summer 2000

Wharton

ALUMNI MAGAZINE

Hard Times for E-Commerce?

Front-Line Perspectives on the Fast and Furious World of E-Business

The Wharton School
University of Pennsylvania

Calendar of Events

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European Regional Alumni Forum
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SEPTEMBER 27- 29

Financial Institutions Center Industry Roundtable
"Capitalization of the P&C Insurance Industry"
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Financial Institutions Center
Tel: 215.898.1279

OCTOBER 11 – 13

Wharton Family Controlled Corporation Program Senior Generation Workshop
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Wharton Family Controlled Corporation Program
Tel: 215.898.4470

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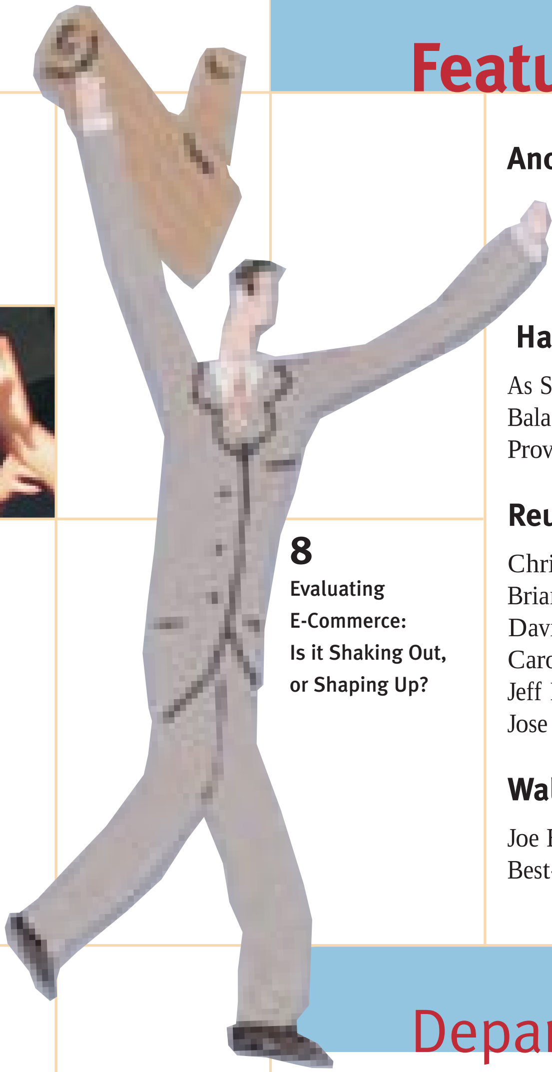
summer 2000



Features

Departments

One Alum's Decision to Step off the Fast Track

6

8

Evaluating E-Commerce: Is it Shaking Out, or Shaping Up?

27

Calling the Markets and Calming the Public

Fun in the ... Rain? Absolutely!

16

JEFF JACKSON.COVER ILLUSTRATION

Internship Connects Theory with Reality

Is floating equity the only way to secure capital for your growing venture? How do you find talented people and keep them? Are you spending enough on technology?

CHRISTIAN ROUX

Recognizing the unique challenges facing today's emerging technology companies, Wharton this summer offered students an innovative new program run simultaneously from the East and West coasts.

The Technology Entrepreneurship Internship launched in June and continues until late July. The program has two key features: a summer internship at an emerging growth technology company or a venture capital firm, and an interactive weekly class session. A team of Wharton faculty members travels between Silicon Valley and Philadelphia to meet with MBA students in each location one evening per week. The interactive workshop format of the classroom experience allows students to share summer work experiences with other students, faculty and practitioners from each coast's technology venture community.

"People always ask whether entrepreneurship can be taught. Our goal for this program is to link entrepreneurial management theory with true practices of emerging growth technology firms," says Raffi Amit, academic director of Wharton's Goergen Entrepreneurial Management Program. "And because we are holding the class on both coasts, this program provides a great opportunity for students to compare East and West coast perspectives on major technology entrepreneurship issues."

The seven-week course addresses the realities of starting, financing, growing and managing a technology company. Course sessions covered key topics such as business and revenue models, technology development and intellectual property issues, financing approaches, culture and human resources development, and alliance strategies.

Treasury Secretary Speaks at MBA Commencement

U.S. Treasury Secretary Lawrence H. Summers spoke at MBA commencement ceremonies on May 21. Summers, named the 71st Secretary of the Treasury in July 1999, previously served as Deputy Secretary of the Treasury under Secretary Robert E. Rubin. Prior to joining the administration, he served as vice president of development economics and chief economist for the World Bank and as a professor of economics at Harvard University.

SUMMERS

Harker Announces Appointments

Three key administrative appointments were recently announced by dean Patrick T. Harker. **Thomas Dunfee** has been named vice dean and director of the Undergraduate Division, **Anjani Jain** becomes vice dean and director of the Graduate Division and **Richard Herring** is director of The Lauder Institute.

Dunfee joined the Wharton faculty in 1974 and was named the Joseph Kolodny Professor of Social Responsibility in Business in1982. He served as chair of the Legal Studies Department in 1979 to 1984 and again from 1987 to 1991 and has been the director of the Zicklin Center for Business Ethics Research since 1997.

Jain has been deputy vice dean and director of the MBA program since 1998 after five years as director of academic affairs for the Graduate Division. He brings extensive administrative experience, particularly in academic programming, to his new position.

Herring, the Jacob Safra Professor of International Banking, has served as dean of the Undergraduate Division for the last four years. A steadfast proponent of a broad, global curriculum and high-quality international study opportunities for students, Herring also served as director of the Financial Institutions Center from 1988 to 1995 and director of the Program in International Banking and Finance from 1982 to 1988.

Website Offers Insight on Dot-Com Leadership

A senior executive with many years of high-level corporate experience takes a post at a nine-month-old West coast dot-com run by two Wharton alums. But despite his stellar track record, the executive quickly finds himself struggling to fit in.

His traditional corporate background, it seems, does not serve him well in this new, freewheeling and hyper-charged environment: he has a "command control" method of managing people, keeping a very tight rein on his charges and insisting on a hierarchical communication style. All information, he tells his staff, must first flow through him. He will then decide what is communicated to those above him, and how it is communicated.

JERRY MILLEVOI

(FROM LEFT) JOSEPH, USEEM AND LARSON

But his approach quickly backfires when his staff rebels against his choke-collar ways. Seeing the writing on the wall, the executive and the dot-com part ways. The lesson: dot-coms, by their very nature, attract employees who scoff at rigid structure and hierarchy and thus require an entirely different approach to leadership.

This anecdote, gleaned from an interview with a West Coast dot-com founder, is one of many insights found on a new online resource created to provide perspective on the unique challenges of leading in an e-commerce setting. The Leadership and E-commerce website of Wharton's Center for Leadership and Change Management – http://leadership.wharton.upenn.edu – explores practices and future trends in Internet-based practices of leadership. The site includes case studies, profiles on industry leaders and interviews with dot-com founders as well as entrepreneurial divisions of established firms, and video clips, articles and links.

The site, created by management professor Michael Useem and MBA students John Joseph and Kelly Jo Larson with support from McKinsey & Co., began to take shape after Useem began searching for e-commerce/leadership materials to use in his classes, but found very little available. "There's not much out there, and the lack of good materials forced us to create our own," he says. Joseph and Larson interviewed e-commerce leaders including Mark Walsh, president and CEO of VerticalNet; H.S. Hamadeh, WG'97, founder of Vault.com; Jeffrey Grass, WG'99, co-founder and vice president of PayMyBills.com, among others, who offer candid reflection and insight on managing in the new economy.

And the Winner Is

eTechtransfer.com, a global B2B marketplace for technology transfer in the life sciences industry, emerged as the top winner of the second annual Wharton Business Plan Competition this spring. The winning team – Yujiro Hata, WG'01; Myung Sea Lee, WG'01; Richard Hanbury, WG'01; Jeff Gruneich, Everett Alexander, Ted Yang, Tchun O, Stephan Jenn, WG'01 and Daniel Blatt, WG'01 - was awarded a $25,000 prize ($15,000 in cash and a $10,000 investment in the company) by Safeguard Scientifics, a Pennsylvania-based venture capital firm. eTechtransfer.com team members say their company will enhance the patent licensing process via a Web site that will simplify the now-cumbersome matching process between licenser and licensee by uniting both on one common site. The site also aims to shorten the entire licensing period from months to weeks. The company has already registered companies such as Abbott Laboratories and Celera Genomics, had nine managers as of May and opened a Philadelphia office this spring.

Sponsored by Wharton's Goergen Entrepreneurial Management Program, the competition included more than 420 students in 226 teams from across the University of Pennsylvania. eTechtransfer.com was one of eight finalist teams – dubbed the Great Eight – culled from the student teams in a winnowing-down process that began last October. Though students' ventures were heavily weighted toward the Internet – seven of the eight finalists were e-commerce or Internet businesses – their ideas covered a range of industries, including IT, communications, media and entertainment, services and biotechnology.

A crowd of 250 gathered May 1 to hear the Great Eight present their business plans to a panel of judges that included entrepreneurs, investment bankers and venture capitalists. Other top winners among the Great Eight include:

NovaEx.com, an online B2B pricing exchange for natural products, won the $15,000 E*Entity E-commerce Prize. In addition, eTechtransfer.com and NovaEx.com will be offered convertible loans of $15,000 and $10,000, respectively, from the Paul P. Dosberg Foundation.

Digipad (also called Patient Interview Software for Physicians), which produces patient interview software and supplies it to doctors via the Internet, won the Wharton Business Plan Competition Silver Prize and received a $10,000 cash award.

TOP WINNERS OF THE WHARTON BUSINESS PLAN COMPETITION

Lead sponsors of the 1999-2000 Competition include Safeguard Scientifics, E*Entity, Booz Allen & Hamilton, and Innovation Factory. For more information, visit the Wharton Business Plan Competition web site at <whartonbpc.com>

Forum Ushers in Virtual Millennium

CHRISTIAN ROUX

Wharton's first-ever North American Regional Alumni Forum, "Entering the Virtual Millennium," hosted nearly 350 participants from five continents for two and half days of social activities, educational panel discussions, networking opportunities and celebratory events. Held in San Francisco on March 30 through April 1, the event included 12 panels that brought together more than 50 senior executives from top companies to discuss various business and high-tech issues.

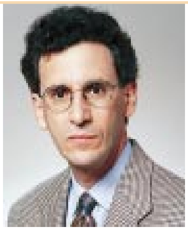
Keynote speakers included **Alfred Berkeley,** WG'68 and president of the NASDAQ stock exchange; venture capitalist **John Doerr,** a partner at Kleiner Perkins Caufield & Byers; and **Terry Pearce,** co-author with David Pottruck, WG'72 and CEO of Charles Schwab & Co., of the new book *Clicks & Mortar: Passion-driven Growth in an Internet-Driven World.* At the New Millennium Gala, **Lew Platt,** WG'66, CEO of Kendall-Jackson Winery and the former CEO of Hewlett-Packard, was awarded The Dean's Award for his long-standing commitment to Wharton.

