanding of the market; they need to be part of a team that goes out and develops first-hand knowledge of customer needs. Anytime you get information second-hand, a filtering process has already taken place and decisions already been made about what is or is not relevant. A lot can get lost in the translation.

"Second is the 'what-not-how' principle. It's important to define what the product must do, not how it does it. Students all the time will say, 'I have this great idea for a product and here is the technology.' Consider, as an example, the idea of putting an industrial diamond dust in bike tires in order to get ultra long life. Before immediately concluding that you've come up with a great product, you should say, 'there's an opportunity out there for a long-life bike tire, and here is what the product will do,' rather than 'here is how the technology works.' If you get wedded to one solution, frequently someone else comes along and beats you with a different, better approach."

Ulrich suggests his students perform a multi-level screening process before presenting their ideas. First, think through the criteria and consider how the idea stacks up against customer needs. Second, select the two or three best ways to meet those needs and, third, do a concept test with customers. Go out with a prototype if possible and say, 'here are three ways we might meet your needs. Which do you prefer?'"

Finally, do a "reality check" before getting too far along in the process, Ulrich says. "It's a principle called 'get physical fast.' Which means that you should try to get a physical realization of the product as early as possible, a prototype, because you will learn all kinds of things quickly, both on the technology side as well as the marketing side. Products often exist on paper far too long."



Putting a Price Tag on Government

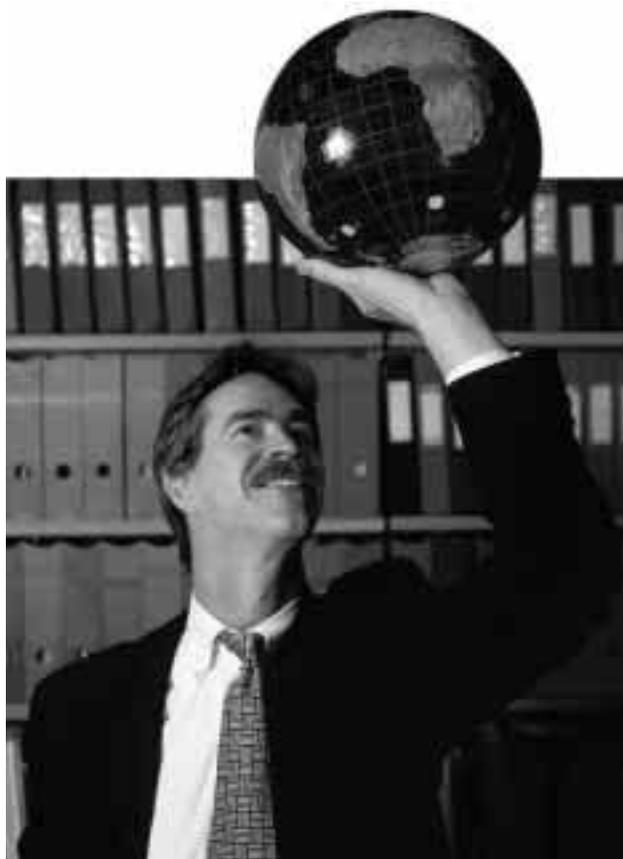
Whether He's Looking into Philadelphia's Tax Policy, Resource Allocation for South Africa's Provincial Governments or the European Union's Debt Policy, Professor Robert Inman Makes Sure Everyone Knows the Costs and Consequences of Their Decisions

When Robert Inman was in graduate school at Harvard in the 1960s, he and a group of students, all of whom had played college basketball, formed a semi-professional basketball team. The idea was both to keep in shape and to earn money on weekends by competing against other semi-pro teams in the Boston area.

Inman graduated and the group disbanded but not, as it turned out, for good. In 1990, Inman — professor of finance, economics, and public policy and management — received a call from one of his former teammates with news of an Amateur Athletic Union (AAU)-sponsored national basketball tournament organized according to age. Was Inman game to play in a tournament for men 45 years and older? Inman was, as were three others from the original team and an additional six players from cities around the U.S. Two members of the newly-formed 45 + team had played pro ball: Wali Jones, former starting point guard for the Philadelphia '76ers, and Barry Clemens, former forward for the New York Knicks.

That spring Inman's team won the national tournament. In 1992, '94 and '97 they won the age 50 and over national tournament and last year in Portland, Oregon — in a tournament sponsored by Nike that was advertised around the globe — they clinched the age 55 and over world title. The competition included other U.S. teams, former members of the Soviet Union Olympic team, and players from Australia, Germany, the Netherlands, Brazil, Uruguay and Guam, among other places.

"We won the gold medal," says Inman, a two-time AAU Master's All-American. "It's all a lot of fun ... I get



a number of little injuries, but fortunately the knees are still good."

So what does this have to do with Inman's reputation as one of the foremost authorities on public finance? Or, more specifically, with his work on the City of Philadelphia's fiscal crisis, the South African government's new constitution or the European Union's debt policy?

Not much, except that it's a classic Inman story line — achieving excellence in an area where long-standing commitment and concentrated effort have brought very visible results, whether it's winning a basketball tournament as the team's second-highest scoring forward or setting up a system to fund provincial governments in a country 8,000 miles away.

Practically speaking, what Inman does in much of his research and consulting is put price tags on the tax and spending strategies of state, local and federal governments. Government outlays — for health care, social insurance, unemployment insurance, roads, education, police protection, telecommunications, etc. — account for 40 to 60 percent of the national economy, he says. Given those figures, it's clear that the management, or mismanagement, of taxpayers' money can have a dramatic impact on businesses, consumers, cities, suburbs, school districts and other stakeholders.

In dealing with the 400-pound gorilla of government spending, "the question is how should taxes and debt on the financing side be handled in a way that does the least damage to the private economy, i.e. that will have the fewest disincentives on how hard you work, how much you save, where you live, how profitably you can operate your business and so forth," says Inman. "I want to minimize those adverse effects and then spend the money in the most productive way possible."

Suppose the city of Philadelphia wants to raise the non-resident wage tax. "I'll say go ahead but it will cost you 'x' number of jobs," says Inman. Or suppose the European Union wants to grant Italy unlimited borrowing authority. "I'll point out that the consequences of that are 'x' higher interest rates. In South Africa, suppose the government wants to tax capital income. I'll say okay but the decision will result in an exodus of capital stock.

"In the end I try to price out the tax side, measure the benefits side and then help decision makers think through the balancing of benefits and costs."

Seventeen years ago, the city of Philadelphia offered Inman a unique opportunity to showcase his research on public finance. In 1982, at a time when Philadelphia's taxes were the highest in the region and third highest in the U.S. and when local labor unions were clamoring for ever higher wages and better benefits, Inman was brought in as a consultant to study the city's fiscal condition. By interpreting available statistical data on Philadelphia's tax structure, Inman was able to show how spiraling labor costs had forced the city to keep raising taxes, which in turn had helped drive away employers and families, which

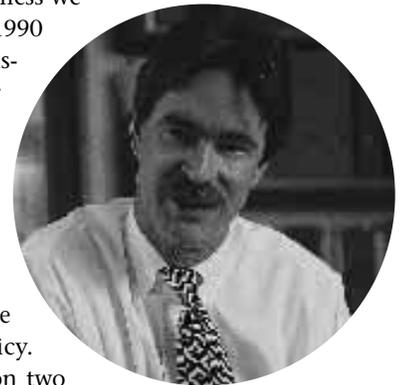
in turn necessitated even higher taxes, which only added to the exodus, and so on.

Inman did similar studies in 1984, 1986 and 1988, but no one paid much attention to them until the fiscal crisis hit in 1990. "That fall, what should have been a routine borrowing to meet city expenditures until anticipated tax revenues could be collected became an international financial embarrassment," says Inman. "Potential lenders and guarantors from the U.S., Europe and Japan all refused to lend the city its needed funding." Philadelphia suddenly found itself facing a budget deficit of \$153.5 million.

What had happened? In 1992 Inman, working with the new Rendell administration, was able to document that during the last 12 years, taxes had been raised a total of 18 times and, as a result, the city had lost approximately 125,000 jobs. "We had gone from 900,000 jobs in the mid 1970s to 700,000 by the early '90s," Inman says. Some of those job losses would have occurred anyway due to the shift to a service sector and the demographic trend of more firms migrating to southern states. But the majority of those losses were caused by the tax structure. "We re-documented it in 1994, 1996 and 1998," Inman says. "We made it very clear that the mess we had gotten ourselves into in 1990 was due to a large degree to rising costs — primarily labor but also welfare — and rising taxes."

