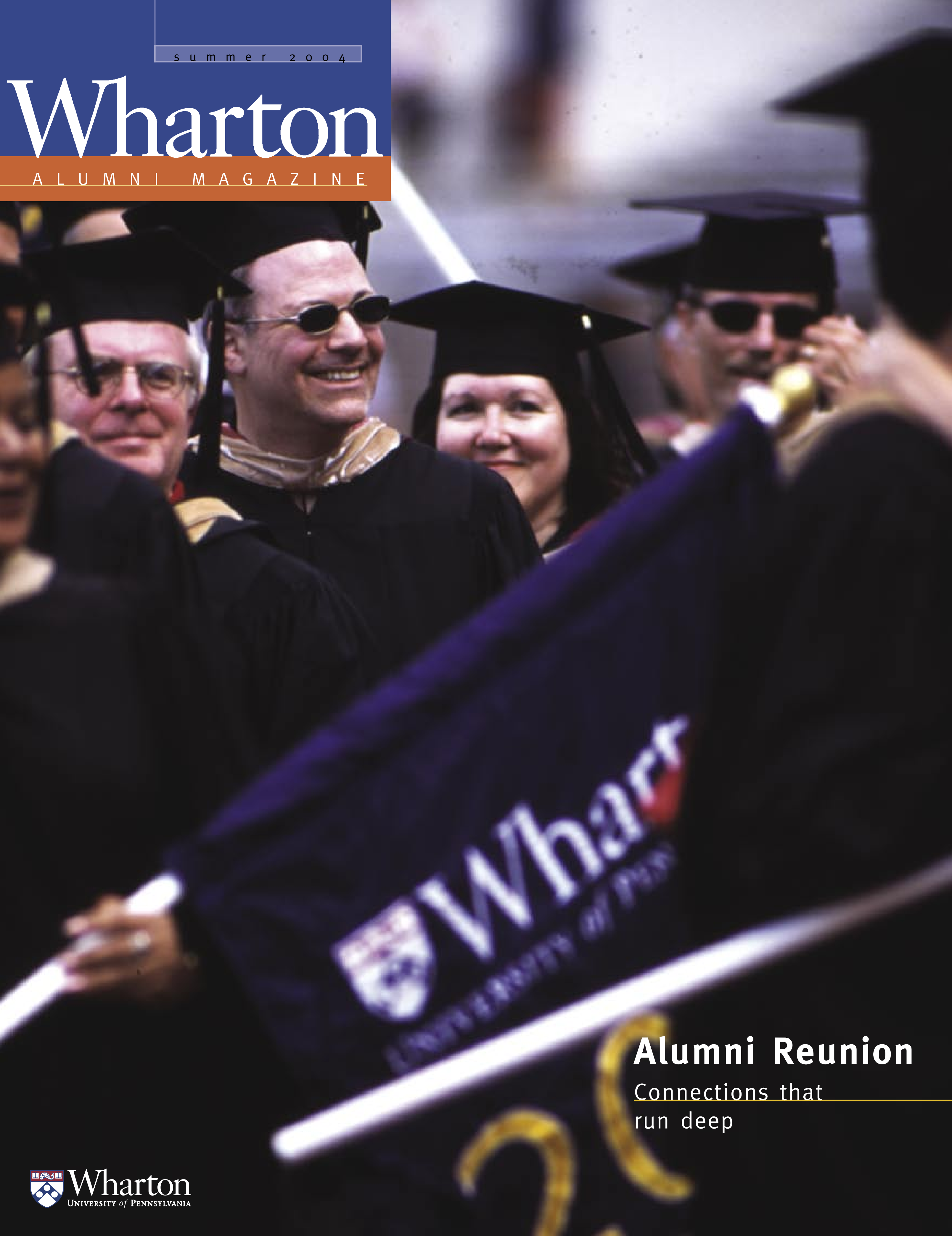
summer 2004

Wharton

ALUMNI MAGAZINE



Alumni Reunion

Connections that run deep

Wharton
University *of* Pennsylvania

JERRY MILLEVOI

A New Tradition: The Wharton International Cultural Show took place on April 22 and 23 at the Annenberg Center. Already in its fourth year, the show is produced entirely by students and demonstrates the rich diversity of international cultures at Wharton.

Save the Date

SEPTEMBER 2004

SEPTEMBER 23
Wharton Leadership Lecture: David Barger, President, Jet Blue Airlines
Time: 4:30 p.m.; Location: Philadelphia

SEPTEMBER 30
Wharton Leadership Lecture: Richard D. Fairbank, Chairman and CEO, Capital One
Location: Philadelphia

SEPTEMBER 30
Delivering Profits in the Global Economy
Sponsored by the Wharton/INSEAD Alliance
Location: London

OCTOBER 2004

OCTOBER 1
Student Conference: Consulting

OCTOBER 7
Wharton Leadership Lecture: Glenn Renwick, President and CEO, Progressive
Time: 4:30 p.m.; Location: Philadelphia

OCTOBER 13
Wharton Leadership Lecture: David Pottruck, CEO, Charles Schwab
Time: 4:30 p.m.; Location: Philadelphia

OCTOBER 15
Student Conference: Marketing

OCTOBER 28
Wharton Leadership Lecture: Linda LoRe, President and CEO, Frederick's of Hollywood
Time: 4:30 p.m.; Location: Philadelphia

OCTOBER 29
Student Conference: Investment Management

For more information and updates on Wharton events,
visit ‹www.wharton.upenn.edu/whartonfacts/news_and_events/calendar/›.

COVER PHOTO: **TOMMY LEONARDI**

Wharton

ALUMNI MAGAZINE

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Brand loyalty is a matter of identity.

MAURICE RAMIREZ

TOMMY LEONARDI

TOP: MBA FOR EXECUTIVES - WEST

MIDDLE: MBA FOR EXECUTIVES - EAST

BOTTOM: MBA CLASS GIFT COMMITTEE

MBA Class Gifts Set New Records

Amid tough economic times, the Wharton MBA class of 2004 raised a total class gift of $776,690 while setting new records for class gift participation. Combined participation of the East and West coast MBA for Executives classes and the traditional MBA class was 98.3 percent.

The graduating East coast and West coast MBA for Executives classes had an unprecedented 100 percent participation in raising a total of $327,772, including challenge gifts from Beth W. Nelson, WG'82. In honor of the participation record, Ms. Nelson offered an additional gift to bring the combined (East and West coast) Wharton MBA for Executives class gift total to $350,000.

Following a record-breaking year in 2003, the MBA class of 2004 set its own record with the highest-ever number of Wharton class gift donors: 764. Class participation was 95 percent, with 97 percent participation of international students. The total gift raised was $426,690, including $50,000 from an anonymous challenge donor.

Associate Dean for External Affairs Steven Oliveira stated, "The Wharton MBA Class of 2004 has made the largest graduating class gift in the history of any business school. We believe that this may also be the largest graduating class gift in the history of higher education. The level of participation achieved by this class is an inspiration to all Wharton Alumni."

MBA Reunion Weekend Launches New Alumni Programs

Veteran alumni now have a network of their own. The Wharton Emeritus Society, one of two new alumni programs launched during 2004 Alumni Weekend, will help create a formal network and content-based programs of interest for graduates of 50 or more years. The second new program, MBA Alumni March (depicted on this issue's cover), invites reunion-year alumni to don cap and gown and process onto Franklin Field, ushering new graduates into the world of Wharton alumni. For more information on Alumni Weekend events, visit **<www.wharton.upenn.edu/ alumni reunion/2004index.html>.**

Meeting the World: Wharton Global Alumni Forums

Mexico's economic growth toward globalization and the future of Latin American markets were among the dozens of panel discussions and speeches by government and corporate luminaries, including Fernando Canales Clariond, Mexico's Economy Secretary, at Wharton's Global Alumni

Forum held on June 24-26 in Mexico City. The event, the last of three Wharton Global Alumni Forums held this summer, offered alumni the chance to network and learn with top corporate and government leaders who are impacting the business climate of Latin America. Topics included globalization strategy, the Hispanic market, energy, and pensions and growth. Juan Toro, the tax commissioner of Chile, Eduardo Wanick, CEO of DuPont Latin America and Alfredo Elias Ayub, CEO of the Federal Electricity Commission were among the roster of speakers.

The Wharton Global Alumni Forums are organized by alumni with the help of the School. In late May, the Moscow Global Alumni Forum addressed issues including emerging consumer markets and financing investment globally at a sold-out gathering the *Moscow Times* called "the first example in Russia of an international school putting on a large, publicized event ..." Wharton's presence was everywhere at the Shanghai Global Forum, held June 3-6, where welcome signs hung the airport walls and on city buses while a Wharton-emblazoned blimp flew over the city.

The sold-out Shanghai event brought together business and government leaders including Philip Murtaugh, chairman and CEO of GM China and Zhang Ruimin, chairman of the Haier Group, to discuss China's unique banking system and foreign direct investment, among other topics. During the Shanghai event, the School also presented its highest honor—the Dean's Medal—to K.P. Chao, chairman of the board of Novel Enterprises Ltd., for his exceptional leadership in advancing global business. For more information on the Global Alumni Forums, visit **<www.wharton.upenn.edu/alumni/forums>.**

KAHN

PETER OLSON

New Innovations to Undergraduate Curriculum

In fall 2004, Wharton undergrads will have new opportunities to experience business in practice. Three curricular innovations are being added: a business simulation addition to the core marketing course, a research pilot program, and a firm-specific consulting project. The new programs are outcomes of Wharton's recently completed curriculum review.

Widely recognized as the best undergraduate business program, Wharton's curriculum blends liberal arts with core business concepts, a combination that gives students a wider understanding of the social and cultural issues today's businesses face. The recent curriculum review looked at ways to improve this undergraduate experience, bringing together two committees, an external one that consisted of deans from Harvard, Princeton, and the University of Michigan, and an internal task force that brought together nine faculty members from a variety of Wharton departments, to make recommendations.

Barbara E. Kahn, vice dean and director of the Undergraduate Division and the Dorothy Silberberg Professor of Marketing, says these curricular additions strengthen and enliven the School's already ambitious offerings. The business simulation component to the core undergraduate marketing course, for instance, will bring undergraduates into teams that will manage a firm, making key marketing strategy decisions.

"One of things we think differentiates the Wharton undergraduate learning experience from other kinds of learning would be this experiential learning opportunity, that is, something outside of the traditional lecture/media mode," Kahn says.

The new research pilot program pairs a student one-on-one with a faculty member in a semester-long research program. The "field challenge" program, to be piloted this fall, will take teams of undergraduates out into the business world. Working with a faculty advisor, the teams will come up with solutions for individual businesses.

"Wharton undergrads are an incredibly bright and talented group. They are very eager and work very hard," says Kahn, who became the division's vice dean in 2003 and teaches Introduction to Marketing to between 400 and 500 students each semester it is offered. "They are here for a longer period of time than the MBAs, so you can have more of a personal relationship with them. It's a really nice opportunity to work with them. You feel like you can really make a difference."

Knowledge @ Wharton to Introduce Chinese Language Edition

Few would deny that China is hot. Companies within China and around the world are searching for credible answers about how to do business in this must-play country, and Knowledge@Wharton will soon provide the knowledge they need. Wharton's online business analysis and research journal will launch a Chinese version in early 2005, adding to its English, Spanish and Portugese versions. As well, Knowledge@Wharton and The Boston Consulting Group have partnered to create four special reports on China, the first of which, "China and the New Rules for Business," is now available on the Knowledge@Wharton website in both Chinese and English **<http://knowledge.wharton.upenn.edu>.**

The Chinese version of Knowledge@Wharton will target management leaders in China as well as Chinese-reading populations worldwide with a mix of tailored and existing content. The project, a year in the making, came together when both Dean Patrick Harker and Boston Consulting Group officials, led by a Wharton alum, expressed a simultaneous interest in creating real-world, online communications vehicles to tackle the opportunities and challenges of operating in China.

"Our original strategy is to have a two-fold engagement," explains Mukul Pandya, editor and director of Knowledge@Wharton. "On one hand, there's a huge hunger for information about how to do business in China among Western executives. All they have been getting is a lot of hype, or horror stories. Our opportunity is to tell stories for the benefit of a Western world that wants to figure out what's really real. Then there's a great hunger in China too about business in the West, and for them, having access to a place like Wharton is crucial."

Wharton alumnus Hal Sirkin, W'80, a senior vice president at BCG and leader of the firm's Operations Practice, says that for many companies, China has risen to the top of the management agenda. "In many industries today, operating in China is no longer just an option to consider — it's an imperative if they are to remain competitive," Sirkin says. "Yet many questions and risks remain."

The Chinese version of Knowledge@Wharton will be funded by a combination of corporate sponsorships and donations from alumni, parents of existing students and friends of the School. It comes on the heels of the fifth anniversary of Knowledge@Wharton, which now has more than 350,000 subscribers in 189 countries.

Tech Leaders Speak on VC at Inaugural Wharton West Conference

The state of venture capital was one of the many topics addressed at Wharton West's first venture capital conference, held May 11 in San Francisco and organized by Professors Andrew Metrick and Chris Geczy. Called "Venture Capital: Theory Meets Practice," the event drew alumni from both coasts to hear speakers such as John Dean, WG'74, former CEO of Silicon Valley Bancshares, Jim McElwee, WG'76, general partner of Weston Presidio, Michael Mortiz, WG'78, partner at Sequoia Capital, and Ted Schlein, C'86, general partner of Kleiner, Perkins, Caufield & Byers.