Faculty Lauded for Teaching Excellence

Undergraduate and graduate students this spring recognized several Wharton faculty for their outstanding teaching. Among the most prestigious honors given is the David W. Hauck Award for Outstanding Teaching on the undergraduate level. Each year, two faculty members receive the award for their ability to stimulate and challenge students, their knowledge of the latest research in their field, and their commitment to educational leadership.

This year's recipients were Madhav Rajan, associate professor of accounting, and Alan Strudler, assistant professor of legal studies. Larry Hunter, assistant professor of management, received the Marc and Sheri Rapaport Undergraduate Core Teaching Award.

RAJAN



STRUDLER

On the graduate level, the Helen Kardon Moss Anvil Award, given for teaching quality and commitment to students, went to Karl Ulrich, associate professor of operations and information management.

Also on the graduate level, eight faculty won Excellence in Teaching Awards on the basis of student evaluations. The professor with the highest rating among the eight also receives the Class of 1984 award. This year, William Tyson, associate professor of legal studies, won the Class of 1984 award for the eighth time. The others winners were Franklin Allen (finance), Suleyman Basak (finance), Michael Brandt (finance), Robert P. Inman (finance, public policy and management and real estate), Felix Oberholzer-Gee (public policy and management), Nicolaj Siggelkow (management) and Richard P. Waterman (statistics).

Awards for teaching excellence on the undergraduate level went to Jamshed Ghandi (finance), William F. Hamilton (management), Lorin Hitt (operations and information management), Kenneth Kavajecz (finance), William S. Laufer (legal studies), Philip N. Nichols (legal studies) and Jeremy Siegel (finance).

A new award, called the William G. Whitney Award for Distinguished Undergraduate Teaching in the Affiliated Faculty, was also initiated this year to honor William G. Whitney, who is retiring after 36 years. Whitney, an adjunct assistant professor of public policy and management and associate director of the Wharton Undergraduate Division, is the award's first recipient. ◆

Change of Address: The Wharton School Office of Development and Alumni Affairs, Alumni Address Update, 344 Vance Hall, 3733 Spruce Street, Philadelphia, PA 19104-6360. Telephone: 215.898.8479. Fax: 215.898.2695. <www.wharton.upenn.edu/alumni/update.html>

To e or not to be?

e-business is racing ever faster.
You can either ramp up or be run over.
The rules have changed already
— and we haven't seen anything yet.
Are you ready?

Wharton has created a new post-MBA program to prepare senior executives to lead in the transformation of their organizations in the changing global e-business environment. The Wharton Fellows in e-Business program is based on a radically new model of management education:

- Deep, relevant, research-based knowledge in a global context
- Flexible, hands-on learning — classroom, electronic, on-demand customized
- Immediate impact on you and your business
- Lifelong education as part of a community of Fellows

It will help you quickly get up to speed and become comfortable with the new technology and its implications, whether you are building an online startup or transforming an old-line firm.

The program — led by Academic Director Dr. Jerry Wind — begins this fall for a select group of 50 senior executives. Will you join us, or be left behind? For more information contact Barbara Gyde, Marketing Director, at 215-898-4764 or www.wharton.upenn.edu/efellows.

Wharton Fellows
A Wharton eBusiness Initiative

JERRY MILLEVOI

Another View of Having It All

A Wharton Alum Takes Herself Off the Fast-Track

By Nancy Levin Teichman, WG'87

Editor's Note: This column evolved from an e-mail the author sent about an article in the Winter 2000 issue titled "Have Spouse, Will Travel." The article profiled five couples successfully juggling extensive professional travel with family life. The following is a first-person account of one alum's struggle to balance family and career.

In the fall of 1986 when I was a second-year MBA student at Wharton, I attended a pivotal presentation by a woman who had graduated from the program a few years earlier. She described her experiences as a woman, wife and mother working successfully in a challenging career, and convinced me, at age 25, that I too could "have it all" – career, husband, kids, dogs, house, a fit physique and a pedicure every Friday. She described the tool set – the nanny, organizational skills, money and motivation – that would be necessary, and she exuded promise: she looked in-shape, had energy, and wore make-up. It was an exciting message that I was eager to hear and a model that I wanted to emulate. Now I see how this is possible, I thought, and I decided I could do it too.

Later that year the man who would become my husband asked me if I would continue to aggressively pursue a career once we had children and if so, how. He hoped I'd figured it out since we were both excited about the idea of a double income household. Luckily I remembered the presentation and was able to recite, chapter and verse, just what would be required. He was convinced.

> I only wish I'd known then what I know now.

I graduated and got a job with Touche Ross in Newark, N.J. consulting in the healthcare group. It was exciting, challenging work and I was surrounded by smart, dynamic people. After about a year, I shared news of my pregnancy with my supervisor, who told me quite emphatically that the firm expected my work hours and travel schedule would not change once the baby arrived. After my maternity leave, he said, everything must return to normal. Having just come from a three-month assignment in Puerto Rico, I was concerned, but not surprised.

I successfully negotiated six months of leave, had my son Danny, hired a nanny, and returned to work. She got him up in the morning, took care of him all day, and made dinner for the family. I saw Danny at night for a short time and put him to bed. Somewhere along the way I changed jobs to work for a much smaller consulting firm that required less travel and shorter trips. I took a pay cut and knew that my chances for advancement were far less given the size and structure of the firm, but the compromise seemed worth it. Looking back, I realize this was the first chink in my "having it all" ideology. It would be followed by many more and would ultimately be completely replaced with its antithesis.

There were many difficult steps in this evolution. One time, for instance, I took my infant son and a nanny on a working trip to Chicago, as this was one of the things women who had it all could do. The nanny stayed out all night and I was up all night trying to keep my baby from waking the entire hotel. He cut his first tooth and cried without relief. At that point I "had it all" and then some: an early morning meeting, an ailing baby, a derelict nanny and a splitting headache.

Another day while sitting in someone's office somewhere in Wisconsin I called home to see what Danny was up to. The nanny told me they had just returned from the park and were about to meet another little boy for playtime. I realized at that moment that I was working like crazy and paying someone else to have a really nice time with my son. Another chink in the ideology – this time a big one.

The first nanny's tenure was cut short when I discovered she had taken a job at the local daycare center and brought Danny there every day. We lost the next nanny after we discovered she liked to steal things. By this time, the ideology had become an illusion.

I decided to stop working and had my daughter, Rebecca, but knew my decision was based on much more than child care problems. Families, I had realized, take a lot of work, time and effort. You can't schedule them into a weekend. Children are exposed to unbelievable influences. Who was going to debrief them at the end of the day? When, I had asked myself, would I deal with the social issues, the academic issues, the cupcakes for the holiday party?

During my "have it all" years an inner voice became louder and louder and it told me that I wanted to be the one to raise my children. The extra money, the intellectual stimulation, and the sense of fulfillment I got from pursuing a career ultimately paled in comparison to my need to experience the full measure of emotional satisfaction that derived from simply spending time, and a lot of it, with my two young children.

During my "have it all" years an inner voice became louder and louder and it told me that I wanted to be the one to raise my children.

I also wanted to impart my own values to my children. In light of current events, I was afraid for my kids. I believed it was critical to actively help them develop a worldview that would help them successfully navigate through so much dysfunction. Today I don't know if I've been successful, but I do know that I have tried.

Finally, I realized that "work" would always be there. (This is what I told my husband when he started calculating the net loss to our buying power. I figured he could retire a few years before me, and I'd make up for lost time at the other end).

When Rebecca was about three, I started working part-time. I did some freelance consulting at a local hospital, which led to a part-time ongoing consulting position with a local health-focused nonprofit. I've since taught a bit as an adjunct faculty member at a few local colleges. I guess it's obvious that my name isn't likely to be found among those who have "made it" in the Class Notes section of this magazine. I'm probably underemployed, and I joke that I don't know what to do with my life because none of the parameters that were in place when I began are even remotely relevant today.

Thus, my choice has not come without lots of self-doubt and second-guessing. I believe many women who have chosen this path – or not chosen it – feel similarly conflicted. There's nothing clear cut or predictable about life for women today – they have endless choices and options, and this is a wonderful reality. But it is also confusing and pressure-filled as we try to balance everything and sometimes find we simply can't. I often feel I should be further along in some sort of career at this point in my life, but don't even know what I want my career to look like – now, or in the future. On one hand, I know that I'll figure it out eventually and that my accomplishments are more intrinsic than an executive level position and a hefty W-2. On the other hand, though, those benchmarks undeniably have their allure.

But at the end of the day when I reflect back on my accomplishments, I need only appreciate the stability of my family and the reasonably well-adjusted children I'm fortunate enough to be raising. I pick my kids up at school most days. When they get a day off, or a week, I can usually spend it with them. I've been the room mother for both my children's classes. I've been the treasurer of the PTA (and even caught a teacher who had been absconding with PTA funds for several years!). I've chaired committees, baked brownies, and gone on fieldtrips. I know most of the other kids in the grade with my children, and many of the parents. These are the perks that come with my lifestyle.

Do I have it all, finally? No, but I have come to realize that there's really no such thing. I believe that my kids are getting what they need: they are growing up quickly, and in a few short years, they won't need me to be so present in the details of their daily lives. At that point, I will resume my career, some career, though I wonder what will be available given the choices I've made. I realize I could be very disappointed. But I believe that disappointment would be far less than discovering, only too late, that I missed the best years of my life. ◆

hard times for e-commerce?

Sure, some Internet companies are on the ropes, but that's only normal for a gold-rush style industry that's changing the world

Some springtime dispatches from the front lines of the electronic-commerce wars:

- CDNow.com sees a planned merger with a mail-order music club fall through and watches its stock price plunge. Auditors warn of "substantial doubt" that the e-tailer can survive. CDNow announces plans to cut quarterly expenses by $12 million and seek a partner to throw it a lifeline.
- ValueAmerica, an e-tailer selling goods of all sorts, cuts both its product offerings and its workforce as business stagnates. Its auditors harbor "substantial doubt" that the company can stay afloat.
- Shares of EToys plunge from $86 last year to about $5.50 this spring. The company blames a host of new online competitors as well as high costs associated with problems it had filling Christmas orders.
- Bertelsmann AG, Europe's biggest media conglomerate, postpones the initial public offering of its online bookstore. The reason: the overall decline in Internet stock prices.
- Drkoop.com, a medical information site, announces steps to conserve $100 million in cash and warns that its first-quarter loss will be much higher than initial estimates. Seeking life-support, Drkoop hires an investment bank to assess options, including a possible merger or sale.
- Plans by Peapod, an online grocer, to raise $120 million in new financing fall through, leaving it with about $3 million in cash. Ahold, a giant Dutch supermarket concern, steps in to rescue Peapod with $20 million in revolving credit.
- Forrester Research, a firm that analyzes the Internet industry, predicts that most pure e-tailers will be out of business by 2001. Forrester cites three reasons for its forecast: weak financial health, increasing competition and investor flight.