The Rendell administration early on decided that holding the line on taxes, and eventually reducing them, would be a centerpiece of their administrative policy. They specifically zeroed in on two particularly damaging taxes, the non-resident wage tax and the gross receipts tax. Inman showed that the non-resident wage tax caused a number of downtown professional firms to move back-office operations out to the suburbs where suburban residential employees could avoid the tax. He also documented how the gross receipts tax unfairly targeted small companies, many of whom were barely breaking even, because it taxed total sales rather than profits. As a result, many small businesses were moving out of the city or choosing not to locate there in the first place. "Rendell focused on lowering these two taxes, finally pointing Philadelphia's tax strategy in the right direction," Inman says.

If Inman's work in the field of public finance can help Philadelphia, what about other cities in the U.S.? Is there a paradigm, or analytic model, that can be applied elsewhere with the same results? Inman thinks there is. He and three former graduate students — one a profes-



sor at Princeton, one at the University of Houston and another at the University of Minnesota — have already replicated the Philadelphia study in New York, Houston and Minneapolis, with similar outcomes. “Philadelphia is not unique,” says Inman. “It’s important for local governments to understand that bad tax management has very specific implications for their place in the regional and national economies.”



On November 18, 1993, South African negotiators representing both the previous apartheid government and the African National Congress (ANC) agreed to an interim constitution creating a non-racial, multi-party democratic government. The following month a special session of the South African Parliament approved this constitution, and in the country’s first democratic election, Nelson Mandela was voted president on April 27, 1994.

Later that year, nine new provinces (or states) were established in South Africa, each with a democratically elected premier and legislature.

In early 1994, Inman “received a phone call out of the blue from a person at the World Bank who had been contacted by the ANC leadership. He asked me whether, based on my research on how to pay for services through decentralized government, I could come over to South Africa and help design a way to allocate resources under the new constitution.”

Inman and two others, including a former professor of his who is now at the University of Toronto, flew to Johannesburg in April, just days after Mandela had been elected. The three met with the leadership of the ANC and also with the Financial and Fiscal Commission (FFC), a group of 18 accountants, economists, and lawyers set up by the interim constitution as a public finance oversight and review board. The FCC’s role was to make recommendations on fiscal policy to the new parliament, to provincial legislatures and to local authorities.

“Under the apartheid government, paying for and financing services had been highly centralized,” notes Inman. “When the ANC came in it was clear that there would be a major reallocation of resources away from the white elite neighborhoods toward the broad-based communities as a whole. Basically the ANC was planning to take money out of the wealthier communities through tax-

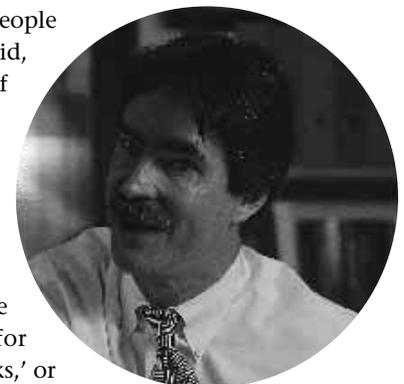
ation and allocate it to the poorer communities through spending programs.

“Part of the original agreement between Mandela and [former South African president F.W.] De Klerk had been that the conservative white bureaucracy would not be dismantled,” Inman adds. “It took the ANC about two minutes to realize they could not implement the policies they wanted through this centralized administrative structure. Since the constitution had set up new provincial governments, the ANC decided to use these entities as an important delivery mechanism for their reallocation policies — in other words to use the provincial and local governments for the financing and provision of local services. They asked for assistance on how this might best be done.”

Inman met with the FCC in May 1994 and “started brainstorming. I came home that summer and wrote a memo to the two men running the FCC saying that if I were in your situation, here is what I would do. In September I went back to South Africa to attend a meeting of the FCC. They essentially pointed to my memo and said, ‘let’s do it.’ Quite a shock for an academic. We took the conceptual framework and spent approximately 100 hours over the next two weeks turning the theory into a practical structure of financing for the provinces. The full commission then unanimously approved it, the national legislature eventually adopted the commission’s proposal and the new permanent constitution signed off on it as well.”

Inman and his team had worked out the type and amount of taxes to be collected; a program for what monies should be paid from one level of government to the other for specific services including health care, education and rural area projects; and a financing system for welfare services. “We were creating the appropriate incentives for people to spend money wisely, a blueprint for how to send the money around, where to take it from and what or whom to give it to,” says Inman.

“What we didn’t do is tell people *how* to spend the money. We said, ‘if you allocate this amount of funding to education, here is the return you will get.’ ‘If you spend this amount of money on roads, you will get this amount of return.’ ‘If you decide on this tax, it will cost you this much in Rand.’ We didn’t say, ‘take this money for education and spend it on books,’ or ‘use this health care allocation to hire more nurses.’ Those decisions belong to South Africa’s elected leaders.”



Inman's plan was implemented on the provincial level in 1996-97. He is now assisting the government in designing financing structures for South Africa's largest city governments. A blueprint for the financing of Cape Town was finished in 1997 and another for Johannesburg last month. Still on the list are Durban and Pretoria.

In Inman's office is a letter from South African president Nelson Mandela written last October and thanking Inman for helping to arrange a semester of business courses for two ANC members. One of those visitors, Ketso Gordhan, has recently been appointed CEO of the Johannesburg Metropolitan Government. "It's a wonderful letter," says Inman, "and it shows just how personable Mandela is. At the end of the correspondence he congratulates us for having once again been chosen the number one business school."

In 1996, Inman and a colleague analyzed current debt behavior of U.S. states in an effort to determine whether balanced budget rules can in fact act as a brake on deficit behavior. (U.S. state governments, with the exception of Vermont, are required to balance their general fund budget in each fiscal year.)

Inman's study, based on deficit spending data from 1970 to 1991, found that these balanced budget rules are indeed effective provided they satisfy three conditions: The rules must be based on ex post accounting (i.e. budget officials have to show at the end of the fiscal year that income from taxes does not exceed spending); must be constitutionally-grounded (i.e. can't be changed except by referendum or two-thirds majority vote of the legislature); and must be enforced by an independent political body with significant penalties for non-compliance. "States that did not meet these criteria were running deficits five to ten percent larger than those that were," says Inman. Put another way, in states where these conditions were met, the chance of an annual deficit fell from one in four to one in ten.

In one of those interesting, almost serendipitous, connections that Inman seems to experience on a surprisingly regular basis, his study was picked up by a German research group involved in the development of balanced budget rules for the Economic Monetary Union. A prohibition against excessive deficits over the long run had been a key issue in the debate over entrance into the EU for a number of years.

Specifically, countries seeking admission to the EU are required to meet four criteria. The first three criteria are targets for inflation, exchange rate and interest rate performance — all designed to force monetary stability, Inman says.

The fourth criterion seeks to ensure price stability by requiring that a member country's overall budget deficit for each fiscal year be equal to or below 3 percent of GDP and that the stock of gross public debt be equal to or less than 60 percent of GDP.

Deficits clearly have to be kept under control for several reasons, says Inman: First, if a country's level of public debt becomes unsustainable, other members could be politically obligated to bail out a member in crisis; second, a failure to effect a bail-out could lead to a community-wide banking and financial crisis. Third, excessive borrowing by one member could raise government interest rates elsewhere in the Community.

For all these reasons, Inman says, the incentive existed for EMU members to regulate each other's deficit behaviors through an EMU-imposed and enforced balanced budget rule.

In June 1996, Inman was invited to a forum in Kiel, Germany, with a group of academics, politicians and bankers from all over Europe. The meeting was attended by the deputy director of the Center for European Policy Studies in Brussels who subsequently adopted Inman's conceptual framework and, with Inman's support, used it to argue against the deficit rules that had already been proposed for the EU.

Inman and his colleague concluded that the EU's balanced budget rules fell short of being a fully effective deficit constraint because they failed to meet the third criterion that Inman had laid out in his paper on U.S. debt behavior: they lacked a real enforcement mechanism that would set in motion clearly specified sanctions against the offending country once a certain deficit threshold had been passed. (In the U.S. the usual sanction for excessive deficits is the transfer of budget authority from the profligate legislature to a court or independent agency.)

Furthermore, EU member countries which run very large deficits — "so large that they pose a threat to EU price stability" — should after review be excluded from the economic policy-making bodies of the EMU. "The bottom line is that you have to have a credible penalty at the back end in order to ensure compliance," says Inman.