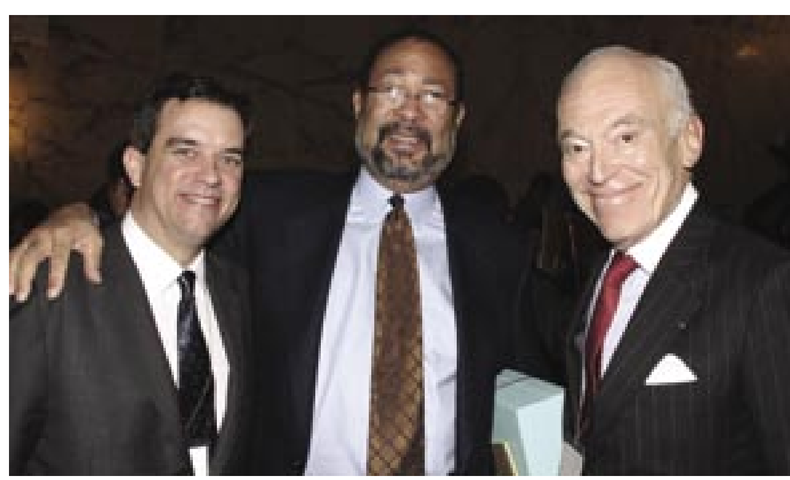
Lauder Alumni and Business Leaders Gather for Global Business Forum

Most images of entrepreneurship tend to focus on the vision and guts involved in getting ventures off the ground. But at a recent panel discussion at the inaugural Lauder Institute Alumni Association Global Business Forum in New York, a group of entrepreneurs – some just a few years into their venture, and at least one with decades of experience – offered a portrait of the entrepreneur that seldom makes it onto the cover of *Business Week*: The entrepreneur as mensch.

Panelists emphasized less the solitary aspects of the entrepreneurial life than the social ones. Forget genius, they said; what really counts most is building a strong network to turn to for help and advice, treating people with dignity, and serving your customers well.

Chaired by Lauder Institute governor Edgar Bronfman Jr., the chairman and CEO of Warner Music Group, the panel featured Tom Bendheim, the CEO of Rheingold Brewing Co.; George Bennett, the chairman and CEO of Health Dialog; Luis Gonzales, COO and founder of Vidalink, a Brazilian pharmaceutical supply company; Charles Rashall, president and founder of brandadvisors; and Diane Ty, chairman and co-founder of YouthNOISE.

JOHN BUGGIE, WG'92; DICK PARSONS; LEONARD LAUDER, W'54



The Global Business Forum was held in April at the Metropolitan Club in New York City and was attended by more than 300 Lauder/Wharton alumni. In addition to the participants noted above, over 30 industry leaders served as keynote speakers and panelists, including Leonard Lauder, W'54, CEO of Estee Lauder; Dick Parsons, CEO of Time Warner; A.G. Lafley, CEO of Procter & Gamble; Sir Martin Sorrell, CEO of WPP; Paul Fribourg, CEO of ContiGroup; Shiv Khemka, WG'90, G'90, CEO of Sun Group; and Richard Haass, president of the Council on Foreign Relations. To read more about the Business Forum (including coverage from Knowledge@Wharton), visit **<www.lauderalumni.com>.**

Robert E. Mittelstaedt: 13 Years as Vice Dean of Executive Education

Robert E. Mittelstaedt has resigned from his position as vice dean of the Wharton School's executive education division, a role he has held for 13 years. Mittelstaedt left his post to become dean of the W.P. Carey School of Business at Arizona State University, effective July 1.

During his tenure at Wharton, Mittelstaedt was responsible for building the Aresty Institute of Executive Education into one of the largest organizations of its type in the world, with more than 220 programs for 8,000 to 10,000 executives annually. He was instrumental in founding the Directors' Institute in 1993, the Wharton Electronic Commerce Forum in 1996, and Knowledge@Wharton in 1999. During 1996-99, he headed Wharton's external affairs division, including fund raising, public relations, communications and alumni affairs functions. He also led the startup of Wharton West as the initiative's interim vice dean during 2000-2001. While at Wharton, he also served as associate director or director of a number of programs including: the Leonard Davis Institute of Health Economics; the National Health Care Management Center; the Wharton Applied Research Center; and the Wharton Innovation Center.

Dean Patrick Harker said, "I am deeply grateful to Bob for his outstanding work at Wharton. His appointment to the W.P. Carey deanship is much deserved recognition of his abilities as a leader and his commitment to business education. We wish him the very best of success in his new position."

Newsmakers

Joseph E. Harari, PAR'90, member of the School's Executive Board for Latin America, was awarded (along with his three brothers) Panama's highest civilian honor, The Order of Vasco Nunez de Balboa, in April. The award is conferred to citizens of the Republic who have made outstanding contributions to the country over the years.

Peter Murphy, WG'88, was featured in an article about his career as senior executive vice president and chief strategic officer of the Walt Disney Company *(Daily Variety, 4/2/04)*.

Ron Wilson, WG'95 and **Brian LeGette, WG'95,** were featured in an article about their company, EntreQuest, producers of performance wear merchandise *(Baltimore Sun, 4/6/04)*.

Jay I. Kislak, W'43, was featured in an article about his gift of 4,000 artifacts of early America to the Library of Congress *(Washington Post, 4/7/04)*.

Upcoming Patagonia Alumni Leadership Venture; January 7 – 16, 2005 (Includes flying time from the U.S.)

In January 2005, the Wharton Leadership Ventures will offer its first Venture to South America for alumni. This trip takes participants into the heart of Patagonia to the famous "Torres Del Paine." Led by Professor Mike Useem, Director of the Center for Leadership and Change Management, and under the expert guidance of Vertical SA's world-class mountaineering team, the Venture will provide a set of engaged, hands-on experiences for exploring and mastering the capabilities for effective individual and team leadership in business and beyond. Participants will have the opportunity to improve their capacities to think strategically, communicate effectively, and act decisively.

This week long program begins the afternoon of January 8, 2004 in Punta Arenas, Chile. Participants will spend the week trekking in the Torres Del Paine National Park alternating between lodges and camping. A key highlight of the trip will be an afternoon of walking and ice-climbing on Grey Glacier. It promises to be a challenging and invigorating program at once fostering an environment for further leadership development as well as providing the opportunity for alumni to reconnect.

Enrollment opened on July 1, 2004. For further information and to enroll please e-mail Aldo Boitano at **aldo@vertical.cl** or Penny Bamber at **pennyb@wharton.upenn.edu**.

William Lauder, W'83, has been named CEO of Estee Lauder Companies *(Wall Street Journal, 4/23/04).*

Angelo Koo, WG'93, member of the School's Executive Board for Asia, was featured in an article abut his career at China Trust Financial Holding Company, and his management and leadership skills *(Tapei Times, 4/23/03).*

Donna S. Morea, WG'80, was featured in an article about her career as executive vice president of the public sector group for American Management Systems *(Washington Post, 4/26/04).*

Charles Abdalian, WG'77, has been appointed to senior vice president of finance and CFO of Coley Pharmaceutical Group, Inc. *(Health & Medicine Week, 4/26/04).*

Steven Zwiener, WG'89, was featured in an article about Wolfgang's, his family-owned Manhattan restaurant *(New York Times, 4/28/04).*

Kim Saunders, W'82, has been appointed president of Consolidated Bank & Trust (*Black Enterprise, 3/1/04).*

Zane Tankel, W'62, was featured in an article about his success in the ownership of 21 Applebee's franchise restaurants in New York City *(New York Times, 3/10/04).*

Robert B. Goergen, WG'62, Wharton Overseer, authored an article in the Executive Life Column about his career and role as chairman and CEO of Blyth, Inc. *(New York Times, 3/14/04)*

Tarun Tahiliani, W'84, was featured in an article about his international reputation as a leading couture fashion designer in India *(The Hindu, 3/18/04)*

Peter M. Kendall, WG'70, was featured in an article about his success as CEO of Coors Brewers, Ltd. *(The London Times, 3/18/04).*

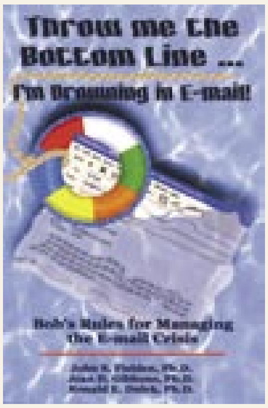
Masayuki Nagatake, WG'97, has been named managing director of Uniglo UK, a Japanese clothing retailer *(Retail Week, 3/19/04).*

Michael Steinhardt, W'60, was featured in an article about his success as a hedge-fund manager *(Investor's Business Daily, 3/24/04).*

Kelly Wallace, W'87, currently with CNN, served on a panel of national correspondents to lead discussions on the September 11th attacks *(CNN: On the Story, 3/27/04).* ◆

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

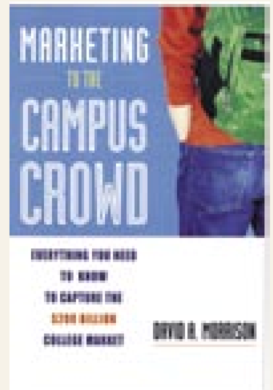
Recent Alumni Books



Throw Me the Bottom Line . . . I'm Drowning in E-mail! Bob's Rules for Managing the E-mail Crisis

By John S. Fieldon, W'45, PhD, Jean D. Gibbons, PhD and Ronald E. Dulek, PhD
Pioneer River Press (2003)

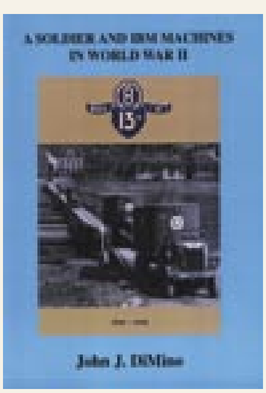
"I highly recommend this little book to anyone aspiring to advance their career. The authors offer many practical ideas for influencing others using certain simple communication principles."
- Arthur C. Neilson, Jr., Chairman Emeritus, A.C. Nielson Co.



Marketing to the Campus Crowd

By David A. Morrison, WG'99
Dearborn Trade Publishing (2004)

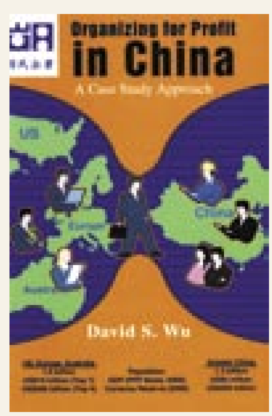
"David Morrison has discovered the Fountain of Youth. Marketing to the Campus Crowd is an all-encompassing-brilliant-review of what to do and, always more importantly, what never to do."
- Rich Appel, Director of Market Research, Sony Music Entertainment



A Soldier and IBM Machines in World War II

By John J. DiMino, WEV'53
The Historical Society of Montgomery County (2001)

"DiMino's book . . . provides an excellent introduction to the specialized wartime mobile record units."
- Keith Phucas, The Times Herald



Organizing for Profit in China: A Case Study Approach

By David S. Wu, WG'82
iUniverse (2003)

"David S. Wu has written a terrific book on doing business in China. Don't miss this guide into the land of the world's first capitalists."
- Dr. Bob Rosen, CEO of Healthy Companies International, author of Global Literacies

Brainy Winners: 2004 Business Plan Competition

REPRINTED FROM THE GET IT STARTED *NEWSLETTER ‹ WWW.WEP.WHARTON.UPENN.EDU ›*

Health science trumped the Internet — and everything else — at the 2004 Venture Fair, the culmination of the 2003-2004 Wharton Business Plan Competition. The grand prize went to InfraScan, which has created a device to detect brain bleeding; the second prize went to CelfCure, which would treat neurological ailments with transplanted stem cells; and third place went to BioSpectrum, which aims to improve the way pharmaceutical companies screen for potential drugs. Distributed Resource Imagery, a computer animation company, won the Frederick H. Gloeckner Award as the best Wharton undergraduate team.


BEN DOR; NAIK, WG'04, AND BANERJEE, WG'05

PHIL LEFF

As the winners, InfraScan's team members — two Wharton MBA students and an Israeli physicist — collected $20,000, entry into Wharton's Venture Initiation Program and a chance to present their business plan at the Global Start-up @ Singapore competition (Co-organized by INSEAD and the National University of Singapore Entrepreneurship Center). CelfCure received $10,000, and BioSpectrum, $5,000. All three teams also will receive $10,000 worth of combined legal and accounting services.

"For the purpose of raising funds, this is extraordinary PR," said InfraScan founder Baruch Ben Dor, an Israel-trained physicist who moved to Philadelphia in hopes of launching an entrepreneurial venture. "My problem was getting through the first five seconds with a venture capitalist. Winning the Business Plan Competition gives me the first five minutes of his attention."

"Nearly 200 student teams participated in this year's competition," said Emily Cieri, managing director of Wharton Entrepreneurial Programs, which co-manages the event with a student team. "We touched over 700 students across campus, whether they competed or just attended our workshops. We had submissions from 10 of the 12 professional schools across campus." Any team that includes a University of Pennsylvania student can participate.

InfraScan's entry was built on its HematoScope. The handheld device would let emergency room physicians and emergency medical technicians do quick scans of people with head trauma to determine the extent of their injuries. About the size of a personal digital assistant, it could help hospitals, especially those in the developing world, more efficiently use scarce CT scanners and MRIs. A patient would be sent for a CT or MRI scan only if the HematoScope detected brain bleeding.

Ben Dor met his teammates — Sandeep Naik, WG'04, and Samonnoi Banerjee, WG'05 — through a posting he placed on a Wharton web site. He sought help with his business plan and investor presentation. Naik responded, suggested they enter the competition, and enlisted Banerjee.

Naik had worked at Medtronic, a Minnesota medical-device maker before coming to Wharton. Thanks to his background, he quickly sensed the HematoScope's potential.

"I asked Baruch tons of questions. And the more I questioned him, the more I realized that the technology is very simple and low cost. It's mobile, too. And I found out there's a huge unmet need."

Naik, with Banerjee's assistance, wrote the business plan and delivered the team's 10-minute presentation at the Venture Fair. After that, the competition's panel of eight judges — investors, entrepreneurs and a journalist — peppered him and Ben Dor with questions for 10 more minutes.

"This is not just a concept," Naik said during his talk. "We have a working prototype and have conducted human clinical trials on 305 patients." He argued that the HematoScope could help reduce health care costs by eliminating unnecessary scans on expensive-to-operate CT and MRI machines.