Is Internet commerce, which has generated so much excitement and investor interest in the last few years, witnessing a wholesale shift from dot-coms to flop-coms? After reading these dispatches, should e-business executives sound retreat?

JEFF JACKSON

hardly.

To be sure, many e-commerce companies have hit hard times. And the reasons are legion, such as spending too much to woo customers, choosing a single-product niche, or being late to market. Ironically, some are suffering because of one of the Internet's strengths: some World Wide Web sites allow consumers to quickly find the lowest price for a product, thus buyers can easily sever their tenuous allegiances to one seller and purchase stuff from others.

Hamadeh

LOUIS LANZANO

But Wharton alumni who run e-commerce companies, Wharton faculty members, e-business investors and a securities analyst say that a shakeout was inevitable and that the long-term future remains bright for e-commerce companies with the right product mix, strong leadership and good old-fashioned business sense.

The outlook is especially promising, they say, in the B2B sector, even though succeeding there will be no slam dunk because the notion of B2B as the next big thing has lost a bit of luster, too. Still, there will also be many winners in the business-to-consumer (B2C) arena. A report issued by Shop.org, an e-tailing trade group, and the Boston Consulting Group, notes that B2C e-commerce totaled $33.1 billion in 1999 and is expected to reach $61 billion in 2000.

What's more, say the Wharton alumni and others, the days of a clean separation between pure Internet companies and traditional brick-and-mortar businesses are numbered. Already the lines between these two segments are blurring as companies form "clicks-and-mortar" hybrids. Before long, many pure e-commerce companies will build stores and establish other physical-world presences to supplement their Web sites, while brick-and-mortar companies will develop online presences.

In the meantime, however, the winnowing process will continue, as poorly run, poorly conceived, cash-starved, and late-entrant e-commerce companies hit the canvas or are acquired by healthier firms. Certainly, the months and years ahead will not be pretty for some e-businesses and their backers. Investors who threw money at anything with a dot-com suffix got walloped in April when technology stocks as a whole tanked and took down many dot-coms with them. For many companies, sky-high valuations plummeted to more earthly levels, and the shortcomings of several troubled companies were disclosed for all to see.

The Forrester report, which covered B2C only, paints a dismal picture, at least for the near term. The company says "the tide is turning against [dot-coms], and consolidation will soon steamroll across the weak ones."

Forrester predicts that firms selling commodity products, such as books and software, will suffer declining growth rates and will consolidate by the fall of 2000. In addition, many merchants selling undifferentiated merchandise at razor-thin margins, such as toys and pet supplies, will go under before the Christmas shopping season. But Forrester believes companies selling branded, "high-style" products like furniture and clothing will remain stable until 2002.

The shakeout in perspective

Thomas Gerrity, former Wharton dean and now director of Wharton's Forum on Electronic Commerce, is not convinced that a shakeout began when the prices of dot-com stocks tanked in April. He says the process actually began before that.

"This is a perfectly normal process of innovation and entrepreneurship," Gerrity says. "A lot of new ventures are started all the time in any industry and only some succeed."

And since there are tens of thousands of Web sites peddling goods and services of some type, not everyone is guaranteed success. What has drawn attention to the springtime shakeout, says Gerrity, himself an entrepreneur, is that "the Internet is arguably the most revolutionary technology in terms of its broad impact on business and society. It causes change and innovation across virtually every industry and business function. So this is a new thing, but this is also a very old thing. [Economist] Joseph Schumpeter wrote about the process of creative destruction, one of the wonderful aspects of capitalism."

Like Gerrity, Stephen J. Andriole, senior vice president and chief technology officer at Safeguard Scientifics, the Wayne, Pa. incubator of technology companies, is not convinced that "shakeout" best describes what has been happening in e-commerce.

"If you step back and take the long view, words like 'shakeout' and 'correction' make it seem like there's a big bang," he says. "Another interpretation, however, is that the invisible hand of sane financial fundamentals has been working all along anyway. In baseball tryouts, everybody gets to show the coach what they've got. There are some good players on the field and some really bad players, and the coach cuts the bad players. What we've had is the first cut."

Andriole says that "people are taking a harder look at business models and trying to determine if they're sustainable over a period of time. If I have a business model and I project a certain amount of revenue, maybe two years ago I was more tolerant of seeing two to three years of losses. Today, people are looking to determine when financial fundamentals enter the picture and they then make valuations accordingly."

Investors are beginning to challenge the revenue projections of dot-coms to see if top-line growth can be achieved "organically" or only through mergers and acquisitions, Andriole says. Executives at Safeguard, a major supporter of the Wharton Business Plan Competition, expect significant M&A activity this year as many companies are unable to meet revenue projections.

Closer scrutiny

Belatedly, investors of all stripes are scrutinizing e-merchants more closely.

"In the early days of e-business, getting visibility and traffic to your site were key," says David Schmittlein, professor of marketing, deputy dean and academic director of Wharton's major in e-commerce. "These were seen as somewhat viable ways to measure valuation because there were so few alternatives. But as things evolved, getting traffic wasn't enough – getting repeat traffic, or 'stickiness' was necessary. Then a push for revenue surfaced."

All along, investors wondered when they would see companies actually turning profits. Some online businesses are now profitable, or close to being profitable, says Schmittlein. As a result, "the patience with those that have not [been profitable] starts to wear thin," he says. "We are clearly at a point where the basis of valuations for Web businesses are beginning to increasingly look like those for other, more traditional businesses."

> "We are clearly at a point where the basis of valuations for Web businesses are beginning to increasingly look like those for other, more traditional businesses."

Eric K. Clemons, professor of operations and information management, says many e-commerce entrepreneurs are struggling because they underestimated the difficulty of doing business on the Web.

"I don't think most entrepreneurs ever explicitly calculated what it would take to succeed," says Clemons. "They had ideas that were exciting to them. Sometimes the ideas were great and sometimes they were silly."

Furthermore, Clemons says, "If you try to buy market share in the beginning by selling below cost, you will have tremendous difficulty continuing to do that later, since you will have to charge higher prices than competitors, and do so in an efficient, transparent online marketplace. If I had to guess, I'd say that these companies that are in trouble are in trouble because investors have figured out that their business plans were based on selling at a loss to buy share."

One person not unhappy with the prospect of dot-coms falling by the wayside is Hussam (Sam) Hamadeh, WG'97, president and CEO of Vault.com, a web site that, among other things, serves as an underground, "inside scoop" guide to companies for job seekers. Named a top site by *Yahoo! Internet Life*, the *Silicon Valley Reporter* and *U.S. News & World Report*, Vault's anonymous message boards dish first-hand dirt on working conditions at companies across the country.

"There's a shakeout going on and that's probably helpful for the industry," Hamadeh says. "Some companies were making it harder for companies with good business models to break through. They were driving ad costs up and taking attention away from [financing sources]."

Hamadeh notes that many companies were rewarded by the financial markets "for doing certain things that didn't make economic sense. They were rewarded for revenue growth regardless of losses. They were rewarded for building brands and doing splashy ads, even though those ads didn't have positive returns."

Too much spending

Catherine M. Skelly, vice president and e-tailing analyst at Gruntal & Co., says that "a lot of companies got run up [in value] much too aggressively. They never really ran a tight ship and they had a large [market capitalization] at one point, probably undeservedly. Any time there's a tremendous amount of excitement about a particular sector, we'll see companies rise and get ahead of themselves."

Skelly agrees with Hamadeh that overspending on marketing has played a major role in many Internet companies' mounting losses. "Many companies spend $80 to $100 to acquire each customer," she says. "That's worthwhile, or not worthwhile, depending on how much that customer will spend."

For example, Skelly explains, CDNow sells compact discs — commodity products that have low profit margins, are easily replicated by other e-tailers and have little added value. Hence, CDNow customers have little incentive to remain loyal. Plus, she says, CDNow's customers may buy only a few CDs per year.

"If CDNow acquires a customer at $60 and that customer does two transactions a year at an average of $25 per transaction and the gross profit is, say, 20 percent on those transactions, then CDNow has spent $60 to reap $10 in gross profits," Skelly figures. "If the customer does two transactions a year, it will take CDNow years to recoup its investment in that customer."

Skelly looks for companies that enjoy high gross margins and offer customers opportunities to buy more than one kind of product as often as possible. "That's one reason Amazon.com keeps introducing new product categories," she says. "The more it can push customers into new areas, the more transactions and profits it can make."

For his part, Hamadeh notes that, while Vault.com is not yet profitable, "we do make a profit on every customer. That's the important thing."

He adds that he spent his final year at Wharton writing a business plan for Vault.com. It was a time before what he calls the "Internet craze" had yet to take off. "From day one we had a plan to run this business for a long time. We had a 10-year operating plan, built a management team and always kept a lid on expenses. Had we started this in 1998 or 1999, we might have had a different mindset."

"I think looking at the financial markets is a terrible mistake. We've known for a long time that these valuations were just not correct. What matters is whether the cash register is ringing or not."

Knowing your customer

Marketing professor Peter Fader says the drubbing that e-business stocks took in the spring may not mean anything when it comes to evaluating the prospects of dot-coms. "I think looking at the financial markets is a terrible mistake," Fader says. "We've known for a long time that these valuations were just not correct. What matters is whether the cash register is ringing or not."

Often, Fader says, the cash registers may be ringing, but even that doesn't always tell the whole story. He points out that many dot-coms are deluding themselves if they believe they will succeed because they have large numbers of people visiting their sites. A key problem, Fader says, is that many people may visit a site, but only a small percentage may come back to buy again.

Fader analyzed data from CDNow going back to 1997 and found that "you get a tremendous number of people checking it out, but there's this slow, over time, distinct drop-off. People buy less and less frequently. That drop off is being masked by a constant influx of new people. If you take a snapshot at any one time, it appears as if there's a lot of activity because the new bodies outweigh the few old bodies still around."

The financial woes of some Internet companies also raise questions about whether the flood of venture capital to dot-coms will slow to a trickle. Hamadeh of Vault.com says fledgling firms shouldn't worry because entrepreneurs with good ideas should be able to tap other sources of capital.

"One thing to understand is that the typical venture capital firm wants to invest in companies and liquidate its positions in six to 12 months," says Hamadeh, whose own company, launched in 1997, has investors that include a legal books publisher, a business information company and a former Disney executive. Five years ago, your average company did not get VC funding. They were usually funded by individual private investors, bank loans, small-business loans and corporate investors. Until a few years ago, it was rare for start-ups to go to venture capitalists, In another year, we'll go back to those days."