Inman, who grew up in Chicago, earned three degrees from Harvard: a BA in economics, a master's in education and a PhD in economics. "Initially I had wanted to teach high school, but after I worked at Harvard for two years as an admissions and financial aid officer, I became interested in universities," says Inman, who is the father of two sons, ages 26 and 29, both of whom are Penn grads and both of whom beat him regularly in family basketball

games. “My boss told me that if I wanted a job at a university I would have to get a PhD.” Inman wrote his dissertation on the public financing of education. In 1971 he joined Penn as an assistant professor of public policy and economics, and in 1981 moved over to Wharton as a professor of finance, economics and public policy and management.

His research, which focuses on public finance, political economy and urban fiscal policy, tends to show up in an unusually wide variety of venues. For example:

- A 1998 *Business Week* item cited a study co-authored by Inman called “Changing the Price of Pork: The Impact of Local Cost Sharing on Legislators’ Demands for Distributive Public Goods.” The paper, published for the National Bureau of Economic Research, analyzed a 1986 law that required local governments to pay for a larger share of big water projects. The law resulted in a 35 percent drop in overall spending, along with a 48 percent drop in federal outlays to the states.

“Before 1986, mayors, governors, commissioners and others would routinely ask their local congressional representatives for a new dam, water harbor or whatever, and then the representative would insert it in the water bill and the federal government would pay for virtually all of it,” says Inman. “The 1986 bill required local governments to cover 30 to 50 percent of these costs. All of a sudden, these requests either stopped or were directed to much smaller projects ... Simply stated, the message is that if someone gives you something for free you want a lot of it. If you have to pay for a portion of that something, you want less.”

- In 1997, a report entitled “Do Immigrants Impose a Net Fiscal Burden?” — written by Inman while he was a National Academy of Sciences panelist advising Congress on U.S. immigration policy — received extensive coverage in the *New York Times* and other news organizations.

“Immigration has always been a highly politicized issue,” says Inman. “What we did was bring some systematic thinking to the numbers debate as to the true fiscal cost that immigrants impose on a community. For example, we showed that California taxpayers really do bear a disproportionate burden because of the large influx of low-skilled immigrants into the state. This is now an accepted fact. Before this study it wasn’t. So the debate can now turn to the substantive question of whether or not we should give assistance to states that may be unfairly burdened by our national immigration policy.”

- In 1995, Inman completed a study called “Do You Know How Much Money Is in Your Public Purse?” which ana-

lyzed, among other things, the California state pension system. “I looked at the subject of hidden debt — i.e. the practice of city and state governments borrowing money without letting the taxpayers really know what is going on. Pensions are a classic example,” Inman says. “There are no federal rules that protect the funding of state plans. That has led to states borrowing money to pay for current services against the money that they should be saving for their public employee pension plan. The result is that many state’s pension plans are seriously underfunded.”

- Inman has consulted with dozens of businesses and organizations, ranging from the RAND Corp. and the U.S. Department of Education to the National Multiple Sclerosis Society, the City of Bridgeport, Conn., and the Federal Reserve Bank of Philadelphia. He has been a visiting professor at Stanford, Berkeley, Chulalongkorn University in Thailand and Australian National University and is currently an associate member of the Institute of Fiscal and Monetary Policy, Ministry of Finance, Japan. He has recently been awarded the Fulbright’s Florence Chair to give lectures on political economy at the European University Institute in Florence, Italy.

In the midst of this diversity of interests, research projects and practical applications, Inman sees “a reassuring consistency to all my work, which is that I have always sought to bring economists and political scientists together to debate all the issues that we have

talked about. So now economists are more interested in the political process, and political scientists are more interested in the economic implications of public policy. To have been part of this intellectual evolution, this coming together of two disciplines, has been enormously satisfying.

“But there is always more to do. Just as I have been striving to develop a behavioral theory of public finance, my colleagues in the finance

department are developing behavioral theories of corporate finance. There is a useful intellectual merger here. The goal should be a single, encompassing view for how all organizations — public or private — can best raise and invest resources for the long-term.” R.W.S. ▼

“What we did was bring some systematic thinking to the numbers debate as to the true fiscal cost that immigrants impose on a community.”



A Passion for SPORTS

WHETHER RUNNING ON A TRACK OR RUNNING A MAJOR LEAGUE TEAM, ALUMNI USE ATHLETICS TO STAY ON TOP OF THEIR GAME

America has long had a love affair with sports. We play sports, watch sports, read about sports, talk about sports, place bets on sports, and get happy, angry and disappointed over sports.

We wax nostalgic about a memorable home run, touchdown, fishing trip, tee shot, game-winning basket or swim meet. We remember how good it felt to be on the playground or city street, playing pick-up games, getting into fights over a botched play, and offering always erudite reasons why one athlete was better than another.

Above all, we knew, and still know, that sports are mostly fun. They provide challenges and opportunities for personal growth — to say nothing of physical conditioning — that few other endeavors can. Alumni interviewed for this article were more than happy to discuss why they are passionate about sports.

THE FLY-FISHERMAN

The way of life that Ed Crutchfield, WG'65, knew as a boy is disappearing.

Crutchfield, chairman and CEO of First Union Corp., the nation's sixth-largest bank, grew up in a town of 800 in North Carolina. His father was a country lawyer, his mother a schoolteacher. They lived on the edge of a forest 60 miles from the nearest interstate. It was a quiet place where boys learned to fish and hunt and to practice woodcraft.

Crutchfield was taught to fish at a young age by his father. But it was not until he was 20 that he found his true

avocation when a friend introduced him to fly-fishing. It was on the Chatooga River, made famous in the movie *Deliverance*.

"The first time I saw a gin-clear stream and a fish started at the bottom of the river five feet deep and I watched him go all the way to the top and saw him attack that fly, I was hooked," Crutchfield says.

That was in the early 1960s, Crutchfield is proud to point out, long before fly-fishing became fashionable, thanks in large part to the 1992 Robert Redford film *A River Runs Through It*.

"Once you fly-fish," he says, "you don't want to do any other kind of fishing."

(A quick primer for the uninitiated: Many anglers consider fly-fishing the most challenging type of fishing because the fly-fisher does not try to catch fish, usually trout, using bait or metal lures. Instead, fly-fishers use flies, which are typically



Crutchfield

made of fur and feathers delicately tied around small hooks to imitate insects that fish eat.)

Crutchfield travels several times a year to southwest Montana and New Zealand, two fly-fishing meccas, usually with old friends who have been fishing together for years.

He has fished just about all of the major rivers in Montana, including the Madison, the Yellowstone, the Beaverhead, the Big Hole and the Ruby. But his preference is for remote creeks where the anglers are few and far between.

The biggest trout ever caught by Crutchfield, who practices catch-and-release fishing, was a seven-and-a-half pound brown trout in New Zealand last year. His wife caught a six-and-a-half-pound brown on the same trip.

He also likes to hunt ducks in Arkansas and quail in South Carolina and Georgia. An avid conservationist, Crutchfield is a lifetime member of Ducks Unlimited, Quail Unlimited and Trout Unlimited. He was also involved in founding the North Carolina chapter of the Nature Conservancy and served on its board for many years. The conservancy, he says, “is the best outfit in the country” for its efforts to preserve wild places. “It’s privately funded, doesn’t rely on the government and is run by non-bureaucratic type people. Its sole mission is conservation.”

Asked to describe a memorable fishing trip, Crutchfield did not mention the biggest trout he caught. In fact, he did not mention fish at all. He said this: “Being in Montana around Labor Day when the early snow starts to fall and you’re wade fishing, say, in the Beaverhead or the Big Hole, and you realize there’s two feet of snow ahead of you. It’s probably one of the most beautiful places you can [imagine].”

GOLF, EVERYONE?

Sometimes, you can develop a passion for a sport at a moment’s notice.

In the early 1990s, Sharon A. Fordham, WG’77, traveled to a customer outing in Los Angeles from her office at Nabisco Biscuit Co. in East Hanover, N.J. She recalls looking over the list of recreational options with growing dismay: the Universal Studios tour (“which I had already done,” she says) deep-sea fishing (“a definite must-miss”), shopping on Rodeo Drive (“another must-miss”).

She opted for tennis instead and hopped on a bus that would take her to a golf-tennis complex 25 miles from her hotel. But a problem arose: the weather forecast called for a high near 100 degrees. Since Fordham is prone to migraine headaches brought on by heat, tennis became a must-miss, too. A friend suggested she join him and two others for golf instead.