InfraScan's scanner grew out of a patent on research by Britton Chance, an emeritus professor of biophysics, biochemistry and radiology at Penn. Chance is something of a legend within his field and at the University. Though 91 years old, he still does research, traveling to his on-campus lab by bicycle. In 1952, he won an Olympic gold medal in sailing as part of a three-man team in the 5.5 meter class.

Ben Dor, a former Israeli Air Force captain, was familiar with Chance's research and sought him out. Chance decided to hire Ben Dor as chief executive of a dormant company he'd created called NIM, which stands for noninvasive medicine. Chance had started NIM to commercialize the near-infrared technology that undergirds the HematoScope. InfraScan spun out of NIM.

"This is not just a concept," Naik said. "We have a working prototype and have conducted human clinical trials on 305 patients."

The device "projects light of the proper wavelength into the brain to detect whether there's bleeding," Chance explains. "Shed blood absorbs a lot of light, so spilled blood gives a bigger signal than non spilled blood."

Second-place CelfCure aims to treat neurological ailments, too. It wants to harness what's called manipulated autologus stem cell therapy, or MAST. In MAST, physicians take cells from a patient's body, culture them in a lab, load them with drugs, then put them back in the patient. The technology, which has shown promise in research labs, can be used to treat problems such as head and spinal-cord injuries and stroke. So far, it isn't available for practicing doctors.

The problem, says team member Ajay Bakshi, a neurosurgeon and researcher, is that "biotech companies don't have access to patients, and hospitals don't know how to grow cells." CelfCure would act as a bridge, providing the cultured cells and techniques for transplantation. "Our business proposition rests on developing MAST technologies for various diseases and making them available for medical use by establishing a centralized laboratory," the team explains in the written summary of its plan.

Third-place BioSpectrum also offers a technology that it believes could help existing health care companies — in its case, drug companies — operate more effectively. It has devised a faster means of screening proteins that have a role in diseases. As with conventional screens, its technology would test the proteins' responses to large libraries of chemical compounds.

"Understanding proteins enables drug researchers to target more effectively the root causes of disease earlier in the drug-development process, thus saving time and money in a process that currently requires on average 15 years and $800 million," the team explained in a summary of its plan. BioSpectrum's technology allows it to miniaturize the chemical reactions required to run screens. That lets it run more screens on the standard-sized plates that drug companies use for the tests and reduce waste. Rather than licensing its technology, BioSpectrum would perform screens for drug companies and contract-research companies.

Rounding out the Great Eight, as the finalists are known, were Greenhands, a retailer of environmentally friendly fuels; IL Aerospace Technologies, a space tourism company; Integrated Biometric Solutions, a developer of biometric entry systems for hotels; and Solestia, a provider of solar-system financing.

An eight-person panel judged the finals of this year's competition. The panel included representatives of St. Paul Venture Capital, Canaan Partners, JK&B Capital, Johnson & Johnson, Sienna Ventures, Microsoft and

Continued on page 33

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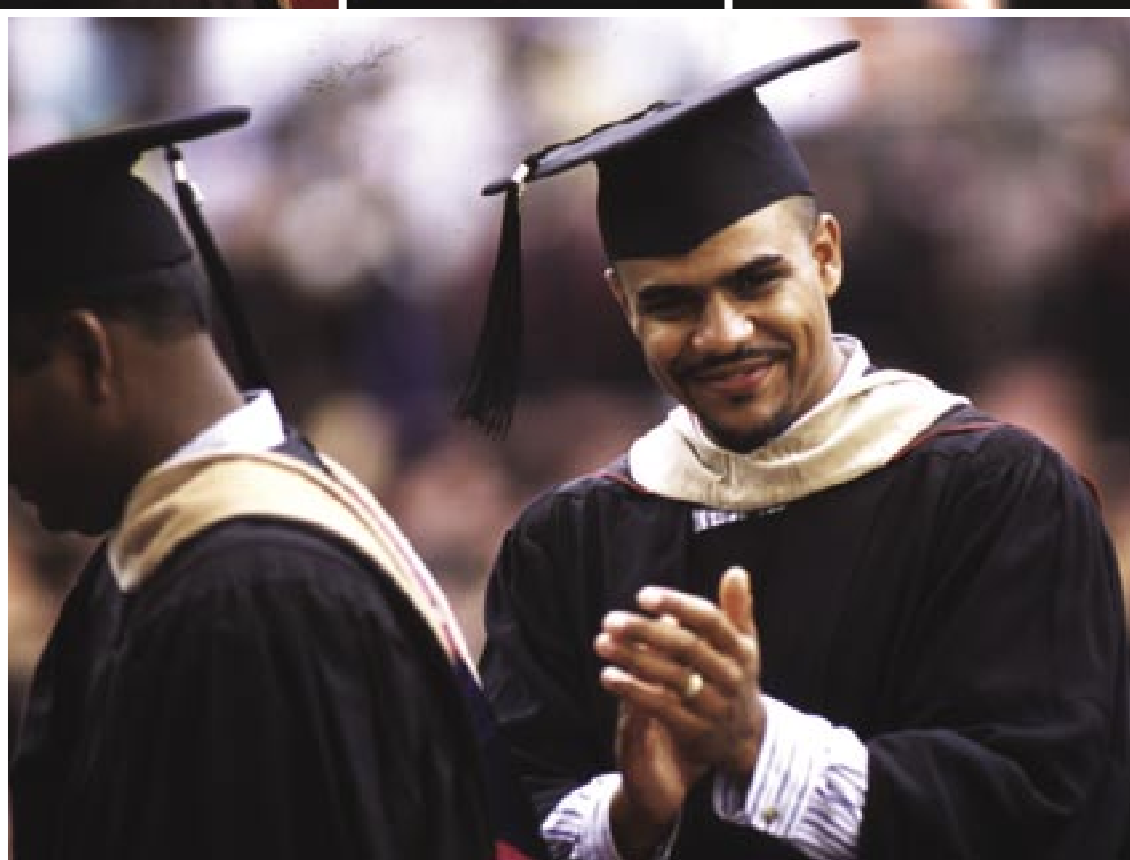
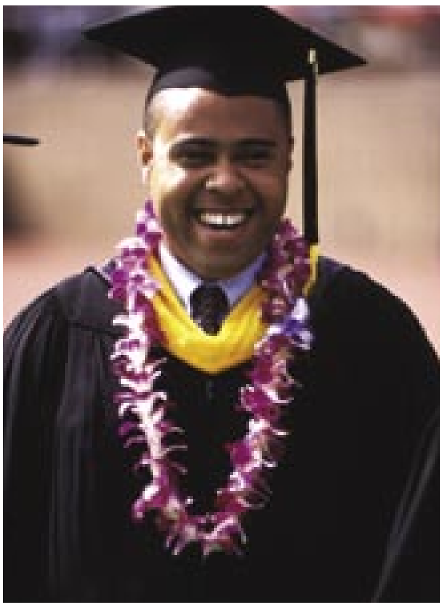
Welcome New Alumni





How do you sum up a life-changing experience in 3 minutes? It's not easy, but at Wharton graduation on May 16 in Philadelphia and May 2 in San Francisco, several intrepid student speakers expressed the meaning of their years at Wharton before classmates, faculty, friends, and family.

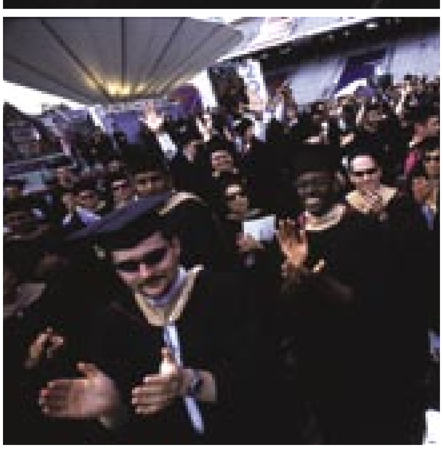
This year Amal Devani, W'04, C'04, addressed the undergraduate class on Penn's Franklin Field, while Nancy Park, WG'04, and John Jolly, WG'04, spoke to newly minted MBAs from the traditional program and MBA Program for Executives respectively. In San Francisco's Herbst Center, Jane Lin-Baden, WG'04, addressed the second graduating MBA class from the Wharton MBA Program for Executives at Wharton West.

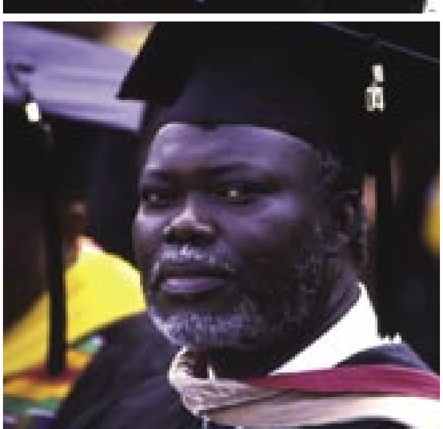
Lin-Baden, who commuted to Wharton in San Francisco from Singapore every two weeks, stated her belief that a Wharton education has meaning beyond a degree. "It is a faith, passion and responsibility. For many of us, this program has opened a new chapter and perspective in our careers and lives," she said. "Earning an MBA 'degree' has never been my reason to join the program, but a chance to learn from a group of brilliant and talented people. I have now achieved that."

Wharton graduates also heard from renowned speakers as varied as musician/activist Bono; Klaus Zumkinkel, WG,71, CEO of Deustche Post; and Ann McLaughlin Korologos, WG'88, vice chairman of RAND, and former Assistant Secretary of Labor.

This academic year, Wharton awarded about 650 undergraduate degrees, 31 PhDs, 821 MBAs from the traditional program, 100 MBAs from the Philadelphia executive program, and 74 MBAs from the San Francisco executive program. During the May ceremonies, faculty, administrators, and alumni welcomed the graduates into the ranks of Wharton's 77,000-plus alumni worldwide.

PHOTOS BY **TOMMY LEONARDI**





ALUMNI RECONNECT IN HUNTSMAN HALL AT THE OPENING RECEPTION.

PHOTOS BY **TOMMY LEONARDI**

CONNECTIONS That Run Deep

By Elisa Ludwig

Alumni connections run deep, as anyone who attends a reunion weekend would attest. More often than not, these connections extend beyond School events and into the daily lives of alumni who have maintained friendships through years of relocations, career changes, and major life events. Class notes—which our readers admit they turn to first in each edition—provide one way of keeping up with these changes. But, as the individuals we profiled below indicate, there is nothing like seeing a friend in person. (And, as in the case of Mark Hodak, WG'86, and Theresa Boyce, WG'85, surprising new connections can come out of these events as well.)

More than 1,000 alumni and guests came to Philadelphia in May to participate in reunion. With plenty of sunshine, food, opportunities to mingle and hear faculty speak, the weekend served as the perfect backdrop for friends to come together after spending time apart.

REUNITING (for the past 50 Years)

Bill Nikel, WG'54, and Roy Peterson, WG'54

Bill Nikel, WG'54, and Roy Peterson, WG'54, didn't really need a reunion. Friends for 50 years, the two Wharton grads still see each other on a regular basis. Instead, they came to reunion weekend to meet fellow alumni, observe the changed campus, attend lectures, and bask in the sun on Lehman Brothers quad. As it happened, the chance to celebrate a half-century friendship was just an added bonus.

Nikel and Peterson met during their first year at Wharton. Both men majored in marketing and shared several classes, some taught by the legendary Reavis Cox, the department's first chairman. Nikel, who was born in Boonton, NJ, came to Wharton after completing an undergraduate degree at Ursinus College, while Peterson, who was born in Worcester, MA, came from Upsala College. Between their common academic interests and similar undergraduate experiences, Nikel and Peterson had plenty of things to talk about and quickly developed an unusually durable bond.

After graduation, Nikel and Peterson stayed friendly, meeting up at an occasional Broadway show in New York or a beach resort in Maine with their wives. (Both men married in the mid-1950s.) They both continued on to careers in marketing, with Peterson moving to Minneapolis and Nikel moving to Newport News, VA. For a time, each was busy raising a family (Nikel has four children; Peterson has two) and they lost touch. But when Peterson came back to the East Coast, Nikel was among the first people he contacted. "I found his name in the alumni directory and gave him a call," says Peterson.

These days, the two classmates meet every six months for lunch, usually at the Bear Mountain Inn in the Hudson Valley. Peterson, who worked for Lever Brothers (now Unilever), Dow Chemical and Shaffer Clark before retiring eight years ago, now lives in Somers, NY, with Linda, his wife of 48 years. Nikel worked for JC Penney, Lukens Steel and the Noland Company, among others, is semi-retired and works as an independent consultant specializing in career counseling, team building and executive coaching. He lives in West Caldwell, NJ, with Nola, his wife of 50 years.

For Peterson, the reunion was his first visit back to campus since 1954. He left Wharton after a year and half to join the service—he ended up getting a job at Pillsbury instead—and got his diploma in the mail. "One of the reasons I came back was because I never walked at graduation," said Peterson.

NIKEL, WG'54, AND PETERSON, WG'54

HODAK, WG'86, AND BOYCE, WG'85

During the weekend, he finally had the opportunity to walk in the graduation ceremony.

"I was the last one. I was carrying the flag, and as I came around—the oldest guy at the ceremony—all the students perked up. I waved the flag and gave a little wiggle and said 'I made it.' They all laughed and cheered."

Nikel, who has been active in the Wharton clubs in both New York and New Jersey, tries to come back to campus at least once a year, but there are always changes. "My wife and I lived on 31st and Spruce while I was at Wharton," says Nikel. "I was shocked to see a huge high-rise that's there now."

"The reunion was fantastic. It was really special to take Roy and Linda around and show them all that had changed on campus," says Nikel. For his part, Peterson enjoyed seeing the changes. "I hardly recognized anything! But there was so much energy and enthusiasm—not to mention the state-of-the-art facilities—and that was great to see. "

And it won't be long until they'll have a chance to reminisce about the reunion in person: Nikel and Peterson plan to meet this summer at the Bear Mountain Inn.