Gerrity, however, says VC financing will remain important. "People can cobble together bank loans but there's no substitute for equity," he says.

The Road to Success

However e-businesses obtain financing, observers say dot-coms will have to take any number of initiatives if they are to succeed in the years to come. For one, e-businesses must recognize that the days of the pure Internet company are numbered.

"Companies will become more hybrid," says Hamadeh. "If it's an e-tailer, it will have to have retail stores. If it's a content company, like ours, it may have to publish books and magazines." From its beginning, he says, Vault.com has published books and magazines on topics ranging from salary negotiations to how job seekers should write cover letters.

What's more, pure e-tailers will find that retailing giants like Wal-Mart will prove tremendous competitors as they leverage their brand names, deep pockets and buying power, says Gruntal's Skelly. Wal-Mart spends much less to acquire a customer than pure e-tailers, so it is able to devote resources to other areas of the business, like customer fulfillment.

Skelly adds that Amazon.com has been working to establish a physical presence by aggressively building distribution centers and investing in a company called Kozmo.com, which got its start by delivering videos, CDs and magazines in Manhattan by bike messengers.

"It's very symbolic of Amazon to establish a physical presence," Skelly notes. "Kozmo also has an investment from Starbucks, and I wouldn't be surprised to see Amazon partner with Starbucks or some other retailer to provide more service and convenience to its customer base."

One company that has long had one foot in the bricks-and-mortar world and the other in the virtual world of e-commerce is BarnesandNoble.com, the world's fourth largest e-tailer, according to Media Metrix, a research firm. Robert Albert, WG'98, BarnesandNoble.com's director of strategy and business development, says a key aspect of his company's strategy is to be a "multi-channel player."

"Based on the strength of the Barnes & Noble brand name, we're banking on that strategy and it's been working out," he says, noting that Barnesand-Noble.com had five million customers and $200 million in revenue in 1999. "We're a separate company from the parent company of Barnes & Noble, the stores. That has allowed us to expand our expertise in e-commerce."

ICG: Banking on B2B

When technology stocks got knee capped earlier this year, so did the shares of Internet Capital Group, a leading investor in business-to-business (B2B) Internet companies. ICG's stock plunged from about $183 in December to about $33 as of early May.

But Douglas A. Alexander, W'83, managing director of the Wayne, Pa., company, stayed cool. "If you're the only stock to get hit you worry," he says. "Otherwise, you shrug your shoulders. We're in this for the long term."

Indeed, he says, the decline in valuations of B2B stocks is generating opportunities for ICG. "We're in the acquisition stage."

There seem to be as many definitions of B2B as there are B2B players. But ICG divides the market into two broad categories — market makers, which facilitate commerce between buyers and sellers, and infrastructure providers, which make the equipment and software behind e-commerce.

ICG has made 34 investments in market makers and 35 in infrastructure companies, Alexander says. Two of the market makers partnering with ICG are e-Merge Interactive, a marketplace for the cattle industry, and PaperExchange, which provides Internet sales and distribution of paper and pulp. An example of an ICG infrastructure partner is Breakaway Solutions, which provides application service hosting, e-commerce consulting and systems-integration services to growing companies.

"Companies have tried to make supply chains more efficient all the way back to Henry Ford and the Model T," Alexander says. "The Internet has just given them a much richer infrastructure to do that to a degree impossible before."

Alexander cites two key differences between B2C and B2B companies. "You're not going to see B2B companies writing $100 million checks to build brand. If you look at where the money is spent on the B2B side, it's about integrating into supply chains, which I think is a plus because technology is being put into place to bring real value."

The other difference, he says, is that "the B2C dot-com players are competing head to head with bricks-and-mortar companies. On the B2B side, the dot-coms are automating the relationships between bricks-and-mortar companies. It's a completely different dynamic. On the B2B side, the smart companies want this to happen. It's going to lower the cost of building a business, get them closer to customers and drive revenue."

TOMMY LEONARDI

Alexander

M-commerce: the next big thing?

For months, Albert has been working on a relatively new phase of e-commerce. It's called mobile commerce, or m-commerce –- the attempt to reach customers through cellular telephones and hand-held computers, which are known generically as personal digital assistants (PDAs) or personal information managers (PIMs). Palm Inc.'s Palm Pilot and Microsoft's Pocket PC are two well-known brands.

Albert's project is called BarnesandNoble.com's On the Go.

Users who log onto bn.com/onthego can buy books, music or software, send greeting cards, and check the locations of Barnes & Noble's retail stores. "It makes us ubiquitous," says Albert.

In the short-run, Albert does not expect On the Go sales to rival that of the regular website. "But, by 2003, there will be more wireless devices connected to the Net than personal computers in this country," he says. "We're going to be there and be ready. Meanwhile, it's a way to attract new customers."

Most consumers, of course, aren't yet able to take advantage of m-commerce. But Skelly is also enthusiastic about its long-term prospects. "Eventually, you won't just have cell phones with tiny little screens," she says. "You'll have cell phones with larger, crisp color screens to buy things, and send e-mail and watch movies."

Safeguard Scientifics' Andriole, noting that his company has made two investments in wireless communications, agrees that "wireless will be huge."

More broadly, Andriole says, Safeguard prefers the B2B market's prospects over the B2C segment.

"The market size of B2B is 10 times the size of B2C," he says. "Also, B2B tends to be more predictable and repeatable. B2C is susceptible to the general economy, interest rates and emotional factors. Organizations like Safeguard can't be all over the place. We've done the analysis and we like B2B better than B2C."

It was major news in April when Safeguard announced that it had narrowed its online investment focus to the Internet's infrastructure market. In becoming the first major technology company to do so, some investors and business media interpreted the move as a sign that Safeguard was pessimistic about the prospects of B2B.

Andriole, however, says the company's move was widely misinterpreted. For one, he says, infrastructure –- which Safeguard defines as the software, communications networks and e-services that enable B2B transactions –- is essential to B2B businesses. For another, the company still supports the B2B sector through its network of partner companies, particularly Internet Capital Group (ICG), also of Wayne, Pa.

"We incubated ICG," Andriole says. "We own 15 percent of ICG. Why would Safeguard say anything to jeopardize that investment? We were saying, 'Why should we focus on B2B when ICG is the best in the business?'" (See sidebar for more on ICG).

Despite Safeguard's enthusiasm for infrastructure and B2B, Andriole also says there will be "huge winners" in B2C. "Anybody with a big footprint today, like Yahoo and America Online, have a shot, especially if those models morph [into new kinds of businesses]. They're in a great position. Those companies make money for crying out loud."

"eBay did not grow to where it is because it spent a lot of money building a brand. It grew because the more sellers came on board, the more buyers realized that eBay was the only way to go. That's the network effect: more brings you more."

Not a new paradigm

It is often said that e-commerce companies have to discard traditional "offline" thinking if they are to succeed, but Wharton's Clemons doesn't buy that assertion.

"I'm amused when I hear entrepreneurs say there's a whole new model of business and it's not about selling and it's not about customers but about 'click-throughs' and how click-throughs translate to access to the Internet site. I'm appalled when I see this repeated in the business press. At some point, somebody has to sell something to somebody and has to sell it to them at a significant profit."

When asked to list the characteristics of successful dot-coms, Clemons says "the cool [Internet] guys answer that the bricks-based guys just don't get it, they don't move fast enough, they don't understand. That's a bogus answer. Instead the long-term questions are, 'Does this company provide superior quality, superior customer service, superior customer delight? Two, 'Does it open a new market that couldn't previously be served cost effectively?' Three, 'Does it reduce costs?' In the long run, if it doesn't increase what you can charge, increase the number of people you can serve or decrease costs, it's just plain silly."

Clemons also says it's important not to underestimate the advantage that clicks-and-mortar companies have.

"A question I often ask in class is whether a clicks-and-mortar or a pure physical company would be better or worse, and they all say clicks-and-mortar because clicks-and-mortar has more resources. I say, 'Fine.' Then I ask about clicks-and-mortar versus clicks. They look at me in horror. They want to believe that pure click players have an advantage, but they really have to struggle to make up reasons why Amazon's valuation should be higher than BarnesandNoble's."

The role of branding

Branding is another pivotal issue going forward. Some argue is that dot-coms should not spend generously in an attempt to build a brand, says Farhad Mohit, WG'96, president and CEO of Bizrate, based in Marina Del Rey, Calif. Bizrate helps consumers by posting ratings of how e-tailers compare in terms of prices, customer service and other factors. Mohit says entrepreneurs should take advantage of what he calls the Web's "network effect" — old-fashioned word-of-mouth juiced up by modern technology.

"eBay did not grow to where it is because it spent a lot of money building a brand," Mohit says. "It grew because the more sellers came on board, the more buyers realized that eBay was the only way to go. That's the network effect: more brings you more."

Wharton's Fader takes a different view. "Half the people you talk to say branding doesn't matter, but I think branding matters more than ever," he says. "People are spending money on branding but they're not doing the right things. Pets.com's use of sock puppets in ads during the Super Bowl don't give people a reason to go there."

Instead, Fader believes that companies should build brand loyalty by offering quality and giving consumers good reasons to revisit sites and buy products. E-commerce firms are misguided if they think they can readily capture the hearts and minds of customers.

Often, Fader says, e-businesses assume that customers are "looking for relationships with vendors to build a community of like-minded users. But convenience and selection matter as much as price or community."

TOMMY LEONARDI

Fader

Dot-coms must also recognize that they can gauge consumer loyalty, but they cannot manage it. "You can anticipate the tide, but you can't say, 'We're going to make these people loyal,'" Fader says. "You can try, but you'll lose a ton of money by lowering prices and offering discounts. Companies are doing that, which is unprofitable."

Most fundamental of all, e-businesses must learn more about the buying patterns of their customers. Like traditional companies, Fader says, dot-coms need traditional, well-understood metric benchmarks to measure accurately how much traffic they are generating, how many window-shoppers become buyers and how often people visit the site. Then, e-businesses can work on figuring out how to get people to buy more. But many e-tailers resist using metrics because they have erroneously convinced themselves that e-tailing is "new and dramatically different" from retailing, Fader says.

In its report, Forrester says that e-tailers must "strike back at brand confusion and product duplication by distinguishing themselves through customer service. Presence across the multiple channels and platforms, exclusive manufacturer deals to carry specific products and a range of delivery options will help build lifetime relationships." Following the wave of e-tail consolidation, Forrester sees bricks-and-mortar retailers gaining new strength by leveraging assets like customer history, product selection, fulfillment and strong relationships with manufacturers.

At some point, however, the differentiation between e-tailers and retailers will disappear, says Gruntal's Skelly.