“I had never even picked up a club,” remembers Fordham, who today serves as senior vice president, marketing, for the company, an operating unit of Nabisco Inc. “But I had to go play because I was going to be stuck at the complex for eight or nine hours. I went out and basically loved it. I probably missed as many [balls] as I hit. My team wound up winning the



Fordham

tournament and I won the ladies’ longest drive. I didn’t even know what I was doing. I won a shirt and jacket and thought golf was the greatest thing since sliced bread.”

After returning to New Jersey, Fordham signed up for lessons at a local driving range and attended a three-day golf school in Vermont. “Three months after I started playing, I hit a hole in one and I said this is definitely my game,” says Fordham.

She has discovered what golf has long offered executives — both a physical and mental challenge as well as a way to nurture friendships and business relationships outside and inside the company.

“I never appreciated the social aspects of the game,” Fordham says. “Aside from the pure enjoyment of being outside, I’ve also found it tremendously helpful in building relationships with people whom you have a hard time connecting with on other levels.”

This is especially true given Fordham’s position as a senior executive, a position that she says can leave her out of touch with employees. To remedy the situation, she began to circulate sign-up sheets that people could use to form foursomes to play on Sunday afternoons. “I got to know a lot of people I otherwise never would have gotten to know.”

Her goal is to play the major golf courses in the country. She has already played three — Winged Foot in New York, Pine Valley in New Jersey and Merion in suburban Philadelphia.

Fordham, whose handicap is “in the neighborhood” of 15 to 18, plays every weekend in the summer and is continually working to improve her game. “Unless you’re a scratch golfer, you just have a burning desire to get better.”

IRONMAN

If you jog through the park in the morning, ride your bike on weekends, or occasionally swim at the local pool, you are beginning to get a glimpse — a tiny glimpse — of what it means to be a triathlete. To get a better idea of how difficult this kind of athletic pursuit is, try doing all three back to back, first swimming, then biking, then running. But if you want to experience the ultimate triathlon, do all three for a combined 140 miles. Without stopping.

That's what Michael Bregman, W'75, a serious triathlete, has done twice in his life, in the Ironman World Triathlon Championship — an event most people probably have seen only on TV. Ironman competi-

tions are the longest and most strenuous races that a triathlete can participate in.

Bregman entered his first Ironman in Hawaii in 1990 when he was 36, an age when major league ballplayers and NFL nose tackles are announcing their retirements. The event began with a 2.4-mile swim in the ocean, followed by a 112-mile ride on a strip of highway through lava fields where temperatures reached 120 degrees, followed by a 26.2-mile run.

Some 1,400 people entered the race, the rules of which require participants to finish the course within 17 hours. Bregman placed about 1,100th. His time: 14 hours, 57 minutes.

"It's a race of survival, not of time," says Bregman, chairman and CEO of Toronto-based Second Cup Ltd., Canada's leading specialty coffee retailer with more than 350 stores. "There's tremendous satisfaction in crossing the finish line, so I didn't feel like a loser. I immediately went on intravenous [to replace fluids lost during the race]. I also decided I would live some day to do it again."

Which he did in 1995 in British Columbia. This time, he swam in a lake and raced up and down the Rockies. He finished several hours better than in Hawaii and placed in the middle of the pack.

"You have to have some form of insanity to race in the Ironman," he says. "It's very different than a shorter race. In the Ironman it's very mental. The first few hours, you're so strong. If you push too hard, you're going to explode. At the end, you look around and realize you're not the only one depleted of energy. It's a very emotional experience to cross the finish line ..."

Most times, Bregman takes part in less strenuous triathlons. Between the two Ironman races, for example, he competed in two to 10 triathlons of various distances each summer.

The experience does take its toll on the body. Bregman's knees have been operated on three times and he has had his share of hamstring pulls. He raced only twice in 1998.

He also plays ice hockey and tennis and enjoys water skiing. He says that exercise, especially running, is integral to his life. "I could have the biggest problems in the world before I start running, [but] when I'm running I don't think of anything."

THE BEST OF BASEBALL

Three years in the history of the Philadelphia Phillies are burned into the minds of die-hard fans. One is 1950, the year a youth-dominated team dubbed the Whiz Kids won the National League pennant and earned the chance to play (and lose) to the New York Yankees in the World Series. The second is 1964, when the first-place Phillies blew a 6 1/2 game lead with 12 games to play and watched their all-but-certain pennant hopes evaporate. The third is 1980, when the club, led by great players like Mike Schmidt, Pete Rose and Steve Carlton, won the series.

David Montgomery, WG'76, president and CEO of the Phillies, was only a child in 1950, but he has dim memories of how his family got its first TV and used it to watch the series. In 1964, while a student at Penn, he found himself at Connie Mack Stadium on Sept. 21 for a game against the Cincinnati Reds that turned out to mark the start of the Phils' infamous 10-game skid and subsequent collapse.

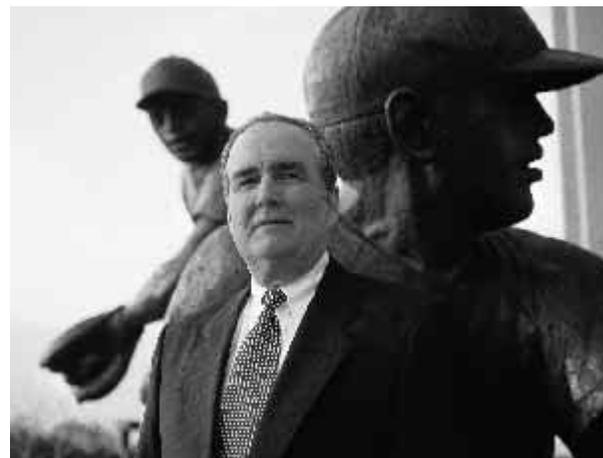
And, in 1980, Montgomery took part in the team's World Series victory parade. "I'll never forget the rush of being on one of those floats," he says.

A local boy and lifelong Phillies fan, Montgomery wanted to land a job of some kind in sports after earning his MBA. Robin Roberts, an ace pitcher from the 1950s and father of a boy whom Montgomery coached, introduced Montgomery to Phillies executive Bill Giles. The pair hit it off. Today, he and Giles are general partners in the Phils, which also has four limited partners.

Montgomery's first job with the Phillies was in sales, telephoning fans who had expressed an interest in buying season tickets. In those days, players and other people associated with the team were asked to work the phones in the off-season to generate sales. Baseball salaries were so modest that players welcomed the chance to earn extra money. The late Rich Ashburn, a



Bregman



Montgomery

popular Whiz Kid-turned-broadcaster, was one of the guys who stood to pocket commissions if Montgomery closed on sales leads that Ashburn had generated.

"Richie always kept asking where his commission check was," Montgomery says with a laugh. "He was not very good at keeping files. He just had pieces of paper with names and numbers on them. I called one lead and got a cemetery."

Montgomery has seen many changes in his years in baseball: the expanded role of TV, the emergence of high-tech scoreboards and mascots to bring fans to the ballpark, the rise and fall in popularity of multi-purpose stadiums, the exponential increase in players' salaries, the growth in presence of sports agents and union strife. In recent years, a canceled World Series and player arrogance have bred fan disaffection.

Still, Montgomery is optimistic. Sports, he says, "are in many ways an opportunity for release from everybody's routine of daily life. When we do this well, as Bill [Giles] says, we bring joy to people."

Montgomery points to 1998, when Mark McGwire and Sammy Sosa battled for the home run title, as a special year for baseball because "it caused us to look back. Our strength is our tradition ... Sure, some of the settings have changed. But our game, 90 feet between the bases and 60 feet, 6 inches from the pitcher's mound to the plate — it all still works."

HORSE SENSE

At a time when most people slow down, Mickey Tarnopol, W'58, decided to try his hand at a difficult and dangerous sport — polo. That was in 1979, when Tarnopol, vice chairman of Bear, Stearns & Co. Inc., was 42 years old.

But his love of polo had begun to blossom many years before when he was a boy working at a stable near his home on Long Island, N.Y. "I was 11 or 12," Tarnopol recalls. "The only way to get a job was mucking out stalls." Just as important, one of his neighbors was kind enough to take him to polo matches in Westbury, L.I. "All the great international matches were held in Westbury after World War II," Tarnopol says. "I became a 'hot walker,' someone who walks horses to get them cool after they finish playing."