A CHANCE MEETING

Marc Hodak, WG'86, and Theresa Boyce, WG'85

Neither Marc Hodak, WG'86, nor Theresa Boyce, WG'85, was celebrating a class reunion at the opening night reception on May 15. But though their classmates were not around, they felt plenty of nostalgia standing in Huntsman Hall that night. The couple met at the building's opening in 2002 and they are getting married next year.

Actually on campus for the Alumni Association meeting—Boyce serves as a board member—Boyce and Hodak saw the Friday night party and Saturday picnic as a chance to celebrate their own two-person reunion. "It's one more touch point to be grateful for. Being involved with another Wharton person has been fabulous," says Boyce.

Even though their time at Wharton overlapped, Hodak and Boyce did not know each other as students. Both were active in student life, and one fleeting extracurricular connection eventually brought them together. While working as a reporter for the student newspaper, Hodak wrote about Boyce's campaign for president of the Marketing Club. (She won.)

JIMENEZ-MARCOS, WG'99, AND LIEB, WG'99

Seventeen years later, when Hodak encountered Boyce at the opening of Huntsman Hall, she looked vaguely familiar to him. "I'd just come down from New York and was touring around the building for the first time when I saw her. Then I heard her name, and it clicked."

At the time, Boyce was working in brand development for Lennox International in Dallas, TX, but the two quickly developed a long distance romance. They got engaged in July 2003, and she moved to New York at the end of the year.

The turn of events may not have been surprising for Boyce, who has long been an active member of the Wharton alumni network. "Over the years, I've been involved in the Wharton club in whatever city I was in. Many of the best friends I've made have been Wharton grads," says Boyce. She remembers once calling up Robert Crandall, WG'60, then-CEO of American Airlines, looking for job leads, around the time when she was thinking of relocating to Texas from North Carolina. She was shocked when he called her back from his yacht in the South Pacific to offer advice and encouragement.

For Hodak, though, the 2002 event at Huntsman Hall marked a recently revived interest in nurturing Wharton connections. After graduating, Hodak lost contact with his classmates, and for more than a decade, he was focusing on his career in management consulting and raising his two sons, Max and Sam, from a previous marriage. Earlier that year, he'd decided to go out on his own as a management consultant and began to meet Wharton alumni through the New York Club. Since then, he has been rediscovering the virtues of the Wharton network, and Boyce's involvement has encouraged him to get even more active.

"I've been carrying Theresa's bags to alumni meetings. I like coming to Philly with her for these events: I'm reconnecting with a lot of interesting people," he says.

The soon-to-be newlyweds definitely plan to attend their 20-year reunions in 2005 and 2006, but it's a safe bet they will be back on campus before then.

MINI-REUNIONS All Over The World

Marta Lieb, WG'99, and Florencia Jimenez-Marcos, WG'99

Talk to Marta Lieb and Florencia Jimenez-Marcos, both graduates of Wharton's Lauder Program in 1999, and you'd think that Miami Beach was just a couple of bus stops from Paris. The two alums have managed to maintain a close friendship—and even as classmates around them screamed with excitement at seeing long-lost pals, their meeting at the reunion was hardly dramatic. “I see Marta all the time, so it wasn’t such a big shock,” says Jimenez-Marcos.

Lieb and Jimenez-Marcos met when they both began Lauder’s French program in May, 1998. With the intense schedule, they bonded quickly, finding common ties: Lieb came to Wharton from Sao Paolo, Brazil, while Jimenez-Marcos was born in Argentina. As an international student, Lieb found their mutual support system invaluable, and Jimenez-Marcos, who had been in the U.S. since she was 5, helped Lieb acclimate to life in Philadelphia. Lieb can remember taking trips to IKEA in a tiny car and coming back cramped between furniture boxes. “When I got here, I didn’t even know what IKEA was,” she says.

For their first-year summer program in Paris, the two sublet an apartment from a Wharton alum who was working in Asia. Lieb recalls having difficulty getting to sleep because they were up all night talking. “We had a great time discovering together all the idiosyncrasies of Parisian life, love and the pursuit of the perfect croissant,” says Jimenez-Marcos, who thinks of that summer as a fantastic bonding experience that cemented the foundations for what she expects will be a lifetime of friendship

After graduation, Jimenez-Marcos moved to Miami Beach, started her own real estate consulting firm, The Biscayne Bay Group, and married a fellow Wharton alum, Xavier Gonzalez-Sanfleiu, who she met on a blind date in an airport. Lieb got a job at the Estée Lauder Company, which led her to a position at L’Oréal in Paris. She is currently in the process of moving to London where she will be marketing director for L’Occitane. Lieb is engaged to Fabien Lered and plans to marry in 2005.

These days, Lieb regularly consults with Jimenez-Marcos by phone about her nuptial plans. Lieb helped Jimenez-Marcos find a headpiece for her wedding, which Lieb will wear at her own upcoming ceremony.

Having graduated fairly recently, both Lieb and Jimenez-Marcos find that they are still very much entrenched in their Wharton social life. “I talk to other Wharton classmates every week, if not every day,” says Jimenez-Marcos, who has hired and worked with Wharton acquaintances at her firm. “We end up having mini-reunions all over the world on a fairly regular basis.”

At reunion, Lieb was delighted with the turnout and the chance to revisit the past with classmates. “You just remember how many amazing people are at this place. On the other hand, I’d say it was bittersweet, because you know you can’t return to those two years. It made me want to go back.”

Whether in the States or in Europe, the international business grads will continue to conduct an ongoing foreign exchange program of their own. “Marta has come to visit me in every place I’ve lived, and several members of my family have even stayed at her place in Paris. She is just like another sister now,” says Jimenez-Marcos. The two friends plan to meet again at the end of the year in Miami.

> “I talk to other Wharton classmates every week, if not every day,” says Jimenez-Marcos.

A TIGHT-KNIT CIRCLE

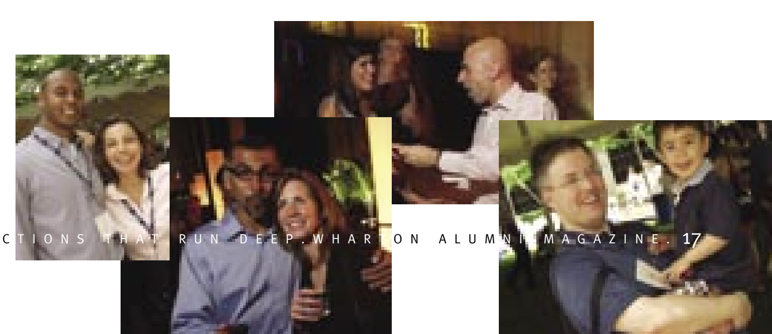
Coleman O’Murchu, WG’99 (WEMBA XXIII), and Mark Chandler, WG’94 (WEMBA XVIII)

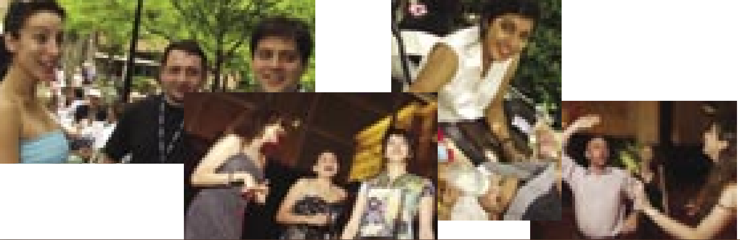
Not many people get to go to their class reunion with their boss. This year, though, Coleman O’Murchu’s five-year reunion happened to correspond with Mark Chandler’s ten-year reunion. Both colleagues completed the Wharton MBA for Executives (WEMBA) program in the 1990s, and both came to the Friday night WEMBA reception to gather with classmates and friends.

O’Murchu and Chandler ended up in the same office through circumstances that were not so much coincidence as the general good fortune of people in a tight-knit, supportive circle.

Graduating from WEMBA in 1999, the Irish born O’Murchu traded in a career in chemical engineering and joined BioSupplies, a startup in Philadelphia that created software for microbiologists. He eventually became CFO and sold the company’s assets in 2002. When it came time to look for a new position, it was only natural that he began to search through Wharton channels. He first called an associate, Jim Bodine, WEMBA XVIII, who, after hearing about O’Murchu’s desire to get involved with a young company, suggested he call his classmate, Mark Chandler. A couple weeks later, O’Murchu was at a Wharton event in Old City and his wife pointed out a man across the room. The man, who had once dated her sister, was Chris Olivia. Olivia and O’Murchu got to talking, and Olivia also recommended that O’Murchu contact Mark Chandler. “Within days, I had two different recommendations for this guy, so I knew I had to call,” says O’Murchu.

Chandler was working at BTG, a technology and intellectual property investment firm that helps burgeoning companies take their ideas from their early, raw stages to the next level. O’Murchu called him and they met a couple times at BTG’s Conshohocken office. “I wanted to do some projects for the company as there were no full-time openings at that time, and it turned out Mark was





CHANDLER, WG'94 (WEMBA XVIII), AND O'MURCHU, WG'99 (WEMBA XXIII)

looking for help and strategic support to get some projects off the ground. But the day I came to the office with a prepared draft of a consulting agreement, he told me there was a permanent opening and asked if I would be interested." O'Murchu joined BTG's venture capital group, but currently works as associate vice president of strategic business development.

O'Murchu, who lives in Wayne with his wife, Connie Hofmann, and two-year-old son, Liam, continues to be an active member of the Philadelphia Wharton Club and attends events hosted by the Wharton Healthcare Alumni and Wharton Private Equity Alumni associations. "If anybody ever calls me from WEMBA or Wharton I always try and help them out because I know I have been helped out by others in the past," he says. "I also understand the challenge of trying to take your career in a new direction in a tough market."

While he is back on campus at least once a month, O'Murchu enjoyed seeing so many familiar faces at the reunion. "I've found that the WEMBA network, within the Wharton network, is extremely tight. There's just a small number of us and because so many of us stay in the area, we have more opportunities to stay in touch," says O'Murchu. Bodine, O'Murchu, Chandler and Olivia were all in attendance at the WEMBA reception, demonstrating that the network is still going strong

THE HOME TEAM

Sharon Ryan, WG'99, Sean Jiam, WG'99, and Juan Carlos García Sánchez, WG'99

When they were first starting to work together as a learning team, Sharon Ryan, Sean Jiam and Juan Carlos García Sánchez didn't have much in common. "We had very different backgrounds, personalities and career goals," says Ryan. Five years later, the classmates caught up at the reunion and realized they in fact had a lot more in common now: they had shared the Wharton experience.

Both Jiam, who works at San Sierra Homes, in San Marino, CA, and Sánchez, who works for Banca Privada in Monterrey, Mexico, came a long way to be at the reunion. Ryan, who lives in Princeton, had a shorter distance to travel, but was no less enthusiastic about the event. Two members of the team, Orin Herskowitz and Robin Pollack, were not in attendance.

As most Wharton grads would attest, the learning team can be a powerful bonding force for first-year students, and for many, it is the first real opportunity to work closely with people from different backgrounds. "I think we were a typical learning team, in that we were five people who probably would not have come together on our own. There was some tension at times, but there was a lot of fun, too. Over the course of the year we learned each other's strengths and how to be productive by leveraging our differences. Carlos is from Mexico and we used to joke that our team name should be 'mole,' like the Mexican sauce made with chile peppers and chocolate—it's something that doesn't sound like a good combination, but it really is."

> "Once you go through the learning team experience, you're never strangers."

These days, the "mole" team continues to stay in touch through occasional e-mail and phone contact. Before she moved to Princeton to become a brand manager at Bristol-Myers Squibb, Ryan worked for General Mills in Minneapolis, MN. On one occasion, Carlos and his wife flew in from Mexico for a Vikings game. (He's a huge fan.) "I've heard from Orin Herskowitz since graduation, too. He and his wife had a baby recently," says Ryan.

While reunion was the first time Sánchez, and Jiam were back on campus since graduating, Ryan has visited Wharton a few times over the past five years, mostly as a recruiter. "But that wasn't nearly as much fun, because everyone I knew had left by then. The reunion was wonderful! There was a great turnout from our class, and it was fantastic to be able to catch up with so many classmates. It was fun to see Sean and Carlos again, and it would have been nice to see Orin and Robin, too."

For Sánchez, reunion reinforced the understanding that even when he's been out of the communication loop, he has a lasting bond with his learning team. "I'm never afraid to get in touch. We've been through a lot together and I don't feel shy emailing out of the blue," says Sánchez, "Once you go through the learning team experience, you're never strangers." ◆

Elisa Ludwig is a Philadelphia-based freelance writer.


JIAM, WG'99, SÁNCHEZ, WG'99, AND RYAN, WG'99

The Value of Experience

Wharton's Global Consulting Practicum has given students real-world experience for 25 years.

BY ROBERT STRAUSS

Josefa Nolte was faced with a business impasse. The non-profit organization she runs in Peru, Mercomujer, was successful at making toys and other artisan-like objects in rural women's cooperatives. Yet its distribution, accounting, and general organizing systems were clearly too haphazard.

Then she discovered that the Corporation Andina de Fomento, a rural banking program associated with Mercomujer, was going to meet with Wharton MBA students – American students who were taking a class designed to advise companies in developing economies break into the American market. She decided to sit in on the proposal from the students from the Wharton Global Consulting Practicum.

"Because my program was closer to their proposal, they came to our office, where I made a presentation (for them to take on) Mercomujer," said Ms. Nolte.

Take Mercomujer on they did. Four students from Wharton and four from a partner program at the Universidad Del Pacífico in Lima, Peru, spent several months doing a consulting job that otherwise might have cost Mercomujer hundreds of thousands of dollars – a sum the non-profit surely did not have – had they been consulted by McKinsey or Bain or even some lesser first-world firm.

Instead, it paid some of the students' expenses and got what Ms. Nolte considers first-class advice.

"I think they have done great work," said Ms. Nolte. "They had to understand the logic of an enterprise working under the cover of an NGO [Non-Government Organization], and all the difficulties working with 800 producers in 40 different sites in Peru.