"Eventually, it will be as natural for someone to buy something on the Net as it is to buy something out of a catalog." she predicts. "The Internet gives consumers more power to make choices as to what they're going to buy, and it brings them closer to hav-

continued on page 33

Reunion 2000

A rainy, cool May in Philadelphia continued during Reunion Weekend, but the more than 950 returning alumni and guests were undeterred and unwaveringly cheerful. The May 19-21 weekend brought together the classes of WG'95, WG'90, WG'85, WG'80, WG'75, WG'70, WG'65, WG'60, WG'55 and WG'50 – the second time 10 MBA reunion years have been celebrated at once.

Democratizing Art

Christine Bourron, WG'95, Defies the Skeptics

Christine Bourron knew exactly what she wanted to buy – a floral painting for her mother's 60th birthday. It seemed a simple and sure-to-please plan, but after scouring dozens of galleries in Boston and New York and still coming up empty handed, Bourron realized that buying original art is anything but a customer friendly experience.

She also realized that an incredible business opportunity was staring her in the face.

"People would tell us that searching for a specific thing really wasn't the way to buy paintings, or that we should buy Chinese abstract instead because that was in vogue at the time," Bourron, WG'95, says. "It really started to fascinate me how inefficient the distribution channel for art was."

Intrigued, Bourron, 33, searched the Internet for online companies selling original art and saw that none existed. The French native incorporated PaintingsDIRECT.com just a few months later in November 1997, and launched the site in April 1998.

Today, PaintingsDIRECT.com offers more than 8,000 paintings from about 450 artists, has 15 full-time employees, and has been written about by major media including *The New York Times* and *USA Today*.

Art was always a part of Bourron's life – her parents collected original paintings in France – but she never imagined it would become the foundation of her work world.

But combining the two worlds while simultaneously turning the art scene on its ear has been satisfying and exhilarating, she says. "The way art is sold hasn't changed in a hundred years – primarily through small, local galleries that tend to specialize in a particular style of painting or artist. Would-be buyers spend long hours searching, often in vain. At the same time, thousands of artists are not represented by galleries and are looking for an alternative means to showcase their work," Bourron says.

PaintingsDIRECT.com is a departure from this longstanding sales pipeline. Visitors to the site seek out and find paintings using criteria they choose, including style, medium, price, size, or subject. Prices range from $40 to $20,000.

Bourron worked in market research for Procter & Gamble in Paris immediately after graduating from Ecole Superieure de Commerce de Paris with a degree in finance, then had the chance to be a part of CDV Apple Computer's launch in the Ukraine. Once immersed in that project, Bourron quickly realized she needed an MBA, applied and got into Wharton, and graduated in 1995. She worked in consulting for Corporate Decisions Inc. in Boston for two years, then co-founded a newsprint importing company in 1997. She soon scrapped that effort after deciding to move forward with PaintingsDIRECT.com. After initially creating the site on a shoestring in Boston, Bourron realized the company would never really take off unless it was based in New York. So once she closed her first major round of financing in April 1999, she and her husband, Ilia Tchelikidi, WG'94, sold their house and moved. Tchelikidi transferred to Mercer Management Consulting's New York office is now a partner.

Recruiting her first group of artists was an early challenge. Artists from the U.S., she found, wouldn't sign up unless the site was already live, but Bourron needed artists in order to create the site in the first place. Ultimately, she called on contacts in France and Russia where she was able to recruit artists who were hungry for exposure in the U.S. The site launched with about 30 such artists and Bourron never had difficulty recruiting again.

Bourron also faced early skepticism from those who doubted that people would be willing to buy art over the Internet. "When I began talking about selling art online two years ago, people told me I was crazy and that that this would never work," Bourron says. "But it has."

Bourron won't disclose sales figures, but says the site has more daily traffic than most galleries enjoy in a year, and that people are buying paintings from the site every day.

She admits, though, that for all of its advantages, the Internet can't replicate the tactile and visual experience of seeing a painting in person. Bourron has worked to offset these limitations by offering customers extras they wouldn't likely find at a gallery. For instance, the site provides bios on artists, quotes from artists about the inspiration behind each painting, and offers customers the ability to return the painting for any reason up to ten days after they receive it. "I never, ever thought that art would be my business," Bourron says. "And I would never have seen myself in the traditional art world – to me it wasn't creative enough. But for me this business is the best of both worlds. ◆

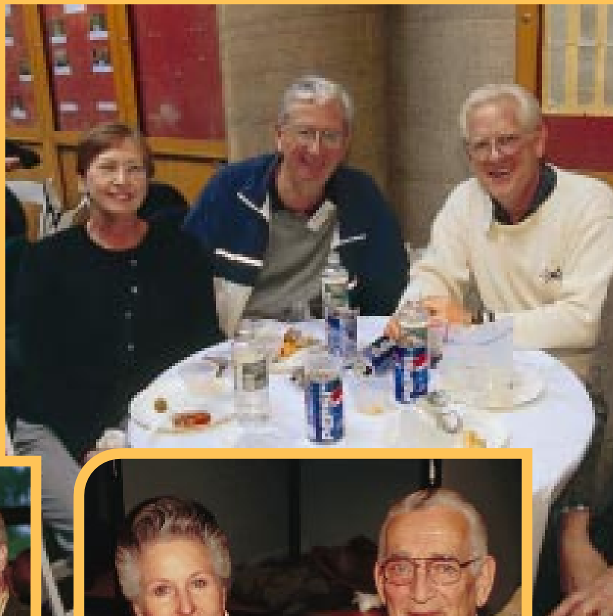
JERRY MILLEVOI . REUNION PHOTOGRAPHY

LOUIS LANZANO

Alumni and their families gathered with old friends and classmates, attended workshops and alumni/faculty panels, danced and dined, enjoyed an indoor picnic and caught up with school news.

A festive Friday evening alumni cocktail reception at Hoover Lounge reunited classmates from all 10 reunion years.

Rain moved Saturday's traditional picnic on the Quad indoors, with tables lined up along the hallways of Vance Hall and into Hoover Lounge. Alumni and their guests filled their plates under the tent on the Quad, then slipped indoors via a caravan of umbrellas.



Defining Crisis Management

Brian Perkins, WG'80, on the Front Lines of Corporate Responsibility

It was one of the most sensational news stories of the 1980s, placed tremendous pressure on one of the world's most admired companies and became a bellwether case study for business ethicists and public relations professionals alike. It also gave Brian D. Perkins, WG'80, a first-hand glimpse of how a company should deal with a crisis.

In 1982, seven people in the Chicago area died after taking Tylenol™, a popular pain-killer manufactured by McNeil Consumer Healthcare, a division of New Brunswick, N.J.-based Johnson & Johnson. The Tylenol had been laced with cyanide, and for weeks it wasn't clear whether the capsules had been tampered with during the manufacturing process or after leaving the factory.

Perkins, who had joined McNeil two years earlier as a product director and was assigned to help manage the Tylenol brand, vividly remembers September 29, the day the news broke. Chicago authorities phoned the company with news of the incident, and at that moment, Perkins says, "the world changed" and McNeil and J&J went into overdrive.

"It was a massive corporate effort from the chairman to the folks in PR to people in security and marketing and sales, and other J&J divisions – everybody had a hand in responding to what was a really tragic and terrifying event," says Perkins, who today is worldwide chairman of J&J's Consumer Pharmaceuticals and Nutritionals Group.

Some 31 million bottles of Tylenol, worth $100 million, were recalled. J&J sent 500,000 letters outlining the situation to physicians, hospitals and Tylenol distributors, and set up a toll-free hotline for consumers.

Pundits had a field day, predicting that the Tylenol brand would never recover. Perkins still has a copy of a quote from one advertising executive who opined that consumers would never again see "the name Tylenol in any form. I don't think they can ever sell another product under that name."

Eventually, a massive investigation revealed that the capsules had been sabotaged outside the manufacturing process, though no arrests were ever made.

The brand, of course, did recover, and J&J and its then-chairman, James Burke, were widely lauded for their immediate response to the crisis. J&J also developed tamper-resistant packaging, now broadly used by food and drug product manufacturers, as a result of the incident.

And Perkins learned volumes about corporate responsibility by observing his employer's reaction and response to the case. He cites the company's longstanding credo, which puts the well-being of customers first, followed by employees and the communities J&J serves, as the compass of the Tylenol incident.

"Working for J&J, you don't walk around reading the credo every day, but you do try to live it every day," Perkins says. "I'm convinced that the Tylenol brand and our reputation are better now than before the incident because of the way this case was handled. We tried to do the right thing and the public and the press recognized that."

Since those early, pivotal days of his career, Perkins has steadily risen through J&J's ranks. He was appointed to McNeil's management board in 1989 and promoted to vice president of marketing in 1991 and has managed brands including Motrin, Imodium and Lactaid over the years.

In 1993, he was named president of J&J's Personal Products North America division. He rejoined McNeil in 1994 as president and was promoted to company group chairman of Consumer Pharmaceuticals Worldwide in January 1999. In September of that year, he was named to his current post as well as to a seat on the J&J executive committee.

Perkins spends virtually all of his free time with his wife, Lois, and sons, D.J., 15, and Michael, 11, at their home at the New Jersey shore, where he likes to take his kayak out into the ocean and "get tossed around." He also enjoys coaching his younger son's baseball team and juggles a heavy overseas travel schedule. "Our over-the-counter and nutritionals business is dominated by North America, but we have fairly ambitious goals in Latin America, Europe and Asia," he says.

Since the Tylenol scare, Perkins has visited Wharton and other business schools to lead student discussions on the ethical dilemmas that arise when marketing products. "I'm always amazed at the students' response," he says. "They come in sleepy in the morning and within five minutes they're energized, and I'm surprised how little clock-watching there is." ◆

TOMMY LEONARDI

Venues included alumni/faculty exchanges on managed care, "shop talk" workshops on entrepreneurial issues and faculty presentations on topics including "Keeping Your E-Customers Coming Back" and "Are Stocks Still a Buy?" There was also a town meeting with Penn president Judith Rodin and Wharton Dean Patrick Harker.

On Saturday night, the Wharton Annual Fund's reunion class gift volunteers were honored during a cocktail reception at The Union League of Philadelphia.

Like Father, Like Daughter - Almost

Carol James, WG'75, Breaks Tradition

Carol Riggins James, WG'75, grew up in a company town – the company was IBM Corp., the town Poughkeepsie, N.Y. – and her family was a company family.

Her mother worked at IBM during World War II. Her father, Edward Riggins, joined the company as a systems engineer after he was discharged from the Army.

IBM loomed large throughout James' teen and young-adult years, thanks to her father. While other students at Ladycliff College, where James earned a BA in mathematics, received the usual letters from home, James did not. "My father sent descriptions of new systems at IBM and used words like 'nanosecond' and 'gigabyte' and 'megabyte,'" she recalls with a laugh. "Instead of 'Hi, honey, how are you?' I was getting specs on systems. My friends thought I was an oddball."