But that was as close as Tarnopol would get to polo for a long while. He enrolled at Penn where he played freshman football and was a member of the university's heavyweight crew team. After graduation, he married Lynne Lichtenstein, CW'60, launched a career in investment banking and raised two daughters, Lori and Lisa, who are also Penn alumni.

When Lisa was 15 and a top junior equestrian, Tarnopol accompanied her to a horse show at the Palm Beach Polo Club, part of the Florida horse-show circuit. He noticed a

polo match taking place on the other side of the stadium.

"I said, 'I'd love to do this,'" he remembers. Tarnopol enrolled at a week-long polo clinic in Florida. "That was the beginning of the end," he says. "I bought a horse, another horse and another horse" and ended up with more than 40.

Throughout his career Tarnopol has played high-goal polo, which is the top tier of polo-playing and is made up of mostly pro players (the other levels are medium- and low-goal polo). "I love the competition," he says. "It's very rare that an adult in business has the opportunity to, number one, play a team sport, and number two, play with professionals on the same team."

At first, Tarnopol played for a team sponsored by Rolex watches. He later formed his own team, sponsored by Revlon. Over the years, his teams won every major tournament in the United States, except for the U.S. Open Polo Championship. He has the scars to show for his efforts — broken bones, several concussions and a detached retina. "When a horse goes down on you," he says, "that's 1,500 pounds."

Tarnopol retired from polo last year, playing his last home game in July at the Greenwich (Conn.) Polo Club. He led Revlon to a 12-7 victory over Cellular Farms and was named the game's most valuable player. Most of his teammates were in their 20s.

"There comes a time in every sport when everyone should retire," says Tarnopol, 62. "I had reached a peak in my career. I didn't want to go down from there."

GO, NEW YORK, GO

When it came to sports, Pam Harris, WG'87, did not have a typical American childhood. Her father spent many years working for Citibank in South America and Mexico, so she had few opportunities to be a player, cheerleader, fan, or even a weekend couch potato like many of her U.S. teenage counterparts.

But each winter, the family would spend a month or so in New York and her father, a Bronx native and lifelong New York Knicks fan, would take her and her two older sisters to see the team play at Madison Square Garden.

Flash forward to adulthood in 1990: Harris holds degrees from Stanford (Denver Broncos quarterback John Elway was



Tarnopol



Harris

a member of her 1983 graduating class) and Wharton. She has worked at an advertising agency and for a consumer products company. But she notices that the National Basketball Association is growing in popularity, and she decides she wants a career change. "I was very, very, very aggressive in pursuing basketball," she says.

She first tried to get a job with an NBA unit that was working to expand the league's presence overseas. That

job search never panned out, but the man she would have worked for had she been hired was now president of the Knicks. He called Harris and asked her to join the organization.

"I never once for a minute thought I could work for a team," she says. "I really didn't think regular people got jobs at basketball teams. I thought you had to be a guy, or play basketball, or your last name had to be the owner's."

The week after she joined in 1991, Pat Riley was named coach of the Knicks. Management began to market the team aggressively. Says Harris: "A big part of my job at the start was selling tickets because we were not selling out any games."

She decided to revamp the whole "experience" of attending a Knicks game. Basketball was to be enhanced by entertainment. The game was to be transformed into an event. Harris developed the Knicks City Dancers to perform during games, decided that more contemporary music should be played to rouse the fans and expanded the variety of team merchandise for sale.

Basketball purists were not thrilled by the changes, but many people liked them. A new team theme song, "Go, New York, Go," was recorded by rap singer Puff Daddy. Harris describes her goal this way: "Win or lose, how can we make sure people who come have a positive experience ..." In her second year with the Knicks, the team began a streak of consecutive home sellouts that has continued unbroken in the strike-shortened season of 1999, she says.

Harris was promoted to senior vice president, marketing, for Madison Square Garden, in February 1998. Her duties now include marketing all of the events at the Garden.

The woman who once could not tell the difference between a point guard and a power forward is now learning about such sports as tennis, boxing and hockey. She calls sports the ultimate meritocracy. "It puts everybody on an equal footing ... In a pick-up game, anybody can come to a basketball court. All they need is sneakers."

THE RACE TO RELAX

Tom King, WG'89, did not have any visions of grandeur when he became a runner. It was pretty much a practical decision.

"[Working on Wall Street] is not the healthiest lifestyle in the world," says King, managing director at Salomon Smith Barney in New York. "You put in a lot of hours, eat three meals a day at your desk and travel a lot. To stay in shape physically and mentally, some form of daily exercise became necessary. I got more into running to keep some balance in my life."

During each of his first six years with the company after graduating from Wharton, he entered the New York marathon. "I wouldn't say I ran the marathon, I jogged the marathon," he quips. "My best time was three hours, 25 minutes."

Recently King has turned to a sport he played in high school and college — ice hockey. He and his teammates are on a club, the Outlaws, that competes regularly at Chelsea Piers near New York's West Side Highway. "It's nothing too intense. It's more bankers and lawyers and people just trying to recapture their youth." Still, the competition can get heated and fights sometimes break out, says King, whose position is left wing.

"There's a pure physical enjoyment to hockey," he adds. "The flip side of that is you sometimes show up at the rink a little early and there's an A team playing and you realize how far downhill you've gone since your college days ... I've always been a pretty competitive person. Hockey's a nice outlet for that."

Camaraderie is important, too, and King is happy that his younger brother, another Wall Streeter, also plays for the Outlaws. It's a way for the pair to see each other on a regular basis.

In recent years King has taken up a new sport — golf. He says he has become "borderline obsessed" with the game. "I subscribe to all the golf magazines and every vacation is a golf vacation." King's wife, Lynn, WG'89, is also a dedicated golfer.

"In some ways golf is like running," he says. "You're away from work in a totally peaceful place and it can be very relaxing ... My long-term athletic goal is to be a single-digit handicap golfer. I've got a long way to go to get there."



King

THRILLS ON WHEELS

The first thing you need to know about Barbara Young, WG'95, is that she is not really into sports that much these days. Her job as program manager, internal systems, at Amazon.com Inc. in Seattle is so demanding that she has time

for little else.

But from 1979 to 1987 she was into motorsports in a big way, competing full-time in motorcycle and, later, auto racing.

She raced motorcycles for three years, winning two national championships. She also set a number of speed records and was the first American

to drag race on the front straightaway at the famous Le Mans speedway in France.

"I was doing well but making no money at it," she says, "so my manager told me, 'Get off the bike and into a car.'"

She moved from California to Charlotte, N.C., in 1984 to pursue stock-car racing. It was not an easy transition. First, she had to cope with the physical and mental challenges of learning to drive stock cars, where the races can last hours, as opposed to racing bikes on drag strips, which takes just seconds to complete.

"To go 190 miles per hour for 500 miles was a lot different," she says. "I went from eight seconds to four hours of stress." Plus, she had to contend with Southern car culture. "In the early 1980s, stock-car racing was a good-ol'-boys sport and I was anything but — a blond woman from California," Young says.

She attended the Buck Baker Racing School in Rockingham, N.C., and raced in a variety of not-ready-for-prime-time venues, including Caraway, a small, paved track in the Appalachian Mountains of North Carolina. "The small purses didn't even cover the cost of new tires."

She also competed at Tri-County Speedway in Lenore, N.C., in the "bomber" division where drivers piloted "huge land yachts that you painted with a paint brush."

In three years of stock-car racing in 57 events, Young says she won less than \$5,000.

Money — or lack of it — aside, Young found racing exhilarating. She recounts one day at the track: "You fire [the car] up and it makes this great noise and you've got wonderful engine smells. It's basically flat out pedal-to-the-metal all the way around [the track] ... It was just

the sheer joy of driving and controlling that amount of power."

After taking college courses off and on for years, Young, who was president of the Wharton Graduate Association (WGA) while an MBA student, earned a bachelor's degree from Appalachian State University in Boone, N.C. in 1992. Today, she says working at Amazon.com is "a full-time thrill." But she does have her sights set on a new sport — sailing. "I'm taking lessons," she says.

A FAMILY AFFAIR

Sports, says Jim Anchin, W'65, WG'66, is a wonderful way to spend time with his wife Joan and their children, Scott, WG'96, and Lee, WG'98.

"We started skiing when our children were young. You may not ski together all the time [during the vacation], but you live together," says Anchin, managing partner at Anchin, Block & Anchin LLP, a 76-year-old accounting and consulting firm in New York that was founded by his father and two brothers.