"Understanding these issues, and the target to grow the market in the United States, will bring the benefit not only of meeting our break-even point, but will include more women in the production end," she said.

It has now been 25 years since Wharton Professor Leonard Lodish began what was then an experimental program, the Global Consulting Practicum. The idea was, according to Lodish, who still runs the program, to give current students a chance to do international consulting on a practical basis, not just with traditional textbook learning. Lodish recruited foreign business schools to both help find companies which could benefit from the student consultants and lend their students to be part of an international team effort.

"This is a chance to be cross-cultural, to have a complete functional experience," said Lodish. "We've become more sophisticated over time, but the idea is still the same, a capstone course, something of real value to both the students and the company for which they consult."

Over the 25 years, the students have consulted for just about every imaginable type of industry. To be sure, during the technology boom, many of those companies were tech firms trying to gain a foothold in the United States market. For the 2003-2004 group, the 10 clients ranged from a winery to a feminine hygiene products manufacturer to a billing outsourcing firm to the non-profit Mercomujer. Lodish said the criteria for the firms the Global Consulting Practicum picks to help out are not extensive.

"The first is that there is a reasonable, prima fascia reason for them to be successful in the United States market," said Lodish. "They have to have something leverageable. Management has to have the courage to do something different. And they have to have the resources to be able to implement what we suggest."

One of them might be as fortunate as Kitan, which Lodish pointed out as a Global Consulting Practicum success story. Kitan, an Israeli company, had a line of about 240 various products, but was exporting none of them, when it came to the practicum for advice 20 years ago.

ON LOCATION IN PERU (LEFT TO RIGHT): SUE KOLLORU, WG'05, SARAH RYERSON, WG'05, NIKHIL CHANDRA, WG'05, ARTHUR STEINBOCK, WG'05, ELIZABETH ULMAN, WG'05, EMILY LIN, WG '05.
BOTTOM LEFT: PROFESSOR LEN LODISH
BOTTOM RIGHT: THE MERCOMUJER PROJECT GROUP—SHAOWEI YING, WG'05; JOSE LOO, ERNESTO DELGADO, OSCAR UGAZ, UNIVERSIDAD DEL PACIFICO, PERU; EMILY LIN, WG'05, SARAH RYERSON, WG'05; CAROL MAGUIRE; ELIANA UGARTE, UNIVERSIDAD DEL PACIFICO, PERU; JOSEFA NOLTE, MERCOMUJER.

TOMMY LEONARDI

"The students went through a winnowing process and came up with a detailed marketing plan for the company's 100-percent cotton flannel sheets," he said. "There were OSHA standards that prohibited U.S. companies from making them and the main competition was in Portugal and China. The designs in Portugal were not as good as Kitan's, and the ones from the Far East didn't have their quality.

"The student team did a step-by-step plan and the export manager followed it almost word for word," said Lodish. After about six years, he said, the export business was doing $10-15 million in sales. "They wouldn't have been around, it is fair to say, if our project wouldn't have happened."

Sometimes the students in the Global Consulting Practicum find themselves in a somewhat top-secret situation. Such was the case for Ellen Copaken, WG'05, a member of the team consulting for an Israeli company which makes feminine products.

"They have a product that is completely new in technology. That's about all I feel I can say," said Copaken.

Because of security concerns in Israel, the team from Wharton and its partner team from Tel Aviv University met in Paris to plan the strategy for the company to get its product into the North American market. There, she said, the main initial difficulty was to set figure out who was to do what and why.

"In an actual consulting firm, there would be a pre-established hierarchy. We had to decide our own roles and how we would choose who would lead what part of the project," she said. Once that was done, though, the teams became emboldened. "I think because it was more of an academic setting, we had more permission to challenge the client. We certainly did that. We challenged many of the assumptions. They came to us exploring one specific thing, but we said to explore four or five things and they were receptive."

Copaken's Wharton team was also unique because it was entirely female.

"For any project, that would be unusual for consulting and unusual for Wharton, since only 30 percent of the student body is female," she said. Yet, she said, she felt that served the client well. After all, it would be women who would be using the product. "We had professional interest in the project and personal interest in the project. The product itself, if it indeed works as described and planned—and they are doing more clinical trials—can make huge improvements for women's health. There is no other product like it on the market anywhere in the world."

Unfortunately for some firms that come to the Global Consulting Practicum for advice, there is indeed too much market competition for particular products. At that point, said Lodish, the advice is to not enter the U.S. market, which can be a disappointing answer to the client.

> "There are a lot of resources at GCP, but that is the back-up. They want to see how you do on your own."

"If it entered the market and lost lots of money, that would be worse," said Lodish, who noted that it does not affect his evaluation of the student teams if that is what they prescribe for the client. "That is part of the game. If they come up with a practical approach and decide it isn't worth it for their company, then that is the answer."

It was a close call on that score for Wharton student Gil Dibner, WG'05, and his team advising a Chilean office supplies company. Although this multi-million dollar company has a significant share of the notebook market in its home country and already exports to several Latin American countries, it still sought the advice of the Wharton team and its partners from the Universidad Adolfo Ibañez in Chile. Dibner said the ultimate advice the students gave was not completely negative, but that the company had to do better at distinguishing its products to make any real inroad in the United States market.

"It really was a great experience, since it is one of the few classes at Wharton where you get to integrate a lot of stuff," said Dibner, who wants to be a venture capitalist after graduation. "It was an applicable and relevant fusion: market strategy, pricing, international work, even finance.

"And you are working with a client paying money, which is pretty relevant," said Dibner. "You learn all the same lessons as in a classroom, but in the context of a high-effort environment. That adds to the stress level, but also to the relevance. People really care. We stayed up until 2 a.m. arguing the fine points because we wanted to see the final and best product. You get real-world experience, but with an educational context to reflect on it and talk about it."

Ellie Moss, WG'05, was most appreciative of the hands-off policy of the Global Consulting Practicum staff. It was scary, in a way, she said to be in Peru, where her group was trying to find ways for a winery to get into the U.S. market. But on the other hand, that was the point—to have the experience of being on a real consulting project.

"There are a lot of resources at GCP, but that is the back-up. They want to see how you do on your own," she said.

The winery, one of the oldest in South America, markets products that are well known and well respected locally, but no one in the always experimental wine-buying market in the United States knew about it. Before she came to Wharton, Moss had worked as a director of operations for a translation company that focused on pharmaceutical and medical device instruction translations. She said she already knew from that how difficult and important language and culture is in putting together business propositions.

"I speak Spanish and lived in Spain for a while, but I never had to conduct business in the language," she said. "It's a whole new vocabulary, and even with that, you have to learn cultural differences. You are thrown into this situation and you have to learn quickly to adapt. This is not just a grade. A client is depending on you for your advice."

On top of that, she said, you have to learn how to work with your own team.

"Everything in business now is involved with groups, so you have to get used to group dynamics," said Moss, who after graduation intends to go into international development, primarily with food policy, and probably in Latin America. "But together, we got, I think, a good result, some ways the winery can position itself to come to the market. It will be exciting to see if they are successful."

The group consulting with Mercomujer, though, will not just be waiting around to see if the non-profit is successful. All the Wharton Global Consulting Practicum members have signed on to continue consulting. It is the first time the practicum has taken on a non-profit client, and Lodish said it will certainly not be the last, though this and future non-profit projects will have to be funded differently than the for-profit clients. In this case, the students on the Wharton GCP team had to raise several thousand dollars of the budget themselves to help finance the Mercomujer project (with GCP itself donating some in-kind services in research and the like). This was no small feat, considering that GCP projects typically cost $50,000 to $60,000.

"We are not doing this to change the perception of MBAs as being capitalists, because that is what we are," said Emily Lin, WG'05, one of the four Wharton students to team with a similar group from the Universidad Del Pacifico in Peru for the project. "But we did this to have something we feel good about doing."

Mercomujer, which focuses on women's cooperatives, has a goal of creating more non-subsistence jobs for rural women in Peru. It also wants to find ways to get these women working at jobs that will get them closer in wages to working men in their particular regions. The project the Global Consulting Practicum team worked on had women in several villages spread out through Peru hand-making knitted dolls and other somewhat sophisticated paper and cloth items. Most of the women also had family and farming duties, so their work hours were inconsistent, most often depending on when they were needed otherwise by their families. The products themselves, said Lin, were good, but Mercomujer could never quite get a consistency in inventory or know exactly when the workers would show up.

"That is a real challenge with a non-profit that we learned," said Lin. "You have to get them to think like a business. You spend an awful lot of energy with a non-profit that way which you probably wouldn't with another kind of business.

"But then, you are not only analyzing things, but working with a cause," she said. "What was interesting is that there was a nexus between environmental concerns, women's concerns, business, and a host of other things. McKinsey and other firms do pro bono work, sure, but here you are out there making a difference."

In the end, the GCP students advised Nolte and Mercomujer to concentrate on the high-end and "organic" market in the United States. There are a lot of buyers of crafts, they said, who look for natural fibers and things made by local artisans for gifts or show items. In addition, the students also tried to show Nolte and her

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YOU ARE WHAT

WHARTON'S LISA BOLTON INVESTIGATES THE CONNECTIONS BETWEEN IDENTITY, JUDGMENT, AND CONSUMER BEHAVIOR.

It was around the time of the Florida election recounts that Lisa Bolton noticed that no one seemed to be listening. She saw the emotional debate, Democrats and Republicans exercised and red-faced, no one budging an inch. It was more of the same when the new administration announced plans to drill for oil in the Arctic National Wildlife Refuge a short time later – environmentalists in one camp, Republicans in another. "I was watching it all and thinking, 'No one is changing their mind in all of this. There's no meeting in the middle.'"

Her Wharton marketing colleague Americus Reed, meanwhile, would often drift into her office, waxing philosophic about the power of identity – that decisions, consumer and otherwise, are really all about a person's identity.

Bolton, an assistant professor of marketing, began thinking about Reed's words, the national political debate, and a host of other contexts came to mind: Why do so many smokers keep smoking, despite decades of health warnings? Why do Harley Davidson motorcycles and Ralph Lauren clothing engender such loyalty among very specific types of people? Why is it teens and parents always seem to fight, and never seem to hear what the other is saying?

Four experiments later, Bolton and Reed found some answers demonstrating that, indeed, judgements that are linked to a person's identity – from teenager to Republican, environmentalist or businessman – are virtually immovable, or "sticky." This stickiness – the tendency for judgements to persevere – is a thread throughout Bolton's growing body of research, work that is breaking new ground in both consumer and managerial contexts.

In her most recent research article, to be published in a forthcoming issue of the *Journal of Marketing Research*, Bolton addressed social identity on a very broad level, going beyond new product attitudes to investigate social and political judgements in a varied population of participants.

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

YOU BUY

BY NANCY MOFFITT

"Throughout, we really find that identity is really powerful in its effects on judgement."

"It really doesn't help to go to the person and say to them, 'Hey come on, look at the evidence.' If being a smoker is part of your identity, you can present all the analytic evidence in the world about cancer and heart disease, and it's going to be very difficult to sway your attitude toward smoking because it's so much a part of how you define yourself. Your identity serves as a filter of sorts, and you discount information or social influence that's inconsistent with that identity," she says. "It's hard to walk a mile in the other guy's shoes."

Smart marketers have relied on identity messages for years, luring consumers with products and brands that symbolize their own personality traits – or traits they aspire to. Ralph Lauren, for instance, has built an empire peddling everything from paint to perfume to the well-heeled set. Previous research has similarly demonstrated that consumers are often attracted to products and brands that are linked to their identity. But Bolton and Reed's work is the first to show how powerful identity is. "We believe we are the first to take an identity based judgement, subject it to attack with a variety of techniques, and demonstrate what a force it is," Bolton says.

The message for marketers, Bolton says, is that identity is a powerful way to build brand loyalty. "It resists counter attack from competitors. Arguments that say 'My brand is better because of these attributes' are probably not enough to overcome a strong identity based attitude for a competitor. It's a good basis for brand loyalty that resists change."

For social marketers focused on bettering consumer welfare, the studies provide evidence that finger wagging messages, such as anti-smoking advertising that barrages consumers with warnings about health risks, can be wholly ineffective. "Young people, teenagers,

TOMMY LEONARDI

BOLTON

are just not going to respond to those kinds of messages," Bolton says. "They don't think they are at risk, but it's also not tying into why they smoke to begin with." A better approach, Bolton suggests, would focus on offering an attractive counter identity, such as encouraging healthy habits by linking them to athleticism.

What does the study offer managers? "Your identity can really effect how you face problems as a manager," Bolton says. "If you're

THE MESSAGE FOR MARKETERS, BOLTON SAYS, IS THAT IDENTITY IS A POWERFUL WAY TO BUILD BRAND LOYALTY. "IT RESISTS COUNTER ATTACK FROM COMPETITORS."

a marketer, you think you need more advertising. If you're a finance person, you think you need more investment. It got me to thinking about the challenge of reconciling those different points of view within the firm. It also made me think that just being a business-person is actually a really strong identity for a lot of people. It's hard for them, say, to understand why the environmentalists or certain customer segments are so upset with them. A strong identity makes it harder to consider alternative points of view, which is really what you need to do as a manager – otherwise you're just going to bring your own biases into your perceptions of your customers and the marketplace."

Bolton's study of identity based judgement builds on earlier work that investigates "stickiness" in judgement, i.e., the tendency for judgements to persevere. Her dissertation, for instance, looked at what happens when managers launching new products base forecasts on past experience rather than analytic predictions. "Forecasts were stickier when based on analogies or scenarios rather than analytic thinking," Bolton says. "This suggests that managers may be overconfident about a product's success, continuing to invest in it or in a project when evidence suggests otherwise."

Another study, titled "Consumer Perceptions of Price (Un)Fairness," found that price perceptions are sticky: consumers tend to believe that prices are unfair, and reminding them of inflation and other costs does little to improve their fairness perceptions. The research, Bolton says, points to a gap between how consumers and managers think – a gap managers should acknowledge if they want to change customer attitudes.