It came as little surprise, then, when James landed a job at IBM after graduating from Ladycliff. James worked in software development at IBM from 1969 to 1972, then left the company to earn an MS in computer science and engineering from Penn's Moore School of Electrical Engineering. She fully intended to rejoin her dad at IBM, but her prescribed path took a twist.

After also earning an MBA from Wharton, she decided to break tradition and take a post at Exxon Corp., where she was a senior petroleum analyst for nine years. "Wharton prepared me from a business standpoint and gave me total credibility, but I had to prove myself," she says.

LOUIS LANZANO

Initially her father was dismayed with her decision, but had a change of heart. Says James: "He told me there was some history of his family being connected with Standard Oil, the precursor to Exxon."

As James' career evolved, her father's interest in her work continued to encourage her. One of just a handful of women at the Moore and Wharton schools, James was also largely surrounded by male colleagues at Exxon. She says humor was a key to overcoming any potential gender friction.

"In the early part of my career at Exxon, I participated in a high-level conference where executives from all over the world came together," James recalls. "There were discussions, we were making decisions, and then we took a break. I was the only one who went to the ladies' room. Everybody came back and we seemed to pick up further ahead than where we had left off. I raised my hand and asked about these new issues, but was told, 'We're very sorry, Carol. We talked about these things in the men's room.' I said, 'Well, I know where I have to go if I want to find things out.' That broke the ice, and I ended up having lots of mentors."

James left Exxon in 1986 to become vice president at S.N. Phelps & Co. of Greenwich, Conn., where she was an investment banker for mergers and acquisitions and recapitalizations. In 1993, she joined Artemis Capital Group in New York, an investment bank and financial services firm founded by six women, and served as senior vice president and chief financial officer.

Since 1998, James has been vice president and senior private banker at PNC Advisors in Greenwich, a financial management unit of PNC Bank Corp., where she heads relationship management and new-business development. She also manages the expansion in the New York area of a PNC initiative called the Women's Financial Services Network. Launched as a pilot program in Philadelphia in 1995, the network caters to the financial needs of women executives and professionals, women business owners, women of wealth, and women facing significant life changes such as divorce or widowhood.

James' interest in women's issues extends beyond the workplace. The longtime Greenwich resident, who has two children (William, 19, and Lizzy, 15) and is married to William James, also WG'75, involves herself in a host of charitable, faith-based and community organizations. They include Girls Inc., which sponsors educational programs and other activities for girls 7 to 18.

"That's my own personal crusade," James says. "It's my feeling that women –- whether they be seven or 12 or 50 or 80 –- should understand that they have capabilities."

When her father died last September, it "was a huge blow to me," James says. "The two times during my career that he took pause was when I decided not to go to IBM out of business school, and then when I went to PNC. But ultimately I think he appreciated why I opened another chapter in my life." ◆

The Doctor is In

The Doctor is In

A Sea Change Leaves David Zlowtowski, WG'80, Still Searching

How many people, even among Wharton alumni, can say they have won marketing awards, helped a company grow its profits by 50 percent in six months, founded a consulting firm, and delivered a baby?

Few would argue that David Zlotowski, M.D., WG'85, has had anything but a conventional career.

After working 10 years in marketing, most of them in brand management at Kraft General Foods, Zlotowski made a life-changing career shift in 1994 when he enrolled in the Medical College of Pennsylvania-Hahnemann Hospital. He graduated summa cum laude in June 1999 and became a resident physician at Montgomery Hospital Medical Center in Norristown, Pa.

"I'd like to tell you it was part "of a grand plan, but it wasn't," he says, noting that he entered college at 16 and was only 17 when he came to Penn as a sophomore. "I took the path of least resistance, which people do at times when they're young and immature."

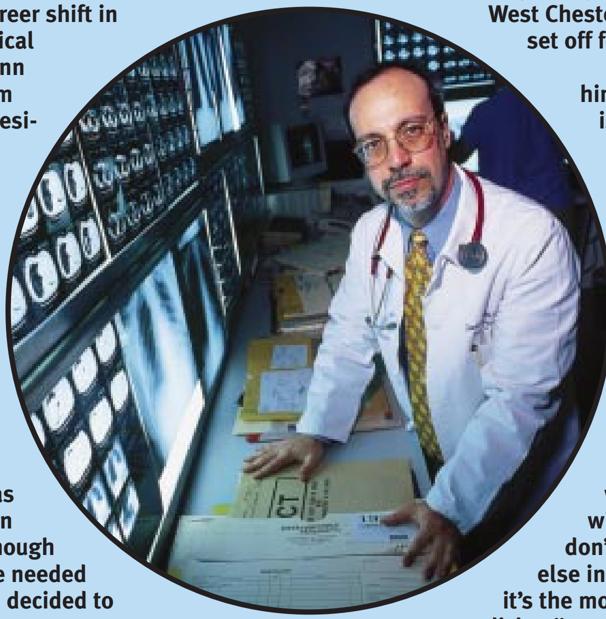
Zlotowski, 40, earned a BA in English from Penn and took a job as an assistant manager of a suburban Philadelphia cable TV company. Though he enjoyed the post, he realized he needed some formal business training and decided to return to Penn as a Wharton student.

After receiving his MBA in 1985, Zlotowski joined General Foods Corp. in White Plains, N.Y., as a business analyst, overseeing one of the company's frozen foods businesses. [General Foods was later acquired by Philip Morris Cos., and merged with Kraft to form Kraft General Foods].

"I had gone to work for General Foods in a financial capacity, but realized it was a consumer products company and the leadership positions were marketers, not financiers," Zlotowski says. "I bucked for, and was able to make a transition to, brand management."

Zlotowski was named business analysis supervisor for General Foods' packaged desserts unit in 1986, and went on to hold senior positions there. He created and launched, on a regional basis, Kool-Aid Kool-Pops, beating volume and profit goals by 50 percent. Over the years, he continued to rise through the ranks of brand management, working on such household names as Jell-O, Sealtest and Kool-Aid. In 1991, Zlotowski returned to Philadelphia to become product manager for Breyers Frozen Desserts, then decided to take a post at Wayne Pa.-based CONFAB Co., the world's largest manufacturer of private-label feminine sanitary and adult incontinence products. In the six months he was there, he grew CONFAB's volume by 40 percent and profits by 50 percent through the launch of two product segments.

But despite his successful career in brand management, Zlotowski found himself distracted by his long-time interest in medicine. In 1994, he finally decided to take the leap: he left CONFAB to enroll in some required pre-med courses at West Chester University, then set off for medical school.



DAVID DEBALKO

Zlotowski calls himself "a standard-issue, family-practice intern, which means for 80 hours a week I do soup to nuts -- from delivering babies to taking care of critically ill patients."

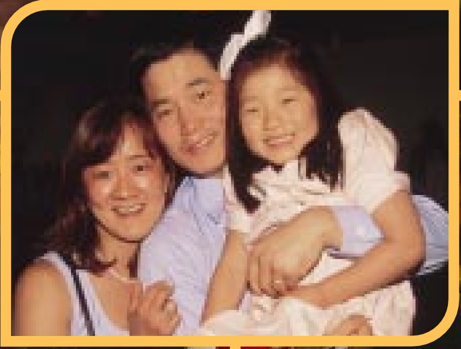
He relishes the "emotional connection" he makes with patients. "People will share things with you that they don't share with anyone else in their lives. To me it's the most satisfying part of medicine," says Zlotowski.

But like an increasing number of physicians, Zlotowski worries about managed care's influence on his practice. "Many doctors are frustrated that the doctor-patient relationship is being torn asunder. Although I did not [become a doctor] to maximize my income, my fear is it's not possible to make an adequate income without providing substandard patient care.

So, Zlotowski is once again mulling career options, with an eye toward areas that would allow him to merge his consumer products and medical backgrounds. Pharmaceuticals are one possibility, he says, as is consulting. At least Zlotowski never left the business world entirely: in 1994, he started Alpha Zed Group, a consulting firm specializing in business planning and marketing services for small companies. Work aside, he and his wife Eileen, an occupational therapist, and daughters Anna, 8, and Lila, 4, enjoy camping, canoeing, hiking, cooking and organic gardening.

"I enjoyed medical school, but as an older student I had eyes and ears more open than those of the average 22-year-old when it came to the realities of the marketplace," he says. "I unfortunately came to realize something that could be said about medicine -- great profession, but bad career." ◆

The MBA Quinquennial Reunion Dinners were held at the Independence Seaport Museum (class of '95), The Academy of Natural Sciences (class of '90) and The Union League of Philadelphia (classes of '50 to '85) .



Making History

Jose L. Cuisia, Jr., WG'70 At the Center of a Dangerous and Heady Revolution

The 1980s were tumultuous years in the Philippines, and Jose L. Cuisia Jr., WG'70, was at the center of the upheaval.

Benigno Aquino Jr., the main political opponent of President Ferdinand Marcos, was assassinated in 1983 when he returned to his native country from exile in the United States. The killing fueled the growing opposition to Marcos, and before long Aquino's wife, Corazon, a homemaker and political novice, was faced with a choice.

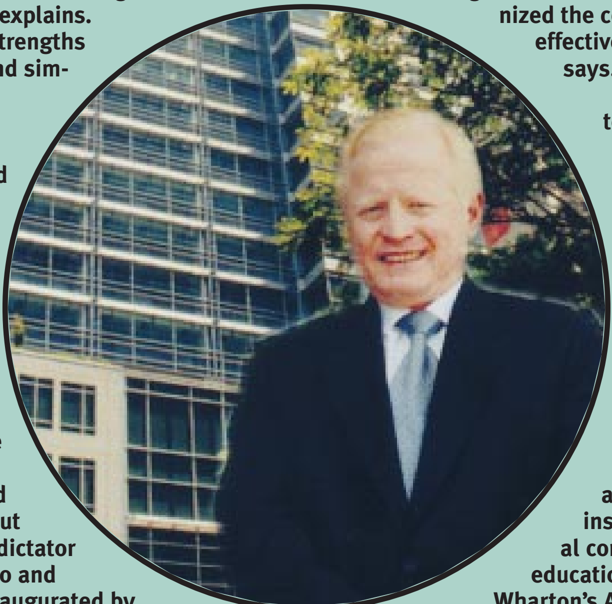
"I was one of the people who convinced Corazon Aquino to run against Marcos," Cuisia (pronounced KWISH-ah) says in a telephone interview from the Philippines, where he is president and chief executive officer of The Philippine American Life and General Insurance Co. (Philamlife) in Manila. In those days, Cuisia was a member of the Management Association, a group of executives that one day held a pivotal meeting with Aquino.

"We felt she was the only one who could rally all the opposition groups to unite against Marcos," Cuisia, 56, explains.

Two of Aquino's strengths were her sincerity and simplicity, Cuisia says. "People can see through people who pretend, and she had no pretense. She was the first to admit she knew nothing about running a country."