And as season-ticket holders and loyal fans of the New York Jets, Anchin and his family have been attending Jets games for the past 18 seasons. Tailgating is a central part of the tradition. "We play football in the parking lot before the game," he says. "It's a family experience."

Sports have been important to Anchin ever since he was a boy in Mount Vernon, N.Y. He played high school basketball, took up golf as a teenager and served as the manager of Penn's golf team. Today his handicap is 7.

"I'm a good athlete, and [golf] was a mental challenge more than a physical challenge," he says. "I really believe you play golf against yourself. You have to learn how to control emotions. When you're doing great, you can't get cocky, and when you're doing poorly, you can't give up. Golf is truly like life."

Because he came late to skiing, Anchin found that he likes it for entirely different reasons than he enjoys golf. "I truly enjoy the beauty of the ski slopes on a sunny day," says Anchin, who skis mostly in Vail, Colo. "There is no pressure to shoot 79 or 80. You just want to have fun." ▼

This article was written by Stephen J. Morgan, a devoted fly-fisherman and a frequent contributor to the magazine.



Anchin

Young



LEE S. HILLMAN, W'77: FLEXING HIS MUSCLES IN THE FITNESS BUSINESS

Imagine having a health and fitness company with nearly 4 million members, whose clubs are located within a 10-mile drive of 60 percent of Americans, that is signing up about 700,000 new members each year, and whose advertising reaches about 200 million potential customers a month.

"We touch an awful lot of people," says Lee Hillman, president and CEO of Chicago-based Bally Total Fitness Holding Corp.

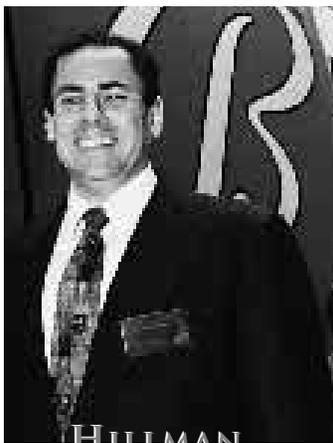
It wasn't always that way. When Hillman first took the reins of Bally in October 1996, the company had a reputation for sliding revenues, an unhealthy membership default rate and an anemic stock price that was hovering around 5 (it's currently in the mid-20s, down from a pre-slump high of 37 last summer).

Today, the company is robust. Bally Total Fitness, with 12,500 employees, had revenues of \$639 million in 1996, \$661 million in 1997 and \$743 million in 1998. Operating margins have doubled from 7 percent in early 1997 to 14 percent in 1998. And in a recent independent research study, 87 percent of all Americans identified Bally as the first name they thought of in fitness.

It's a trajectory that Hillman is bent on maintaining through a number of aggressive strategies, new products and creative alliances.

For example, rather than emphasizing low-margin, single-club paid-in-full memberships, as the company had previously done, Hillman has focused on higher-margin, higher-value, multi-club memberships that people typically choose to finance over a three-year period. The approach, he says, has paid off in significantly higher membership revenues and more satisfied customers.

In addition, Hillman is promoting senior fitness programs, especially in densely populated retirement areas like Arizona and Florida, and expanding the physical rehabilitation side of the business by opening centers with Orange, N.J.-based Kessler Rehabilitation Institute. Six centers are open now, four more are in the works, and a total of 100 are planned over the next three years in the Eastern corridor. Hillman has similar plans with hospital groups and major chiropractors in the Midwest and West and already has 10 of these up and running.



About 250 of the company's 330 fitness centers have undergone major or minor refurbishments in the past 16 months, and more than 100 retail shops within the clubs now offer nutritional supplements, exercise clothing and equipment and other fitness-related items.

Recognizing an opportunity to customize and upgrade the fitness experience, Hillman has expanded the number of personal trainers in the Bally system from 50 to 1,400, making that area the company's largest revenue generator aside from general membership fees and dues. He has added new brands to the flagship Bally Total Fitness brand, including Bally Sports Clubs on the East coast and Pinnacle Fitness by Bally on the West coast, both for upscale professional urban and suburban types. His fourth brand, Gorilla Sports, refers to "very edgy, fitness-oriented training centers that are urban and hip and offer such classes as kick boxing, tai chi, kwando, aerobics and Bikram yoga," says Hillman, noting that women hold slightly more than two-thirds of Gorilla Sports memberships. Gorilla Sports is a mainstay in fitness articles appearing in lifestyle magazines targeting women, he adds.

Many Bally clubs around the country feature lectures on medical topics, self-defense, fitness and nutrition, an initiative that will expand over the next few years. In 1998, the company established its Bally Total Fitness Sports Medical Advisory Board, with leading experts in "sports medicine, nutrition, women's health, geriatric health, wellness and everything in between," says Hillman. "Our advisory board is helping us with development of our lecture series, related articles and cooperative relationships with other health care institutes that don't have the ability, as we do through our distribution channels, to reach out to the general public and talk about the benefits of exercise, fitness and good nutrition."

Hillman is taking steps to make sure the benefits of fitness also reach audiences such as inner city schools, park districts and police athletic leagues, to which Bally donates used exercise equipment through its "Stronger Communities" campaign. The amount of equipment donated was valued at more than \$4 million last year alone.

A self-described "numbers guy" who earned an MBA from the University of Chicago, Hillman was a partner in the Chicago office of Ernst & Young when he was hired in 1991

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LUCINDA DUNCALFE, WG'91: IN TOUCH WITH TECHNOLOGY

Lucinda B. Duncalfe, CEO of Destiny Software Corp. in Conshohocken, Pa., didn't start out with her mind set on a career in business.

"I guess my background was a little squishy," says Duncalfe, whose company provides online products and services to financial institutions. "It was a bit of a circular path for me to get here."

When Duncalfe, C'85 and WG'91, arrived at Penn her freshman year her only goal was to play basketball (she made varsity). "I signed up for an introductory psychology course with about 800 students and got an A," she said. "If I could get an A with all the traveling and practice that basketball took, I knew this was the major for me. I took so many psych

courses that I [completed] the major in two years."

After graduation, she canvassed for environmental groups, worked in a bookstore and eventually landed an entry-level job at Dial-Info, a voice-response technology firm in Silicon Valley.

"All of a sudden, I found it — business, and I loved it," says Duncalfe. "All the fundamental skills of a liberal arts education came together for me."

She spent time in every facet of the company, from marketing to sales to product development. Deciding she needed some basic financial skills, she went back to Wharton for her MBA and then joined SEI Corp., a Philadelphia-based technology and investment company. After five years she left to become product manage-



ment director at Infonautics, an online start-up. It was 1996.

A few months later a former colleague from SEI asked her to talk with the two founders of a firm called Destiny Software who were looking for marketing assistance. Duncalfe agreed to meet them that Saturday.

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PHOTOGRAPH / JERRY MILLEVOI

ROLAND WOLFRAM, WG'86: NEW INITIATIVES AT NIKE

When Michael Jordan announced his retirement in January, many people probably wondered what would happen to basketball now that its most revered star was taking himself out of the game.

In Beaverton, Ore., many are probably wondering what will hap-

pen to Nike, Inc. as well, now that the \$9.3 billion company's premier spokesman will no longer be a pro ball player. "Certainly it will mean a change for us," says Roland Wolfram, Nike's new vice president of strategic planning. "But it's important to remember that Nike has a long-term arrangement with Jordan that goes well into the 21st century. It's based on a relationship that has been built up over many years. A full team of people here will continue to work on brand Jordan although the strategy will obviously be different than it has been in the past."

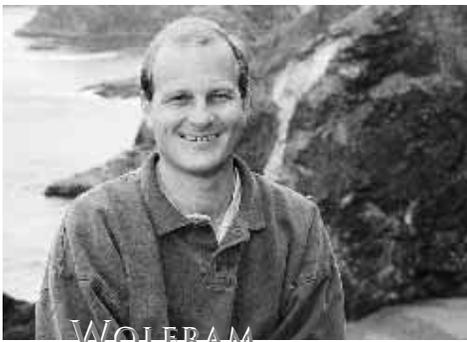
More is changing at Nike than the basketball status of Michael Jordan. Wolfram was brought into the company last December specifically to help identify long-term strategic

opportunities and evaluate new business development ideas. He reports jointly to Nike CEO Philip Knight and president Thomas Clarke.