Other work has a definite social welfare bent, such as research that investigated how the marketing of "remedy" products such as nicotine replacement patches, the now-ubiquitous debt consolidation loan, and identity theft insurance and software ultimately affect consumer behavior. The good news, the studies found, was that for consumers "outside of the problem domain," i.e., non-smokers or those with little personal debt, "remedy messages" reinforced perceptions that the behavior is risky and should be avoided. The bad news? Smokers and over spenders tended to perceive remedy products as 'get out of jail free cards,' ultimately increasing their problem behavior. And when it came to identity theft, consumers were more inclined to take risks, such as sharing personal information when shopping on websites, if they had purchased identity theft insurance or software.

"The companies are really careful about how they position their messages," Bolton says. "But somehow you always get the feeling in the end that the consumer is walking away thinking 'Gee, this isn't so risky after all, because of the remedy.' The remedy marketers' messages undermine the risk-avoidance messages of just-say-no campaigns, for example. We'd all be better off if we didn't smoke and get into too much debt, but the remedies suggest to consumers that maybe we can get away with it. Put this way, it seems that risky behavior is sticky and hard to change too."

Born and raised in the countryside near Toronto, Bolton was an officer in the Canadian forces, then worked for five years as a medical engineer at several Canadian teaching hospitals. She took a year off and traveled the world before deciding to earn her PhD at the University of Florida, a school known for its strong marketing program, where she met professor Reed and the two first began discussing issues of identity and judgement.

Her work is all about stickiness, but didn't start out that way. "I was initially very interested in how judgements are formed and how they change, and I studied this in contexts where judgement is very important, like new product forecasting and consumer price perceptions. Along the way, I discovered that some kinds of judgements seem to be more difficult to change, and I decided to explore this more."

"Stickiness isn't always a bad thing," Bolton continues. "Sometimes, it's good to stick to your guns or persevere with an initial judgment – if it's correct. But stickiness can be bad if it leads us astray and prevents us from adapting to new information in our environment. On the flip side of the stickiness coin, my research also explores ways to change or take the bias out of judgment – for example, by prompting people to engage in more analytic pro-and-con reasoning, to generate alternative scenarios and analogies, to adopt counter-identities. I hope that some of these tools may prove useful in overcoming the stickiness of an initial judgment and ultimately help managers and consumers make better decisions." ◆

Nancy Moffitt is a frequent contributor to and former editor of the Wharton Alumni Magazine.

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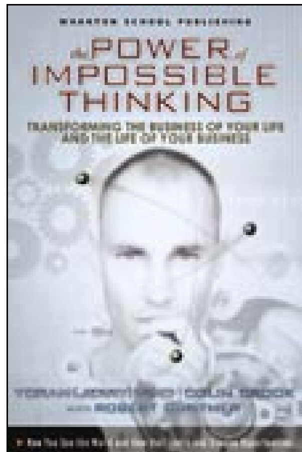

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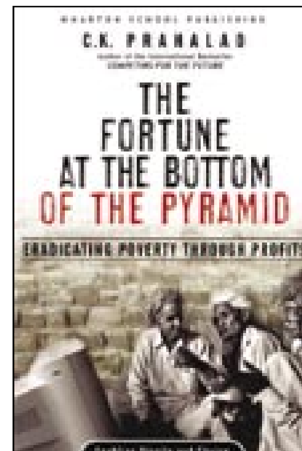

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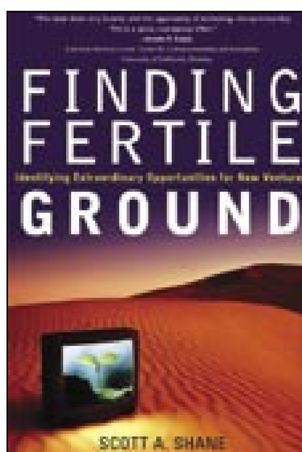

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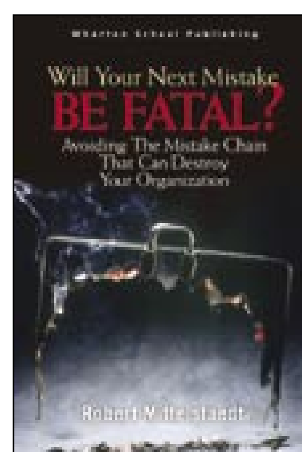

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A New Strategy for Venture Investors: Hedge

It's the venture capital investor's rule of thumb: Nine of every ten investments will not make money. If all goes well, the tenth will make enough money to exceed all the losses.

Given these odds, investors are always looking for ways to increase returns from their winner. Bill Hilliard and Charles Baden-Fuller, visiting scholars at Wharton's Sol C. Snider Entrepreneurial Research Center, believe they have a strategy that can provide investors with an extra edge from investments that prove to be profitable, and perhaps take the edge off some of the losing ones.

In a paper pending publication entitled, "Should a Venture Capital Fund Act More Like a 'Venture Hedge Fund?'" they propose that venture investors consider a strategy that some investors routinely use in the public markets: Hedge. They admit that there could be legal and ethical issues involved in the process, but having examined numerous legal cases and law review articles, they conclude that these issues are not insurmountable.

Typically, successful venture capital-backed companies act as disruptive forces in their industries. The freshly-conceived products or services they promise to bring to the market threaten the entrenched position of an established competitor, causing any publicly-traded rival's stock price to decline. In that situation, a put option – which is the right, but not the obligation, to sell stock at a certain price by a certain date – acquired on the competitor's stock would be a tool to capture profits that are in addition to those obtained from sales of the new product or service, the two authors say.

The owner of a put option is betting that the option will go up in value as the underlying stock goes down in value; he or she can make money either by selling the option or trading the stock at an opportune time. "Disruptive investments tend to not be as valuable as they should be, and we have found a way to make them more valuable," Hilliard, an

entrepreneur-turned-venture capitalist, said in an interview. Baden-Fuller, his co-author on the paper, is a professor of strategy at Cass Business School of City University in London, England.

"This paper will make the case that venture capital partnerships can increase (internal rates of return) and cash-on-cash returns by acting more like venture hedge funds [a term trademarked by Hilliard]. Just like hedge funds, venture capital partnerships should identify opportunities to invest in short positions that relate to their long positions so as to increase returns from profitable investments," Hilliard and Baden-Fuller write. "By making a profit on the short trade, the venture capitalist is able to recapture from the market some extra profits that would otherwise be foregone by their portfolio investment."

In 1987, when privately-held Phoenix Technologies announced it was planning to launch a product that would disrupt Adobe's postscript printer technology, Adobe's stock dropped 36% over a two-month period. "Investors in Phoenix Technologies could have increased their return by purchasing at a suitable time a put on Adobe's stock," the authors write.

Revisiting People Express

In the early 1980s, each of 24 announcements by the discount airline People Express to enter new domestic routes in the United States boosted the airline's stock and depressed stocks of its competitors. The fall in any given incumbent's stock price was about four times larger than the gain in stock price experienced by People Express at the time of the launch. Hilliard and Baden-Fuller write: "This suggests that the potential gain from trading put options (or some equivalent derivative) may be larger than the potential gains from the discounted cash flow of the investment itself." Although People Express eventually went out of business, its investors still could have made money had they made simultaneous financial plays on its competitors, the authors say.

They also cite two wider studies of the business and stock-price impact of research and development as well as new-product announcements. One study, from 1996, examined 106 announcements of changes in R&D activities by firms from 18 industries and concluded that where R&D activity "was characterized as generating possible strategic substitutes to incumbent firms' products," the incumbents experienced "statistically significant reductions in stock market value" while "the announcing firm experienced significant, positive rises in market value."

A 2002 study looked at 384 new product announcements from 39 industries and came to a similar conclusion. Where a new product launch announcement was viewed as a strategic substitute for an incumbent product, the incumbent experienced negative and statistically significant reductions in its stock market value within a narrow two-day window.

All this suggests to Hilliard and Baden-Fuller that venture capitalists' financial strategies need to be as innovative as the companies in their portfolio. "Larger companies are very sophisticated in managing their money; venture capitalists often operate by the seat of their pants," Hilliard said.

Might some regulators and courts construe this as trading in insider information even though the venture investors who trade in the stock of the rival company are not really its insiders?

But can this strategy – of buying put options which is equivalent to short-selling the stock of companies making rival products – run afoul of insider trading regulations that courts and regulators sometimes have applied to people who seem to be outsiders? Would venture investors who try it invite charges of trading on what regulators might consider is material, non-public information? After all, the investors can contemplate short-selling a rival company's stock only because they come to know of the competitive potential of their own company's product before that becomes public knowledge. Might some regulators and courts construe this as trading in insider information even though the venture investors who trade in the stock of the rival company are not really its insiders?

It is a concern Hilliard and Baden-Fuller anticipate, investigate and dismiss. "Not every scholar in the world will agree on every point, but there is a clear preponderance of case law and law review articles outlining guidelines one should follow," Hilliard said.

Case law and literature indicate that the strategy is legally sound if the investors who adopt it – and the companies they invest in – take care not to have any relationship, direct or indirect, with the public company in whose stock the investors are buying options, the authors suggest. Also, investors using this strategy must make sure they are not misappropriating information they have gained from their affiliations with their own portfolio companies. That second issue, the authors say, is best addressed if the investors request explicit permission to use such information as part of the initial investment terms sheets they offer their companies.

"The terms sheet and the documents spun out of it fundamentally define the relationship between the company and the investor – the investors' rights, preferences and permissions. By requesting this explicit permission at the time of the investment, you have preserved the opportunity to take advantage of an arbitrage opportunity later, if one presents itself. The time to get such permission is before writing the check," Hilliard said.

Such derivative strategies improve returns for venture capital investments. Explains Baden-Fuller: "Entrenched competitors often react to disruptive innovations by cutting prices, which in turn reduces the profits available to the innovating company and discourages such innovations, even socially desirable ones. This discourages investors from investing in disruptive innovations. Our paper shows how investors can overcome these disincentives to invest in disruptive innovations by recapturing the profits that would otherwise be forgone in the absence of our strategy."

Eli Whitney's Missed Opportunity

Eli Whitney, the inventor of the cotton gin, "would have made exceptional profits if he had abandoned his attempts to patent the machine and instead focused attention on investment substitutes by buying up land suitable for raising cotton, which at the time was trading at very low prices. Our proposed strategy for investors is an application of a similar investment substitute strategy," Baden-Fuller adds. "There will be cases where the options trade will allow projects to be financed that could not be financed otherwise, except perhaps by government subsidy."

Any estimates of extra returns from using hedging strategies "must factor in risks and transaction costs," he says. "Stock prices of companies can move up when market experts expect them to move down. There are carrying costs to put options."

But Hilliard and Baden-Fuller write that possession of "asymmetric infor-

Continued on page 33

Seeking Fortune at the Bottom of the Pyramid

In a new book from Wharton School Publishing, author CK Prahalad argues for a more inclusive capitalism.

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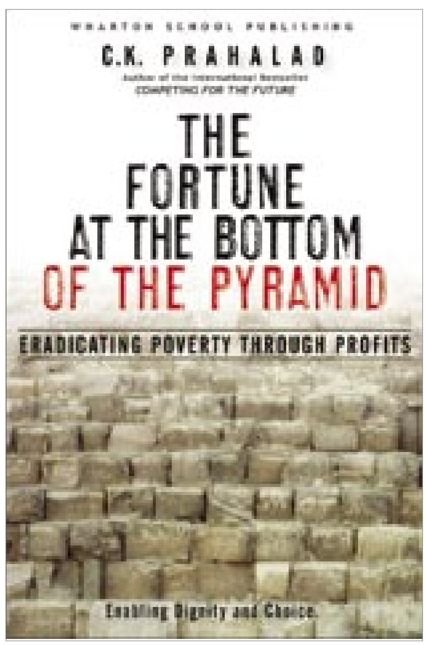
To experienced marketing managers in the world's largest multinational companies, it is perfectly obvious who their target market audiences are: The developed world and upper and middle class residents of the developing world. The rationale is simple: these are the customers who demand and can afford costly products and services, who appreciate advances in technology and who provide intellectual excitement to managers trying to capture their business. The world's poor? They are better served by governments and non-profit organizations. Selling to them just isn't worth the effort.

Or is it?

C. K. Prahalad, professor of corporate strategy at the University of Michigan Business School, has an entirely different perspective. In his book, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, Prahalad argues that multinational companies not only can make money selling to the world's poorest, but also that they *must* undertake such efforts as a way to close the growing gap between rich and poor countries. The book, scheduled for publication this summer, is one of the first volumes to be offered by Wharton School Publishing, a new imprint resulting from the collaboration of the Wharton School with Pearson Education.

At the core of Prahalad's argument for targeting the world's poorest as a potential market is the sheer size of that market – an estimated 4 billion people constituting two-thirds of the world's population. More importantly, the market will grow to an estimated 6 billion people within 40 years because the bulk of the world's population growth is occurring among the poor.

Despite the fact that these people subsist on annual per capita incomes of less than $1,500, this "bottom of the pyramid" represents a multi-trillion-dollar market. Taken together, nine developing nations – China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa and Thailand – have a combined GDP that is larger, in purchasing power parity, than the combined GDPs of Japan, Germany,



France, the UK and Italy. The bottom of the pyramid, Prahalad says, is "the biggest potential market opportunity in the history of commerce."

Prahalad first became interested in this issue in 1995. He wondered, for example, how business can be so good at developing technological resources at the same time that the world has so many people who are so poor. His own experience traveling around the globe and consulting with multinationals prompted him to begin looking for evidence that large companies can make a significant impact on developing nations.

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A central point in *The Fortune at the Bottom of the Pyramid* is that the effort to help the poorest people can be successful across different countries and different industries ranging from health care and finance to fast-moving consumer goods and energy. The exceptions, Prahalad notes, are countries that are essentially lawless, like Somalia and the Congo, and industries that are among the most basic, particularly some of the purely extractive industries that employ many people but have little incentive or ability to empower them. Otherwise, Prahalad says, his approach "can work 90% of the time."