But the 1986 election, called unexpectedly by Marcos, didn't settle things immediately. Marcos was declared the official winner, but Aquino accused the dictator of voter fraud. Aquino and Marcos were both inaugurated by their supporters, but the pressure on Marcos became so intense –- he finally lost the support of key military officials — that he fled the country.

Pressures of other kinds had been mounting for Cuisia, who at the time was president of a bank. "My bosses were very concerned," he says. "I almost got fired. I had to tell my principals, 'If you want me to resign, I'm willing to resign right now.' I was put to the test and I was willing to lose my job."



Shortly thereafter, Aquino invited Cuisia to become administrator of the Philippine Social Security System. Cuisia agreed to a six-month term, but ended up staying four years, during which time he instituted key reforms. Among them: receiving presidential approval for the system to invest in stocks.

Cuisia yearned to return to the private sector, but the president asked him to become governor and chairman of the Monetary Board Central Bank of the Philippines. Once again, in February 1990, Cuisia signed on for public service. It was not an easy job.

"My predecessor had the most difficult responsibility because he took over during the Marcos years and Marcos had bankrupted the central bank," Cuisia says. "There was capital flight, the bank could not meet its obligations and neither could the national government. My predecessor took six years to get things back on track, but it was still in a sorry state."

For more than three years, Cuisia oversaw debt restructuring, the liberalization of foreign-exchange regulations and the passage of a bill that reorganized the central bank. "The bank today can effectively manage monetary policy," he says. "It couldn't before."

Cuisia eventually got his chance to rejoin the private sector. He was prohibited from joining any bank he had regulated, so in 1993 he accepted an offer to become president and CEO of Philamlife, a wholly owned subsidiary of New York-based American International Group (AIG).

With more than 30 percent of the market and some 7,000 agents, Philamlife is the largest and most diversified life insurer in the Philippines. Cuisia, who is married and has five daughters, also serves as vice president for life insurance at AIG, is a director of several corporations, and is active in three educational institutions. He also sits on Wharton's Asian Executive Advisory Board.

Since joining Philamlife, the company's revenue and income have grown sharply. Cuisia, whose nickname is Joey, intends to expand the business even more by targeting potential customers at home as well as the millions of Filipinos living abroad.

Though significant, the challenges Cuisia faces today pale in comparison to those of the heady and dangerous 1980s. "I'm very glad I was part of this movement, this bloodless revolution against Marcos," he says. "In those fateful days we didn't know if we would be alive the next day." ◆

Jeff Hyman's Cruel World

A Pioneer in Online Recruiting Hangs Tough as Competitors Multiply

Five years ago, all Jeff Hyman wanted was a job with a small, forward-thinking technology company. But Hyman, W'90, who was just finishing his MBA at Northwestern's Kellogg School, was disappointed to see that none of the 400 or so firms recruiting on campus fit the bill.

"Unfortunately, the most dynamic high-tech companies were West Coast-based and could not afford to recruit at Midwestern schools," says Hyman. "I spent hundreds of dollars and many missed hours of classes financing my own job search trips."

His scrappiness ultimately landed him a job at software maker Intuit. And while his job search was arduous and expensive, it got Hyman thinking that there must be a better way to connect business school alumni with firms of all sizes and sorts. About a year later, he and Lun Yuen, an engineer he met at Intuit, launched Cruel World (formerly Career Central), one of the Internet's first online recruiting companies.

"We started in 1996, and while that isn't that long ago, in the Internet space, it's an eternity." says Hyman. Today, the Internet is crammed with nearly 2,000 recruiting, career and job sites. Forrester Research predicts online job/recruiting will rack up more than a billion dollars in revenue this year.

All the more reason for Cruel World's very recent name change. "We have a very, very different model than most online recruiting companies," Hyman says. "The vast majority offer an Internet version of the classifieds: job listings are posted and people can come and look at those jobs and apply if they are interested. It was frustrating for us because we have a very different business but because we sounded similar, people lumped us in with the others."

Cruel World stockpiles the resumes of job seekers, who fill out "member profiles" that provide detailed information on professional experience, education, salary expectations and other particulars. These members pay nothing, and their resumes are not revealed to the companies seeking applicants unless they are interested in a particular job. Employee-seeking companies contract with Cruel World for a peek at this group. Members are matched with companies via Cruel World's proprietary software, sent an e-mail about an opening, then invited to apply. Client companies are guaranteed to receive resumes from a minimum of 10 qualified applicants within five days of their request. Introduction made, Cruel World then steps out of the matchmaking process.

Since its 1996 launch, Cruel World has expanded dramatically and plans an IPO in the near future. (In April, the company filed its S-1 statement with the SEC). More than 200,000 job seekers have registered with the site, which has recruited employees for about 1,000 client companies. Revenues for 1999 were $4.4 million, up from about $2 million in 1998, according to the company's SEC filing. And though it originally focused on connecting MBAs with jobs, the company now offers recruiting services for a host of fields, including software developers and marketing professionals. Cruel World has 100 employees and plans to move into a tony new office, complete with coffee bar, this summer.

In all, the company has raised $35 million in venture capital funding, a far cry from the site's pre-launch days when the idea was rejected by about 150 venture capital firms. "It was incredible," Hyman says of that time. "I can take some rejection, but if you get 150 very smart people telling you that this idea is interesting, but not for us, you start to wonder whether it's just not a good idea. There were some very dark days when you don't want to get out of bed." A fluke meeting with Softbank Ventures at the suggestion of an Intuit colleague finally led to the company's initial $500,000 in seed capital.

Signing on major business schools at the outset was another early key to launching the business. Wharton, Harvard and Kellogg were the first three schools to agree to promote the site to graduating MBAs, and without them, Hyman says, the business would have likely flopped. "Their commitment enabled the company to get its initial VC money," he says. Today, nearly every major business school offers the site as a resource to its graduates.

Managing and retaining smart, driven, creative people has been his toughest management challenge by far, says Hyman, a Jazz and Blues devotee who has been known to fly to Philadelphia just to stop at Abner's Cheesesteaks. "Some of these people get an offer a week and you can't simply retain them with money because if they stay just for money, they're staying for the wrong reasons." ◆

JAKUB MOSUR

Street Smart

A 'Kid From Queens,' Joe Battipaglia and Life as One of Wall Street's Best-Known Bulls

Joe Battipaglia was in the hot seat. It was October of 1997, at the height of the Asian financial crisis, and Battipaglia was one of three experts being interviewed on the *Larry King Live* show about the U.S. stock market's related nosedive.

The trio discussed the market's recent gyrations at length. But as the show came to a close, Larry King turned his attention to Battipaglia, WG'78. "He said 'Joe, we only have a couple of minutes. What's going to happen tomorrow?' " Battipaglia recalled. "I said, 'Larry, I think the market goes down 100 points or so in the first hour and then there's going to be a rally.' " King then asked Michael Metz, an analyst from Oppenheimer, the same question. Metz strongly disagreed with Battipaglia, saying the recent volatility signaled the end of the bull market. The third expert, the head of the banking committee, declined to offer an opinion, claiming he did not want to influence the markets.

Battipaglia didn't give the interview much thought on his way home that night – television interviews, after all, have become routine for the chairman of investment policy for Gruntal & Co. But when he arrived home, his wife Maryann was clearly nervous. "Now, she usually doesn't get nervous about the markets and what I do," Battipaglia says. "So I pressed her a little about what was wrong. She said, 'Well, the president of Gruntal called.' " Battipaglia asked her if he had seen the Larry King show. "Yes, he saw it," she said. "And he said you better be right."

When Battipaglia arrived in New York the next day the canyons of Wall Street were lined with reporters hungry for predictions from Battipaglia and other Wall Street strategists. Battipaglia did a few more interviews on the street, maintaining his upbeat view.

And as if on cue, the market dipped then rallied that day. "It worked out that the bullish case and buying on that dip was the right answer," he says. "Those are the times, as a strategist, that you really make a difference – when the call is ever so critical. That's what people remember."

Battipaglia, 44, says he never worried, despite the call from his boss, his somewhat shaken wife and swarms of reporters lining Wall Street's sidewalks. "I sleep very well at night," he says. "There's a fundamental belief that the U.S. economy is on a significant growth trajectory and that investors will do the rational thing and are smarter than Wall Street gives them credit for. Bear markets tend to be short lived. Thus, you have to look for the seeds of the next bear market, and if you don't see them, you stay fully invested. If you're in the midst of a bear market, more than likely you can ride it out in a positive way. With that as a fundamental backdrop, I rarely get shaken."

Indeed, Battipaglia seems entirely unflappable. A day spent trotting behind this giant of a man – he is 6'7" tall – revealed an evenness uncharacteristic of someone who makes his living trying to predict the habits of the most inscrutable of creatures: the financial markets.

DIANE BONDARESS

Wall Street Media Star

It's Tuesday, February 29, 2000 at 6 p.m. and the New York Stock Exchange is stone quiet and empty other than the crew from CNBC, the financial news network that camps at the exchange each evening to review the day on Wall Street.

The largely young, artsy producers and technicians sprawl on metal chairs, grazing on Oreos and trail mix and waiting for the broadcast to begin. Battipaglia greets the talent – Ron Insana and Sue Herera – both already coated in their waxy on-air makeup, and talks about children, spouses and upcoming vacation plans. He wanders restlessly around the exchange floor, eventually finding his way to a tall director's chair where he too is swathed in stage make-up by a black-clad make-up artist.

It's been a sizzling day on the NASDAQ, which topped 5,000 for the first time in early day trading, and Battipaglia has fielded calls from reporters and producers all day. He wades between the tangle of wires and cameras and sits next to Insana. A production assistant clips a tiny microphone inside his jacket and the countdown to airtime begins.

Six weeks later, during the second week of April, all three major market measures suffered their worst point drops ever, wiping out $950 billion in a single day, just shy of Brazil's $1 trillion gross domestic product.

On Friday, April 14, the Nasdaq Composite Index, led by Qualcomm Inc. and Intel Corp., fell 355.49 points. The 9.67 percent drop was the Nasdaq's second worst, just behind the 11 percent free fall on Oct. 19, 1987 and capping the worst week in the much-watched index's 29-year history.