"One of the nice things about working for a company that is so well known and respected is that you don't have to spend a lot of time describing what the company does," says Wolfram, a University of Maryland graduate who spent the last five years as vice president and general manager of Pacific Bell Video Services in San Ramon, Cal.

"Nike is number one in a lot of categories and in some cases has huge market share. But it's also been a tough business environment for the past year. The whole athletic footwear and apparel industry has been on the ropes. So in some ways

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RESEARCH WIRE

BELOW IS A SUMMARY OF RESEARCH PROJECTS RECENTLY COMPLETED BY WHARTON FACULTY.

THE LITTLE ENGINES THAT COULD

When managers want business information, many now routinely look on the Internet. They use search engines like Alta Vista, Excite or HotBot to find what they need. But how good are these search engines, relative to one another, at finding management information? Marketing professors Eric T. Bradlow and David C. Schmittlein have investigated that issue in a study quaintly titled, "The Little Engines That Could: Modeling the Performance of World Wide Web Search Engines."

Others have analyzed the performance of search engines in the past. What makes the Wharton study different, however, is that unlike previous investigations, it focuses specifically on management information. In effect, it tries to determine which of six popular search engines — AltaVista, Excite, HotBot, Infoseek, Northern Light and Lycos — might be most likely to find particular kinds of business information.

Bradlow and Schmittlein believe that using a search engine to find web pages is a little like fishing with a net. The results depend not only on the net's size but also the area of the sea where it lands. Metaphorically, this is also true of World Wide Web search engines. Bradlow and Schmittlein tested their digital "nets" by searching for marketing phrases such as "second mover advantage," "perceived value pricing," and "umbrella branding" on various search engines, and comparing the results.

Their conclusions show that among the six search engines, Alta Vista and Northern Light were "the best single choices." For example, Alta Vista turned up 38 web pages in response to the search term "umbrella branding," while Northern Light returned 51, HotBot 21, Excite 7, Infoseek 4 and Lycos 0. Bradlow and Schmittlein discovered that Lycos offers little coverage of marketing phrases, but sometimes found web sites that did not show up in searches on other search engines. To return to the fishing metaphor, it caught some fish that other nets missed.

If this is true, which search engine should a busy, web-savvy marketing manager use? Bradlow and Schmittlein suggest that based on their results, Alta Vista is the best single search engine choice, since in their study it found some 50 percent of the web sites with marketing phrases. "This is pretty good, but there is still plenty to find," they say. If someone wants to use a second engine for a follow-up search, Northern Light or HotBot are good choices. For those with more perseverance, Excite, Infoseek or Lycos may turn up some additional sites.

One other finding was that all six search engines together found only 89 percent of the relevant web sites, and missed 11 percent. In that regard, these little engines could — do better.



Eric T. Bradlow and David C. Schmittlein; The Little Engines That Could: Modeling the Performance of World Wide Web Search Engines

FINDING THE REIT VALUE

The past few years have seen a dramatic increase in the number of real estate firms tapping Wall Street for capital. In many cases, these companies have chosen to go public by reorganizing themselves as real estate investment trusts or REITs. REITs are required to pass along 95 percent of their earnings to shareholders — a structure liked by real estate executives since it exempts the firm from having to pay income tax at the corporate level. The present and future value of the REIT as a real estate investment vehicle, however, has rarely been closely examined.

That is just what Joseph Gyourko, director of the Samuel Zell and Robert Lurie Real Estate Center at Wharton, and Todd Sinai, an assistant professor in the school's real estate department, set out to investigate. In a paper titled, "The REIT Vehicle: Its Value Today and in the Future," the researchers point out that the Achilles heel of REITs is the difficulty of running a growing, capital intensive operating company without the ability to retain earnings at will. Still, REITs do have real tax advantages. For example, since they shield firms against corporate taxation, they do not have to engage in costly tax avoidance strategies. REITs are also a net benefit to the real estate industry. "In 1997, REITs retained \$2 billion in cash," says Prof. Gyourko. "We estimate that they could have retained nearly \$7 billion if unconstrained by the 95 percent payout rule." As a result, Gyourko and Sinai conclude that even for large, growing companies with significant capital needs due to acquisition or development programs, an alternative to the REIT format is unlikely to prove financially superior.



Joseph Gyourko and Todd Sinai; The REIT Vehicle: Its Value Today and in the Future

CAN NUMBER-CRUNCHERS BECOME GEEKS?

The way financial institutions use technology is an unpredictable exercise. While some banks have been

Continued on page 29

ENTREPRENEURS *continued from page 12*
business. My strong recommendation is to create a separate company.”

Lexa is prepared to do that. In his entrepreneurial management course last fall, he and two classmates developed a business plan for Novus Imaging, Ltd. If the decision is made to go ahead and launch, Lexa would most likely run the company.

“I understand the medicine and science well, and I now have some insight into the financing,” says Lexa, “but I was struck by the enormous amount of work you have to do in terms of thinking about regulatory issues, like dealing with the FDA, and channeling issues, like how to actually market and sell QR. Coming up with a way to get products like these into the 6,000 hospital systems in this country is the single biggest problem people in the medical device arena face. There are barriers to entry, it’s expensive and good salespeople are hard to find.

“Ian MacMillan told us that instead of focusing on what you do well, you should look at the potential potholes,” adds Lexa. “It’s those issues that can do you in.”

Monitoring Medication

Salvatore Tirabassi, WG’00, and Dennis Molnar, WG’98, met when both were interns at Penn’s Center for Technology Transfer, the university entity that commercializes intellectual property ideas from Penn faculty and staff. While there, Tirabassi and Molnar hatched a plan that eventually evolved into a company that is now up and running, although still in the preliminary stages.

Adhere Technology develops what are called prescription drug adherence aids and information services. “Essentially we make a device for pills that includes an electronic system that tells the patient when to take the medicine, records when the patient removes the pill from the holder and registers the time and date the pill was taken,” says Tirabassi, a joint Wharton and engineering student. “That monthly profile gets uploaded into the pharmacist’s record-keeping system when it is time for refills. Our company uses that data to create a value-added information profile.”

Ideally, this will help patients remember to take their medicine and consequently result in better health care. Practically speaking, however, “it’s a good way for pharmaceutical companies to make more money. A big problem these companies have is that patients don’t take as many pills as they should,” says Tirabassi. “The pharmaceutical industry is our target market.”

He and Molnar are in the process of raising \$1.5 million in half million increments, mainly through venture capitalists, says Tirabassi, who plans to commit to the company full-time starting this summer. Molnar is an advisor.

“We had an encyclopedic knowledge of the market by the time we were done with our business plan, but it’s important to remember that investors are concerned only with five or six variables at a time,” says Tirabassi. “For example, they will be interested right from the beginning in the quality of the management, the strength of the intellectual property and the product’s short-term opportunities. You need to address these issues directly. Later on investors become more interested in the actual development horizons and the longer-term opportunities.”

The hardest part of the process, he adds, has been dealing with the uncertainty. “I’ve already been successful on my own in terms of building my career in the start-up high tech and venture capital area. Waiting around for things to get going can be frustrating, especially when I know I can send a bunch of letters to Silicon Valley and have a job in six weeks with a company just like mine.” R.W.S. ▼

M&T PROGRAM *continued from page 3*
talk about the origin and evolution of the program.

The event will include two panel discussions — a morning session on the impact of the Internet on business and an afternoon session on the evolution of entrepreneurial businesses. Alumni panelists will share their experiences with the different stages of entrepreneurial ventures, from securing start-up capital and commercializing products to managing growth and planning an exit. Lunch will be at the Faculty Club.

The program will conclude with a cocktail reception in the Stock Exchange area of Steinberg-Dietrich Hall.

“With all the great successes that have been achieved by M&T alumni, the event should be exciting on both professional and social levels,” notes M&T anniversary planning committee member David Meyer, W’91, founder of software developer Lysias, publisher of Know The Neighborhood. Other M&T alumni involved in planning the celebration include Doug Alexander, W’83, who runs the

venture capital fund Internet Capital Group; Philip Sugar, W’90, founder of several software companies, the latest of which produces software to track customer relations and develop affinity programs; Alan Cook, W’95, who recently started eWitness, a company that develops digital video appliances and Internet services for the security industry; Ed Glickman, W’78, CFO of the Pennsylvania REIT; David Simms, W’79, president of Palladian Travel, the in-house vacation planning service at MBNA America; Rob Weber, W’82, president of Weber Associates, an investment and



HAMILTON

strategic marketing firm, and lecturer at the Wharton School; Bob Pringle, W'83, founder of InteliHealth media company, a joint venture between Aetna and Johns Hopkins University Hospital; Mary O'Hagin, W'95, a consultant with Arthur Andersen, and Jackie Giacobbe, associate director of the Jerome Fisher Program in Management & Technology.