He expects this book to resonate with a wide audience, including executives at large companies, business school professors, students, and government and development agencies. "This is the first time that someone has put together a coherent point of view on why the private sector can be an integral part of development and social transformation," he says. He notes, too, that he has served on a United Nations Commission under U.N. Secretary-General Kofi Annan to examine private sector developing. The commission is scheduled to issue its report soon. Already, he says, "this kind of thinking is having an impact."

Profits are not the only reason Prahalad urges multinational companies to devise strategies, products and services for the bottom of the pyramid. Citing U.N. figures, Prahalad points out that the richest 20% of the world accounted for about 70% of total income in 1960. In 2000, the richest had 85% of total income while the fraction of income flowing to the poorest 20% of the world fell from 2.3% to 1.1%. Strategies aimed at the bottom of the pyramid will, by necessity, create jobs and improve incomes among those people, helping slow and possibly even reverse the widening income gap. Certainly such strategies can help avert social decay, political chaos, terrorism and environmental degradation.

One of the biggest reasons that multinationals have avoided the bottom of the pyramid is that marketing to the poorest isn't easy. They usually lack regular cash flow, have little access to credit and live in rural villages or urban slums that make traditional methods of advertising and distribution difficult, if not impossible. Most of the people at the bottom of the pyramid are part of an informal economy in which they do not hold legal title or deed to their assets. Thus, effective strategies for reaching these people will require remarkably different approaches, several of which are described in case studies in the book and summarized below.

Salt, Soap and Hindustan Lever Ltd.

Hindustan Lever Ltd., one of Unilever's largest subsidiaries, has been among the most effective consumer brand companies in reaching the poorest of the poor in India and other developing countries. It is India's largest exporter of branded consumer products and Forbes Global has named it the "best consumer households company worldwide." The company's experience marketing two of the most basic consumer staples – salt and soap – illustrates some of the innovative approaches necessary to sell successfully to the bottom of the pyramid.

In the mid-1990s, HLL's Popular Foods division recognized the growing potential for branded staples in India and launched its Annapurna Salt brand in a test market in Andhra Pradesh. Positioned as "pure salt," Annapurna 's test had only limited success since consumers considered most salt to be pure. Additionally, Annapurna was up against a strong competitor, Tata Salt, which had already established the purity claim.

Two years later, however, the Indian government began a concerted effort to combat an insidious health problem called Iodine Deficiency Disorder, one of the world's leading causes of mental disorders, including retardation and lowered IQ. In India an estimated 70 million people were afflicted while another 200 million were at risk. Since virtually everyone, even the poor, eat salt regularly, iodized salt was widely recognized as the best means of providing sufficient iodine. In 1997, the Indian government banned the sale of non-iodized salt. The problem, however, was that standard methods of iodizing salt tended to be ineffective because the iodine leached out over time, especially in India's primitive storage and transportation conditions.

Hindustan Lever Research Center, one of Unilever's five major global research facilities, began investigating ways to keep the iodine content of salt intact in India 's difficult conditions. Rather than chemically encapsulating iodine with a protective coating around both it and the salt particle, researchers developed a method of protecting the iodine at the molecular level which kept it intact until released in the very acidic environment of the human stomach.

With the technological problem solved, HLL turned its attention to the marketing of the reformulated Annapurna. The target audience among the poor included mothers between 25 and 40 years of age who are responsible for household cooking and making purchase decisions. The message was that the "stable iodine" in Annapurna salt "doesn't get lost" and would help keep their families healthy.

Although Tata Salt remains the dominant brand with 19% of the market, HLL is now a close second with 14% of the market and is the dominant brand in South India.

HLL used a somewhat similar strategy of finding and marketing a health benefit to increase its sales of soap in India. While AIDS and SARS have gotten much of the press ink in recent years, diarrhea, which ranks third among global killers, has gotten little attention. Ironically, while it is exceedingly difficult to prevent and cure respiratory infections and AIDS, most cases of diarrhea can be prevented simply by washing hands with soap. In India, which contributes 30% of all diarrhea deaths in the world, surveys indicate that even though 95% of Indian households own soap, only 30% use soap daily.

HLL had long advanced health claims for the century-old Lifebuoy brand soap in India. The soap as originally formulated had a strong carbolic smell associated with cleanliness. But the health advantage waned over time as competitors came up with their own health claims while adding a beautifying element to their sales pitch, most notably through more floral fragrances. To maintain its dominance of the soap market, HLL reformulated Lifebuoy, giving it a floral scent and switching from manufacturing a "hard" bar to milled soap. The change made a bar last longer and produce more lather. The company also added the antibacterial Triclosan to the formula, and found a price point that poor consumers could afford by adopting a different approach to pricing than the routine "cost plus" formula.

With its new formulation in hand, HLL had to figure out how to sell the product to its mostly rural customers. The company faced two hurdles. First, it had to change the behavior of its potential customers, who associated soap with the removal of visible dirt. If their hands didn't appear dirty, then there was no need to use soap. The potential presence of millions of invisible infectious organisms was not part of their hand washing calculus. The second hurdle was that most of the potential customers lived in villages without access to such mass media as radio and television

The solution HLL hit upon was to hire two-person "facilitator" teams to go into village schools and initially teach youngsters between the ages of 5 and 13 about the problems that can be caused by invisible germs and how they can be largely eliminated by washing hands with soap. Parents and village elders are then approached with similar messages.

Based on initial data, HLL's soap sales are growing not only in areas in which the company initiated its team marketing approach but also in other parts of India. Managers are convinced that providing their soap to the poor achieves product differentiation and taps into an opportunity for growth through increased soap usage.

CEMEX: Credit and Concrete

Commercial credit historically has been unavailable to the very poor. Yet economists maintain that commercial credit is a central component of any market economy. Access to credit in the United States has allowed even people of modest means to make major purchases, including houses, cars and educations.

CEMEX, Mexico 's largest cement manufacturer and the third-largest cement company in the world, is a technologically sophisticated firm with a competitive advantage derived from a distribution infrastructure that monitors the movement of every truck in real time to insure on-time delivery of cement. The company sells cement to two distinct markets: the construction industry and the "do-it-yourself" customer. During the Mexican economic crisis in 1994 and 1995, CEMEX found its sales to the construction industry tumbled as much as 50% while sales to the do-it-yourself market fell between 10% and 20%. It decided then to reduce its reliance on the cyclical construction industry by placing more emphasis on the do-it-yourself market. The company realized the key difference between the two markets was the average revenue per customer. Small but steady sales to individuals earning less than $5 a day could produce very impressive revenues.

Market research showed that most of the cement sales to the do-it-yourself market were for the construction of one room, either an addition to an existing structure or the start of what would eventually become a family's house. It was obvious that if potential do-it-yourself customers had access to credit, they could undertake construction sooner and more often than if they had to amass the entire purchase price of the cement at one time. In 1998 CEMEX launched an experimental program called Patrimonio Hoy – Savings/Property Today – intended to enable very poor people to pay for building materials and services to upgrade their homes.

The program initially targeted neighborhoods in which the average daily family income was about $5 to $15. Managers were sent into the neighborhood to enroll women – traditionally responsible for saving and purchasing within a Mexican household – in groups of three to form a "socio group." The three members of each group agree to take turns collecting small payments from each of the members that will be saved toward making cement purchases. Once the socio is formed, they are visited by a technical advisor or architect who, for a small fee, helps the members decide what will be the next room, how it will be laid out and how much material will be needed.

At the end of five weeks Patrimonio Hoy makes its first delivery of raw materials, valued at ten weeks worth of collections. Thus the program extends five weeks of credit to the socio members, further building credibility within the neighborhood. If the socio members remain committed to the program, the credit they are extended in the form of as-yet-unpaid-for raw materials increases. In the second 10-week period, for example, the raw material is delivered after the second week, in effect granting eight weeks of credit.

Margins to CEMEX distributors participating in the Patrimonio Hoy program typically are smaller – 12% in some cases – than the 15% that is the average in the business. But distributors are nevertheless enthusiastic because those smaller margins are more than offset by the steady demand for cement and other raw materials like sand and gravel. And while conducting business on a credit basis with a low-income population with no regular stream of paychecks may appear riskier than traditional lending models, Patrimonio Hoy managers contend that the risks are in reality very low. The default rate so far has been less than one half of one percent, a consequence in part of the group commitment of socio members. After three years of operation, Patrimonio Hoy had 36,000 customers and over $10 million in extended credit. The customer base is reported to be growing at the rate of 1,500 to 1,600 per month.

Connecting to the Poor

Technological advances, particularly in computing and communicating, seem to be taking place almost entirely in the developed world. Granted, India and some of the Caribbean islands are providing the staffing for sophisticated call centers and India notably has a thriving software development industry. But the employees of those enterprises are mostly well-educated and come from the middle-class or affluent segments of their populations. The inhabitants of urban slums and rural villages have not been targeted as a market for technologically sophisticated products or services.

Yet when technology has been made available to them, Prahalad has found

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residents of the bottom of the pyramid to be readily accepting of technology. In Bangladesh, women entrepreneurs with cell phones do a brisk business renting out the phone by the minute to other villagers. Indeed, Prahalad finds in the spread of wireless devices proof of the size and viability of the market at the bottom of the pyramid. By the end of 2003, for example, China had an installed base of 250 million cell phones. The market for wireless devices in India stood at about 30 million installations and was growing at the rate of 1.5 million handsets per month.

Where connectivity exists it is resulting in major efficiencies in traditional occupations. Within three months of the installation of personal computers in some Indian villages the farmers there were making decisions about planting based on futures prices being quoted on the Chicago Board of Trade. In Kerala, India, satellite-based images of fish shoals are downloaded on village PCs and read and interpreted by women who then direct their husbands where to fish. The husbands, after a day of fishing, use their cell phones to check prices at various ports along the coast to obtain the highest bid for their catch.

To Prahalad, all these examples are evidence that there are market solutions to the problem of poverty. The task that he sets out for multinational corporations is to break out of the dominant logic that views the world's poor as a distraction to be aided by governments and non-profit organizations. Involvement in markets at the bottom of the pyramid will challenge many of the assumptions that managers of large companies have developed over the years, ranging from packaging and pricing to marketing and distribution. The result of such efforts will not only be profitable, both for the large companies as well as the consumers, but it might also contribute solutions to the serious political and environmental problems confronting the developed world. ◆

To purchase this book or learn more about Wharton School Publishing, visit <www.whartonsp.com>.

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mation shades the risk in favor of the venture investor analogously to the way that card counting adjusts the odds in blackjack." They also maintain that acquiring put options in transparent markets may be inherently less risky than any underlying venture investments made by the venture fund in the potentially disruptive new company itself.

As an angel investor, Hilliard feels comfortable enough with the strategy that he has requested such trading rights in two recent terms sheets, including one concluded late last year with a Pennsylvania-based software company in the wireless market. "There were no concerns from the other side of the table; it was a complete non-issue," Hilliard said. Whether that company proves to upset the market leaders remains to be seen. As Hilliard noted: "You never know." ◆

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workers about nuts-and-bolts aspects of a business, everything from accounting and time-management to figuring out with a system how to know just when each worker would come and how much she would produce. Nolte said she is grateful that she found the GCP students, that she hopes it will be a turnaround for her work and for other non-profits around Latin America.

"We're improving our financial forms, and we will start working with the organic marketplace, which was one of the most important recommendations," said Nolte. "We had a team that understood the benefits and difficulties of an enterprise with social responsibility from the marketing and financial perspective."

For most of the for-profit Global Consulting Practicum projects, the firms want the student teams in for a stated time with a stated consulting purpose, fitting quite well within the five months or so allotted for the course. But for the Mercomujer project, the students have decided to stay on to see how they can help on an ongoing basis.

"When you work with a non-profit, you get really into it. You get an intrinsic emotion. It grows itself organically," said Lin. "When we first got there, they didn't know if they were making a profit on products or not. Were they charging enough for their product? We asked them about capacity and they didn't know what capacity was. They were dealing with eight different communities and each has subcommunities with different holidays and farming schedules.

"But that was the exciting thing. The GCP provided us with a real-life situation, not just some classroom work," she said. "It will be great to help our partners succeed long after the project itself is over." ◆

Freelance writer Robert Strauss is a frequent contributor to the Wharton Alumni Magazine.

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Business 2.0 magazine. Entrepreneur John Osher, a former Wharton Entrepreneur-in-Residence, also served as a judge. More than 300 volunteers served as judges for earlier stages of the competition and as mentors for the participants.

WEP's Cieri said the hefty number of participants, from students to alumni and friends of Wharton, distinguished this year's competitions from prior ones. "We had a 45 percent increase in the number of judges," she pointed out.

This year's competition also scored several firsts. For the first time, a team from Wharton West — IL Aerospace Technologies — and two undergraduate teams — Distributed Resource Imagery and Integrated Biometric Solutions — made it to the finals. ◆

To find out more, visit Get It Started *at ‹www.wep.wharton.edu›.*

Another Year!

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

DEAR FELLOW ALUMNI: Time certainly zooms by. Your Alumni Association Board of Directors has had a busy year, and I would like to take a moment to briefly outline a few of our key achievements. There is still much to be done, but we have made much progress in our mission – on behalf of Wharton's 77,000 alumni, to build and grow simply the greatest business school alumni network.

U.S. Alumni Conference. We have made significant progress in planning a major Global Alumni Forum in the United States, to complement the extremely successful international forums.

New Clubs. This year we have added the Wharton Club of Quebec, Wharton Out For Business, and now boast a club network of dedicated Wharton alums. In addition to the traditional geographically based Clubs, we also are establishing new ways for alumni to connect through "affinity"-based clubs such as the Wharton Private Equity Network and Wharton Health Care Network. See below for more information on the Private Equity Network, known as "WPEN."

Alumni Leadership Conference. In May, we held a tremendously successful Alumni Leadership Conference on campus during reunion weekend. At this meeting, a group of Club Presidents and alumni leaders from around the world participated in workshops and brainstorming sessions and heard from key administration figures. All went away with a renewed sense of purpose and new ideas about how to build our Wharton alumni network at the Club level.