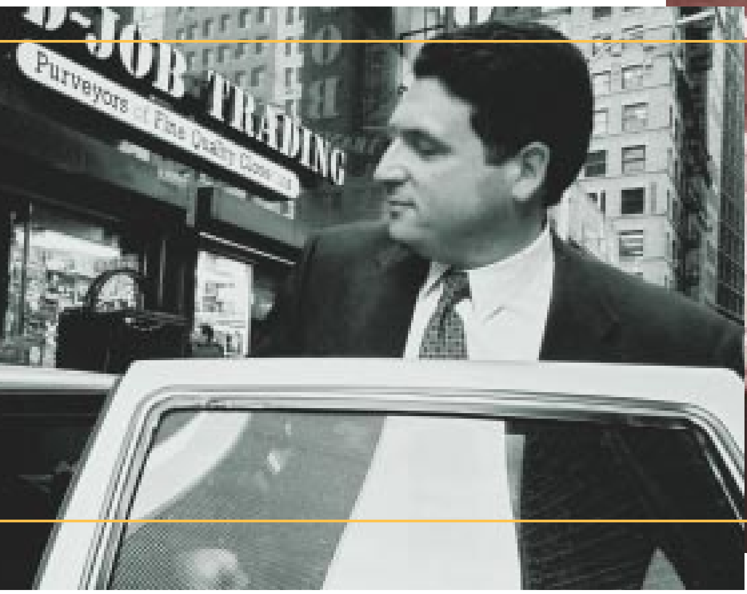
In a lineup of interviews from the Today show to CNBC, Battipaglia was once again called upon to dissect the market free fall, and to calm investors' rapidly rising fears.

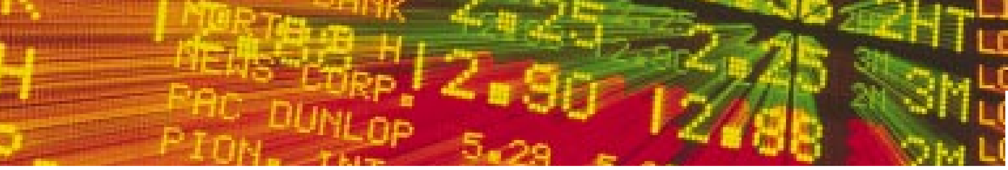
"Our view is still the same," he said during in an interview immediately following the market plunge. "What we have just witnessed is a fast, deep, sharp correction of one third of the value of the Nasdaq and 12 percent of the value of the S&P 500. But we are still in a bull market. We are looking for four percent growth on the economy and 14.5 percent growth in S&P earnings, a 30 percent growth in Nasdaq earnings, a situation where inflation stays below 2.5 percent for the year, and the Federal Reserve, which has already engineered five rate increases, adds one more, and that will be it. We will roll into the election in an environment where stocks will outperform money funds for the balance of the year, and we are not changing any of our targets or our asset allocations."

Battipaglia isn't exactly a household name, but his near-constant presence in the media has made him a personality of sorts. An April *Business Week* story that took a somewhat disparaging view of Wall Street and the media's role in hyping the stock market cited his number of television appearances - 238 within the past year - second only to influential Goldman Sachs economist Abby Joseph Cohen's 259. Television, the article said, is fueling a trend toward media-savvy "celebrity" analysts and strategists who tend toward overly rosy views of the market and have the power to move markets, sometimes dramatically.

Battipaglia seemed undisturbed when asked about the article. "The people who have the most media hits are the people who work for full-service brokerage firms – people like myself and Abby Joseph Cohen at Goldman Sachs. Our job is to provide advice and guidance to clients on a regular basis. It's not inconsistent with a full-service environment to see analysts with this kind of public profile," he says.

He acknowledges, though, that few analysts today take a publicly critical view of a company, and that out and out "sell" calls have become a rarity. "I sell all the time, so I can take





myself out of this one," he says. "But there is a bias, there's no question about it, in the analytical community against selling equities. There shouldn't be, but that's the way it is."

Battipaglia says that while it's true he's one of Wall Street's best known bulls, that bullishness simply reflects a fundamental long-term view of investing, not a desire to boost markets. "We at Gruntal stayed pretty much committed to a bullish case throughout the decade of the '80s and into the '90s, and it has served our investors very well," he says. "There are as many ways to trade the stock market as there are stocks to buy: momentum, technically, short-term, long-term. But I have always approached this from a long-term point of view that is fundamentally driven, and the key inputs are the level of economic activity, domestically and internationally; the relative stability or instability of price levels in the real economy; confidence as measured by consumerism; voter habits and investor preference. Looking at those measures are what compel our forecasts for the next 12 months."

Battipaglia got his start on the media trail in the early 1980s when a business news start-up called Financial News Network called one day looking for a market expert. "Abby Cohen just wasn't physically there all the time," he says. "But I was. We didn't have a big institutional practice so I wasn't running around the country." Battipaglia, the media found, was a good interview: he summarized quickly, used colorful, simple language and exuded calm. This steady, down-to-earth persona, says Wharton classmate and former roommate Michael Gilson, is signature Battipaglia. "I've known him for 24 years and he's always been the same way," says Gilson, co-founder of Advanced Aerospace Inc. of San Luis Obispo, Calif. "What is unique about Joe is his ability to speak in terms that the average person can understand."

Over the years, cub reporters moved onward and upward to larger networks, and kept Battipaglia in their rolodexes. "It evolved. It just evolved," he says. "And as the market got stronger and bigger, the public's attitude about and interest in business news changed and grew. From my personal perspective, I knew that if I wanted to truly compete with my peers, I had to be visible. I knew that I had to stand the test of time and see whether my work really did hold its own."

A Kid From Queens

Joe Battipaglia grew up an only child in a small, fourth floor apartment in Queens, New York. His mother Ann, now 81, worked at Bloomingdale's and his father, Joseph, was a crane operator for the sanitation department of the City of New York. Joseph Battipaglia Sr. had two dreams: to own his own home and to make a fortune in the stock market. Ultimately, he was unsuccessful at both and died in his early 50s.

Joe Jr. was the first member of his family to go to college, attending Boston College in the early 1970s and graduating with a degree in economics. But when he graduated in 1976, the U.S. was mired in a recession and Battipaglia had few job prospects. He decided to go to business school, choosing Wharton because it was close to New York where his mother then lived alone as a recent widow. "As an only child, I needed to be near home," he says. "Wharton was the clear choice for me."

After earning his MBA, Battipaglia bypassed Wall Street and accepted a job working in the controller's office at Exxon in Manhattan. After four years and with his interest in moving into Exxon's marketing department stymied, he decided to become an analyst at Elkins & Co., one of the three remaining large brokerages in Philadelphia. Battipaglia had married in 1980 and he and wife Maryann were drawn to the Philadelphia area as a safe haven to raise a family.

"From my personal perspective, I knew that if I wanted to truly compete with my peers, I had to be visible."

But Battipaglia began his new job during a brutal bear market. Elkins was short on funds, and relations between its partners were strained. By 1982, the principals decided to sell the company to what was then Bache, which was also in the midst of being acquired by Prudential. "So it was truly a big fish swallowing a smaller fish gobbling a small fish," Battipaglia says. "And so within a year and a half of taking this new job, everything had changed."

One day, the Prudential management team charged with assimilating Elkins literally walked through the office and asked each employee what their job was. "If you were a salesman, you were OK, if you were anything else, you probably weren't going to make it," Battipaglia recalls. Battipaglia hung toward the back of the office, observing the goings-on from a distance. By the time the team finally reached him and asked, "So what do you do here," Battipaglia told them, "Anything you want."

He was given a choice: interview in New York for a possible job, or become a salesman in Philadelphia. Battipaglia chose the latter. "That was a very good year for me, because I got to see how the brokerage business works on the firing line, where investors make decisions," he says. "But for someone who had never worked in sales it was daunting because the structure is transaction-oriented and so the pressure was to

continued on page 33

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Street Smart continued from page 29

open new accounts, bring in assets, create commissions."

He enjoyed sales, but found himself doing more analysis and portfolio management work and realized that while his new account growth and commission rates were slower, he managed more assets overall than many of his colleagues. He joined Gruntal about a year later at the recommendation of a friend who worked there and described the small Wall Street firm as entrepreneurial. Gruntal had just bought a Philadelphia investment firm and wanted to boost its Philadelphia presence, and Battipaglia joined the firm as a Philadelphia-based general analyst. His first buy recommendation was Ma Bell at $17 a share. He also liked Centocor, a small biotech firm, at $12 a share, and Wyomissing, Pa.-based VF Corp., an apparel manufacturer. "It was those kinds of companies that I covered. It wasn't the industry – it was the opportunity that I saw for the investor." His son Matthew was born in 1982, then daughter Christen in 1984. "And here I am in Philadelphia, and everything is great."

Eventually, though, with his star rising, the firm's New York managers asked Battipaglia to come to New York for what he calls a "fatal, fateful meeting" with Gruntal's president. The upshot: the president asked Battipaglia to work in Manhattan a few days a week. "After about a month, I was coming to New York full-time, every day," he says.

He has commuted every day from Pennsylvania ever since. "We love the area, the children were acclimating to the schools, and given Wall Street's proclivities, I thought it might be good to have a connection to both Philadelphia and New York," he says.

Battipaglia, who says he's not a morning person, gets up at 4: 40 a.m., hops a 5:35 train to New York and reaches his office by 7. Many days he tries to be home by six to eat dinner with Maryann, Matthew, 17, Christen, 15 and youngest son Jeffrey, 11, but often isn't able. He says his supportive family and love of the business make the commuting bearable. But Battipaglia, a passionate skier, is also a strong believer in taking vacations and the occasional long weekend to recharge.

"For me, this is a very noble profession," he says. "Human nature is such that we are always trying to do better for ourselves. In an evolved society, your financial health is probably as important as your personal health. And so here is a business that serves that purpose. I have always approached this as a calling recognizing that it is very humbling because you can be well intended and have all the resources at your disposal and still come to the wrong conclusions. So if you can approach the public in a candid way, with humility, then you can build a business, and that's what I have looked to do.

"And everything you hear about the American dream is true – it's not a fairy tale. Each generation looks to build on the successes of the ones that preceded it. I didn't want for anything as a child – this isn't a sharecropper's son story – but I had very modest beginnings in Queens looking out at the skyscrapers of Manhattan and wondering how you get there."

As for the future, Battipaglia says he's not necessarily interested in becoming CEO of a major brokerage despite what many might expect. Instead, in ten years or so he'd like shoot off in an entirely new direction, perhaps traveling the world and educating other nations about investing and the financial markets. He takes a typically philosophical view of such a change: he believes people should simply "leave themselves open, and if the opportunity presents itself, then you step into it." ◆ NANCY MOFFITT

E-Commerce continued from page 15

ing perfect information. Retailers have to respond to what consumers want. So a company like the Gap, which has stores all over the place, can now reach customers with its Banana Republic catalog and a Web site. And I can use all three channels at my convenience. Eventually, we won't look at this as e-tailing and non-e-tailing. It will be just retailing."

Says Gerrity: "There is no cookie-cutter formula for success on the Internet. It's a matter of meticulous care and a deep understanding of each product segment. You have to make the right moves and position yourself correctly. We're still at Chapter One, and maybe about to enter Chapter Two, of a long and fascinating book." ◆

BY STEPHEN J. MORGAN, A PHILADELPHIA AREA FREELANCE WRITER AND FREQUENT CONTRIBUTOR TO THE MAGAZINE