M&T alumni interested in attending the reunion should contact Giacobbe at 215-898-4145. ▼

HILLMAN *continued from page 24*

by Arthur Goldberg to assist in the financial restructuring of Bally Entertainment Corp., a role which ended upon completion of the company's merger with Hilton Hotels Corp. in 1997. Hillman was named president and CEO of Bally Total Fitness in October 1996 after serving as Bally Entertainment's CFO. The company had been a subsidiary of Bally Entertainment until it was spun off in January 1996.

Hillman, who lives in a Chicago suburb with his wife and two children, admits he works out five or six days a week but declines the label of "fanatic." "I'm a regular guy when it comes to workouts. After I left Wharton I got away from playing sports until four years ago when one of the guys at Bally Entertainment encouraged me to begin working out at the clubs. I started realizing not only how much better I felt but how much my health improved and how much more productive I was in the office. There is no substitute for this. You can't take a pill, can't diet your way into it, can't go through a medical procedure for it. You just have to go and exercise." ▼

DUNCALFE *continued from page 25*

"They gave me a 100-page business plan, which was about three times too long," says Duncalfe. "I told them they might need a marketing person, but first off they needed a CEO to get things together."

Two days later, Lester Shuda Jr., the company's founder, called to tell her that she was right, Destiny needed a CEO. Would she take the job? "I thought about how ready I was for it, and I went for it," Duncalfe says.

Since she joined Destiny in December 1996, Duncalfe has added 30 more workers and considerably expanded the company's services and client roster. Destiny's Granite Foundation and Granite Sculptor software allows credit card issuers, private banks and other financial institutions to deliver their products over the Internet, the Open Financial Exchange, American Online and other electronic channels. Among Destiny's clients are Bank of America, the Northern Trust Company, Advanta, GE Capital and First USA of Wilmington.

Though she doesn't play much basketball any more, Duncalfe relies a lot on lessons learned during her varsity years.

Playing basketball, she says, "is hard work and somewhat disorganized work. You have to be able to take coaching and then go off by yourself to figure out how to become better. Then there is the aspect of teamwork. You basically live with other team members, which means they sometimes grate on you. You have to learn to overcome that and work with them. It is not much different than what we do in a company like this, where we work long hours together on a big project."

Unlike the 24-hour-a-day Silicon Valley work ethic, Duncalfe advocates employees having a "real life." She is a dedicated hiker, backpacker, kayaker and rower. Last winter, she took a water-sports vacation in French Polynesia.

Duncalfe sees being in the Delaware, not Silicon, Valley as a plus. "You can hire good people who don't have to spend everything they earn on a place to live. If there is a downside, it's that we're not right at the center of the technology venture capital community, but hopefully Destiny is past that point now. I still go to California every few weeks to keep in touch with [new developments] but we can work on cutting-edge technology here just as well as there." ▼

Robert Strauss

WOLFRAM *continued from page 25*

there are more challenges for the number one company rather than less. It means we need to focus hard on being competitive, managing our economies and creating new products."

Such as two new business units, one for golf and another called All Conditions Gear, an outdoor division aimed at outfitting hikers, trail runners, mountain bikers and snow boarders. Nike also has plans to ratchet up one of its subsidiaries, Bauer, Inc., the world's leading manufacturer of hockey equipment. "We have consolidated our Nike hockey business with Bauer and are trying to apply some of our best technology to that area. Bauer has a great heritage. We can see synergies there with our core business."

In addition, Nike owns Cole Haan, which markets a line of high-quality men's and women's dress and casual shoes, and Sports Specialties Corp., which markets a full line of licensed headwear.

"Nike is so broad now that while its core has traditionally been running and basketball shoes it also has a substantial presence in tennis, soccer, hiking, cross training and a lot of other categories," says Wolfram, a self-described weekend soccer player, skier and hiker who moved to Beaverton this winter with his wife and three daughters.

Which is not to say that it hasn't been a tough year for sports companies. First, there are the charges that Nike's swoosh is so overexposed that the company can no longer control its distribution or the image it projects. "Nike's view is that its identity is the swoosh," says Wolfram. "It's a proud heritage and the company is continuing to put its

energy behind it.” Second have been news stories about alleged mistreatment of workers in Nike’s Asian manufacturing operations, an issue that Wolfram says the company is addressing head-on by monitoring and upgrading labor conditions in factories abroad, among other actions.

Third is the fans’ increasing disenchantment with pro sports, from the NBA strike this year to the baseball strike in 1994-95. “But then you had a season where the Yankees win, and you have players like Mark McGwire, Sammy Sosa and Cal Ripken, and you can see baseball’s shining points once again,” Wolfram says. “I think pro basketball will come around as well.”

Does pro sports’ bad image affect Nike’s sales? Wolfram thinks not. “A lot of what Nike is about involves people trying to do the best they can. The advertising says it: just do it, there is no finish line. It doesn’t matter if you run an eight-minute mile or a four-minute mile. Just go out and do your best.” ▼

RESEARCH WIRE *continued from page 26*

savvy in their use of sophisticated computer systems and improved their performance, others have not. This is an important issue for financial institutions and also an expensive one. Banks typically spend as much as 15 percent of their non-interest expenses on information technology.

So what determines how a financial institution decides on and uses its technology? Operations and Information Management Professors Lorin Hitt and Patrick Harker and Francis Frei of Harvard explored that issue in a three-part study. First, they looked at how banks evaluate and manage their investments in information technology. Second, they probed how the banks’ practices compare with the theory about the way technology should be managed. And finally, they assessed the impact of technology management on the banks’ performance.

Hitt, Harker and Frei focused on decision processes about two information-technology projects: PC banking — which allows customers to access their accounts, transfer balances and pay bills by computer — and the development of corporate web sites. Their research points to three key conclusions. First, while the banks in the study generally excel at developing project ideas and managing projects underway, they were generally weaker and less rigorous in evaluating projects and allocating resources across projects. Second, “infrastructure” projects that lack a clear business sponsor tended to be managed in an ad hoc manner and often bypassed the formal decision process entirely. This was especially true for decisions regarding corporate web sites and Internet strategy.

Finally, in the case of PC banking, although there was a wide variety of benefits predicted in the project plan (cost savings, new customer acquisition, increased customer profitability) there is little evidence that these benefits were

actually achieved. However, the PC banking product appears to be disproportionately adopted by the most profitable of the banks’ existing customers, suggesting that it may be a “competitive necessity” to retain high value accounts.



Lorin Hitt, Patrick Harker and Francis Frei; How Financial Institutions Decide on Technology

SHOULD MANAGED CARE BE REGULATED?

If industries were ranked by popularity, managed care would probably show up near the bottom. Influenced by horror stories of patients being denied coverage by hard-hearted health maintenance organizations (HMOs), public opinion frequently ranks managed care on a par with industries like tobacco and arms trade. This unpopularity tends to trigger the political demand for tougher regulation of managed care. Should this be done?

Yes and no, reply Mark Pauly, professor of Health Care Systems and Public Policy and Management, and Marc L. Berger, a health policy researcher at Merck. In a paper titled, “Why Should Managed Care and Managed Care Insurance Be Regulated?” they support the notion of regulation as long as it increases the flow of information to consumers. But regulations that involve mandating specific types of care, Pauly and Berger argue, would be a bad idea.

Well-informed customers are good for managed care. For example, if regulations require managed care companies to inform consumers about the performance and quality of various health plans, this would allow them to make better choices. Forcing HMOs to tone down their promotional hype would also help. “Managed care has suffered as much from being oversold by its advocates as being criticized by its opponents,” say Pauly and Berger.

The researchers also analyze the reasons for consumer dissatisfaction with managed care. A key factor, they believe, is the federal tax subsidy for employment-related health care. Since employers pay managed care premia out of workers’ wages, this reduces the employees’ taxable income. That portion of income would have been taxed if workers were required to buy health insurance on the market, as they do auto insurance, for example. But the fact that most people have their employer arrange their health insurance distorts their expectations. As Pauly and Berger explain, it leads “consumers to the belief that their situations are not the best and that regulation could improve matters — even if in reality it could not.”



Mark Pauly and Marc L. Berger; Why Should Managed Care and Managed Care Insurance Be Regulated?