Stronger Connections with Students. More than ever before, alumni are coming back to campus through various programs which encourage them to attend conferences and give talks. Our Wharton Colloquia, each a one-hour session with new Wharton undergrads during orientation on topics such as "Stock Market 101," "Dressing for Success," "What is Leadership," "How to be a CEO by age 40" and "Effective Business Networking," will be expanded greatly this year. We have also made great progress in assisting MBA student clubs' efforts to organize alumni advisory boards.

Annual Fund Participation. Continued growth of the Wharton Annual Fund is tremendously important to maintaining the School's world-class reputation for business education. Building the Fund is therefore an important part of the work of the Alumni Association Board. During the past year, we continued to work closely with the School to focus on ways to increase our participation rate. We will soon be delivering a series of recommendations designed to foster a greater sense of connection among those who have not previously donated to the School.

Alumni Stakeholder Survey. We have been working closely with the Dean's Office to develop a comprehensive survey of our alumni. We believe the results of this survey will be very helpful in improving our responsiveness to the needs and interests of our alums.

My thanks go out to our dedicated Alumni Association Board members, and especially our President, Vige Barrie, CW'74, WG'76, for all their hard work this past year. I also offer special thanks to Associate Dean for External Affairs Steve Oliveira, Director of Alumni Relations and Annual Giving Leslie Arbuthnot, and their fantastic staff (especially Dawn Downing!) for providing us with a truly unprecedented level of support and commitment.

As always, if you are currently an active member of Wharton's alumni network, thank you for your dedication. If you are interested in getting involved and would like to find out more information about volunteer opportunities, please contact the Alumni Affairs office at **alumni.affairs@wharton.upenn.edu**. There are many ways in which you can make a difference. Start by going to **<wave.wharton.upenn.edu>** to find a Wharton alumni club in your region or your area of interest.

I look forward to continuing our dialogue with you in this column during the next year. Please feel free to call or e-mail me directly with any questions. Thank you for your support of the Wharton Alumni Association.

Sincerely,

David N. Feldman, Esq., W'82, L'85
Chairman, Wharton Alumni Association
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Wharton Private Equity Network:

A MODEL FOR AFFINITY ALUMNI CLUBS

The Wharton Private Equity Alumni Network ("WPEN") was formed in 1998 for Wharton and University of Pennsylvania alumni working in the Private Equity industry. Its members include both General Partners and Limited Partners investing in leveraged buy-outs, growth capital, mezzanine, venture capital, distressed and secondaries. The goals and objectives of WPEN are networking, education, awareness and interaction for the thousands of Wharton and UPenn alumni in the Private Equity industry.

The WPEN is currently led by co-Presidents Dean Miller ,WG'99, a Partner with venture capital firm PA Early Stage, and Rob Newbold, WG'99, a Managing Principal with the buyout firm Graham Partners. The organization was conceptualized and formed back in 1998, led by the efforts of Praveen Jeyarajah, WG'95, Amarish Mehta, W'95, Ben Terk, WG'99 (a current member of the Wharton Alumni Association Board of Directors and current Chairman of the WPEN), and Steve Sammut, WG'84, Senior Fellow and Lecturer in the Wharton School's Department of Management.

From several small-scale events and a geographically limited membership, the WPEN has grown to over 500 members with regular events in New York City, Philadelphia, and San Francisco. The expansion of events into additional U.S. cities, as well as several international locations, is underway. In addition to local events, the WPEN holds a dinner every year the night before Wharton's student-organized Private Equity Conference in Philadelphia in late January.

The WPEN looks to strengthen the bond between Wharton Alumni working at all levels in the Private Equity industry. Relationships established and fostered through the WPEN have helped to advance the careers of the many alumni in the industry and, through outreach with current Wharton students, have increased the number of Wharton graduates entering the field. All alumni working in the Private Equity industry are welcome to join, so please visit the website at **<www.wpen.org>.**

Club Spotlight:

THE WHARTON CLUB OF SOUTHERN CALIFORNIA

The Wharton Club of Southern California (WSC) continues to be one of the more active Alumni Clubs, with an ongoing slate of social and educational activities. In late March, the Club held a private equity event that brought together prominent Los Angeles private equity investors for an engaging panel discussion on deal-making in Southern California. Prominent law firm and sponsor Latham & Watkins moderated the panel, which included partners from Leonard Green & Partners, Apollo Advisors, Oaktree Capital Management, Bison Capital Management, Yucaipa Corporate Initiatives Fund and Gores Technology Group. WSC also recently hosted an event on estate planning and asset protection for Baby-Boomers and Generation X-ers.

The Club has more events planned for this summer, including a Resume Review Workshop on June 23, where Wharton West's Career Management Advisor, Jennifer McElrath, lead participants through resume tips and suggestions. In addition, there will be a dinner party at the Jonathan Club on the Santa Monica Beach on August 3. For more information on WCA events or for club officer contact information, go to **<www.whartonsocal.com>.**

On the Road and Looking for Some Wharton Connections?

Remember that as a Wharton alum, you are always welcome at local Club events, even when you are away from home. If you know you'll be traveling and would like to meet fellow alumni, be sure to check out **<www.wharton.upenn.edu/alumni/clubs>** to see if there are any planned events in the city you are visiting. New York and Philadelphia have especially active Clubs with frequent events, but many other Clubs hold events and welcome you to participate. *(See Club Presidents and Contacts list on page 37.)*

Wharton Women in Business:

UPCOMING CONFERENCE AND CALL FOR NOMINATIONS

This year marks the 25th anniversary of Wharton Women in Business (WWIB). Decades ago, the concept of women in business was heralded with a caption of "Alternate Lifestyles" in a Wharton newspaper. We have come a long way since those early days, and today WWIB is one of the largest clubs at Wharton.

This year's WWIB conference on November 4-5 in Philadelphia aims to celebrate WWIB's 25th anniversary by taking the conference to new heights. The conference will be a wonderful networking opportunity and will feature diverse panels and workshops to address alumni and students' most pressing concerns. Come hear remarkable stories from truly inspirational women who have courageously led, scaled new heights in challenging environments, chosen unconventional paths, redefined success, and achieved personal fulfillment. The conference planning team is working closely with Alumni Affairs, the Wharton Women's Task Force, and other areas of Wharton administration to make this year's conference a "Must Attend" event.

As an alumna, you have the opportunity to shape the content of this year's conference. Please complete our two-minute survey at **<www.surveymonkey.com/s.asp?u=7424505830>** by August 2, 2004. The Conference Committee will use the results of this survey to better tailor this year's conference to your interests. To show our appreciation for your time, you will automatically be entered into a raffle for a $25 gift certificate to Amazon.com.

Every year at the conference, WWIB pays tribute to the tremendous life achievements of Ms. Kathleen McDonald, WG'78, by awarding the **Kathleen McDonald Distinguished Alumna Award** to a deserving Wharton Alumna. This Award was created in 1995 to highlight the accomplishments of Wharton alumnae and to build a stronger bond between Wharton alumnae and current students. Recipients of the Award serve as role models for Wharton Women by creating a supportive environment for women in business, achieving professional excellence, and demonstrating a commitment to a balanced career, community involvement, and other personal pursuits.

Candidates are nominated by the Wharton community and selected by an electing committee because of their many outstanding personal and professional achievements, meeting the following criteria:

1. A nominee must be female and a recipient of the MBA degree from The Wharton School
2. A nominee must be a graduate of at least five year's outstanding
3. A nominee should serve as a role model for Wharton Women through efforts to create a supportive environment for women in business
4. A nominee should demonstrate professional success and exhibit strong potential for continued career development
5. A nominee should demonstrate a commitment to balancing her career, community involvement, and other personal pursuits.

To nominate someone for the WWIB Kathleen McDonald Distinguished Alumna Award, or to find out more about this award, please visit **<www.whartonwomen.org/alumni.asp>.**

For more information about this year's WWIB Conference, or if you would like to get your company involved with this year's conference as a sponsor or career fair participant, please contact Kimberly Palermo, Co-Chair for the WWIB Conference, at **kpalermo@wharton.upenn.edu**. If you have suggestions for panelists, or if you would like to be a panelist at this year's conference, please contact Ayesha D'Souza, Co-Chair for the WWIB Conference, at **ayeshad@wharton.upenn.edu**.

For information about the Wharton Women's Task Force, please visit their website at <www.whartonwomen.org.taskforce.asp>.

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- career management services;
- lifelong e-mail;
- electronic mailing lists for alumni to create and join; and
- links to information from throughout the School, including the Alumni Club Network, online publications, reunions, and alumni conferences.

Visit WAVE at ‹wave.wharton.upenn.edu›.

Address Update

Moving to a new location? Changing jobs? Notify Alumni Affairs at 215.898.8478 (phone) or 215.898.2695 (fax) or via e-mail at alumni.affairs@wharton.upenn.edu.

Career Services

Interested in making a career change or researching other job opportunities in your industry? MBA Career Management offers several ways to assist you. Contact them at 215.898.4383 or online at <mbacareers.wharton.upenn.edu>. For information on undergraduate alumni career resources, call 215.898.3208.

Clubs

Network with alumni in your area, and take advantage of opportunities to attend speaker events, seminars, and club programs. Contacts and a calendar of events can be found on our alumni website at <wave.wharton.upenn.edu>.

Fundraising/Development

Support Wharton's future by making a gift to The Wharton Fund. Get more involved by encouraging your Wharton friends to do the same or by offering your marketing expertise to the school. Call 215.898.7868, or give online at <www.wharton.upenn/edu/development/wf.html>.

For those interested in planned giving, contact Greg Wolcott, director of gift planning, at 1.800.400.2948 or via e-mail at wolcottg@wharton.upenn.edu.

Executive Education

Stay current and build on your success through courses offered by the Aresty Institute of Executive Education. For information, call 215.898.4560, or e-mail execed@wharton.upenn.edu. Online information is available at <www.wharton.upenn.edu/execed>.

Admissions

For undergraduate admissions information, call 215.898.7507, or e-mail Info@admissions.ugao.upenn.edu. Our website is <www.upenn.edu/admissions>.

Children of alumni may schedule on-campus interviews by contacting the Alumni Council at 215.898.6888.

For MBA admissions information, call 215.898.3430, or e-mail mba.admissions@wharton.upenn.edu. Online, visit <www.wharton.upenn.edu/mba>.

For PhD admissions information, call 215.898.4877, or visit <www.wharton.upenn.edu/doctoral>.

Wharton Admit Network

Get involved in the admissions process by interviewing prospective students worldwide. Alumni volunteers should contact MBA admissions at 215.898.3430.

Library Services

Access the wealth of resources that the Lippincott Library provides to alumni. Check out the Library's homepage at <www.library.upenn.edu/lippincott>, or contact the circulation department at 215.898.7566.

University Bookstore

Wharton is everywhere – on pens, sweatshirts, T-shirts, key rings, and more. To order Wharton insignia products, call 215.898.7595, or browse through the mail order catalog featured at <www.upenn.edu/bookstore>.

Knowledge@Wharton

Stay informed of Wharton research, faculty, conferences, and speakers. Browse Wharton's free online business journal, Knowledge@Wharton, at <knowledge.wharton.upenn.edu>.

Knowledge@Wharton provides insight on issues ranging from finance, general management, and marketing to e-commerce and business ethics. The site is updated with new, in-depth features every two weeks and includes analyses of business trends and current events, interviews with industry leaders and Wharton faculty, articles on recent business research, book reviews, conference reports, and hyperlinks to related sites.

Leadership Spotlight

ANDREW M. HELLER, WG'79

Andrew Heller likes to tell the story that the reason he went to the Wharton MBA program was that an air hockey table arrived at his frat house at Wesleyan University on the day he had set aside to fill out his Harvard application. "I chose to become fraternity air hockey champion rather than write my application," he joked.

TOMMY LEONARDI

It was certainly an unlucky break for Harvard.

To say Heller is a devoted alumus is an understatement. He has been a member of the Wharton Graduate Advisory Board for the past nine years, chair of The Wharton Fund for the past three and has chaired several reunions. In June and July, he raced around the world for the "Triple Crown" of Wharton alumni events – attending all three global alumni forums, in Moscow, Shanghai and Mexico City (along with fellow graduate board member Matt Greene, WG'89). The global meetings represented just half of the six Wharton alumni events Heller attended in a two-month period.

Under his leadership, Wharton Fund donors increased from less than 6,000 in 2001 to approximately 7,500 in 2004, and annual contributions climbed from $5.6 million to approximately $6.5 million. The 2003 and 2004 MBA classes set new records for participation and donations. Of course, Heller doesn't take credit for The Wharton Fund's success. "It wasn't me," he said. "I greatly admire what Steve Oliveira has accomplished at Wharton. I've loved being involved in the Wharton Fund."

His commitment reflects his gratitude to Wharton for giving him his start in business. "I have been extraordinarily fortunate in my life," he said. "I love what I do for a living, and Wharton played a huge role in my ability to accomplish what I have. I realized that my education and the opportunities it afforded me were instrumental to my success."

Born in Chicago, Heller became interested in business while working for his father's electronics distribution company in Cleveland, Ohio. After graduating from Wharton in 1979, Heller joined Deloitte Haskins & Sells as a management consultant. Then, he left to found his own company, Heller Capital, a private investment company that provides financing for start-up companies and acquisitions in many industries, as well as for a variety of real estate ventures. Along the way, he bought a medical device manufacturer and grew the business by eightfold in three years. He also co-founded a company that originated the first mortgage over the Internet (and sold it before the dot-com bubble burst).

All of which doesn't leave much time these days for air hockey – although he has an air hockey table, pool table and a number of other "toys" in the basement of his home in McLean, Virginia.

He is passionately devoted to education. "I decided in the early 90s that education would be the focus of my charitable efforts," said Heller, who also chaired a capital campaign that raised millions of dollars for the Langley School, where his two children attended. "I believe great educational institutions will produce our leaders of the future. ◆

– ROBERT GUNTHER