summer 2006

Wharton

ALUMNI MAGAZINE

Onward and Upward

Centennial Grads and Jeremy Siegel on Changes Past and Future

Also: Graduation and Reunion Weekend

Wharton
UNIVERSITY of PENNSYLVANIA

LAURA MACK

Margaret Hostetler, WG'80, Alan Schlaifer, W'65, president of the Wharton Club of Washington, D.C., and Professor Olivia Mitchell show their Wharton 125 spirit. On May 2, Mitchell, one of the world's leading experts on retirement finance, addressed a full house of alumni about "The Future of Retirement" at The Ritz-Carlton in Washington as part of the Wharton 125 Faculty Tour. To view more photos or register for upcoming events in St. Louis, Philadelphia, Tokyo, London, Los Angeles, and Rio de Janeiro, visit **‹125th.wharton.upenn.edu›**.

Events Calendar

AUGUST 2006

AUGUST 10-11
Wharton 125: Global Alumni Forum
Location: Rio de Janeiro, Brazil.
‹www.whartonrio06.org›

SEPTEMBER 2006

SEPTEMBER 10
Wharton 125 Faculty Tour: Richard Shell, Negotiations
Location: St. Louis, MO
‹125th.wharton.upenn.edu/events/rshell.html›

SEPTEMBER 10–22
Executive Education: Executive Development Program
Location: Philadelphia, Steinberg Conference Center
‹executiveeducation.wharton.upenn.edu/course.cfm?Program=EDP›

SEPTEMBER 15
Wharton 125 Faculty Tour: Business Roundtable, featuring Michael Useem
Location: Philadelphia
‹125th.wharton.upenn.edu/events/museem.html›

OCTOBER 2006

OCTOBER 6
MBA Student Conference: Finance Conference
Location: Philadelphia, Park Hyatt at the Bellevue

OCTOBER 13
MBA Student Conference: Consulting Conference
Location: Philadelphia, TBD

OCTOBER 27
MBA Student Conference: Marketing Conference
Location: Philadelphia, Park Hyatt at the Bellevue

OCTOBER 27
MBA Student Conference: Investment Management Conference
Location: Philadelphia, Union League

NOVEMBER 2006

NOVEMBER 3
MBA Student Conference: Wharton Women in Business
Location: Philadelphia, Park Hyatt at the Bellevue

NOVEMBER 4–5
Wharton West MBA Exec Reunion
Location: Museum of Modern Art in San Francisco

NOVEMBER 5–10
Executive Education: The CFO: Becoming a Strategic Partner
Location: Philadelphia, Steinberg Conference Center
‹execed-web.wharton.upenn.edu/course.cfm?Program=CFO›

NOVEMBER 10
MBA Student Conference: Global Business Forum: Asia
Location: Philadelphia, Park Hyatt at the Bellevue

NOVEMBER 11
MBA Student Conference: Global Business Forum: Africa
Location: Philadelphia, Jon M. Huntsman Hall, The Wharton School

NOVEMBER 11
MBA Student Conference: Global Business Forum: India
Location: Philadelphia, TBD

NOVEMBER 17
MBA Student Conference: Entrepreneurship Conference
Location: Philadelphia, Union League

NOVEMBER 30 – DECEMBER 3
MBA Student Conference: Whitney M. Young Conference
Location: Philadelphia, Loews Hotel

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

MORE WHARTON 125 EVENTS

Block off April 12-14 on your calendar now! The 125th Anniversary Finale Event will be held in the Pennsylvania Convention Center, featuring top faculty, alumni, and industry leaders from around the world.

Wharton 125th anniversary events will also be scheduled during fall 2006 for Los Angeles, Tokyo, and London. Check the Wharton 125 website, **‹125th.wharton.upenn.edu›**, for details, dates, and locations.

For updated information visit **www.wharton.upenn.edu/whartonfacts/news_and_events/calendar/**

COVER ILLUSTRATION. **HADLEY HOOPER**

Wharton
ALUMNI MAGAZINE

Summer 2006

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PETER WINICOV

MUSCLEMORPH'S KEVIN GALLOWAY, RODRIGO ALVAREZ, HOWARD KATZENBERG, AND RAHUL KOTHARI

Biotechs Dominate Business Plan Competition

Student team MuscleMorph carried away the top prize from the Wharton Business Plan Competition (WBPC), continuing the biotechnology sector's prominence as the hottest industry in the WBPC. The grand prize winner in five out of the past six years has been a biotech (as were five out of this year's great eight finalists).

MuscleMorph plans to enhance prosthetics with a patent-pending device that uses electro-active polymers to convert electrical energy into mechanical energy. The team impressed the judges with a technologically advanced motor that is lighter, higher performing, and more cost efficient than any currently offered, earning the $20,000 grand prize.

The prize was awarded at the Wharton School's annual Venture Finals April 25, 2006, where student finalists received a total of $70,000 in combined cash prizes, access to capital and in-kind legal/accounting services. The students of MuscleMorph, which already won the grand prize of PennVention 2006 — an invention competition sponsored by the University of Pennsylvania's Weiss Technology House — include **Rahul Kothari, WG'06**, of Aurora, ON; **Howard Katzenberg, WG'06**, of Rockland County, NY; Kevin Galloway, a University of Pennsylvania PhD candidate in engineering from Lake Stevens, WA; and Rodrigo Alvarez, a Penn alumnus from Mexico City.

The second prize of $10,000 and the Frederick H. Gloeckner Award ($5,000 for highest-ranking undergraduate team) went to IntelliStem, which plans to market hip implants that use electrical stimulation to prevent pain associated with bone loss. The third prize of $5,000 went to Home-Base, a call-center outsourcing agency that hires spouses of active military personnel as agents working out of their own homes.

Over the years, the Wharton Business Plan Competition has seen numerous student teams go on to become successful businesses including PayMyBills.com, BuySafe, NetConversions, Stata Labs, DealMaven, Verge Solutions, and MicroMRI. In fact, grand prize winners from four of the past five years are still in business.

Dean Harker on Joseph Wharton's Vision for Business Schools

Is business just about making money? Is business school just about credentialing managers by imprinting them with a set of practical skills?

Not according to Dean Patrick Harker — or Joseph Wharton. Harker reveals that Wharton's vision for business schools is surprisingly fresh and relevant through an essay published in the March newsletter of the Association to Advance Collegiate Schools of Business (AACSB).

As business school education celebrates its 125th birthday with the anniversary of the Wharton School's founding, Harker continues the discussion on the role of business schools. While the business of business education is competitive in nature, he calls for "a rededication to historic ideals" among the leaders of business schools. He writes, "We share a common mission as business educators: to apply the intellectual resources of our faculties to continued research and teaching, conducted with a deep engagement with business practice, and to instill in our students the values of trust and stewardship, of respect and service in the conduct of business."

In Joseph Wharton's original vision, business was a service profession. To Harker, it still is. "I believe the biggest challenge we face is the danger of forgetting the true purpose of business," he writes. "It is not just about making money. It is about making people's lives better and unleashing human potential. It is about creating opportunity for every member of our global society to enjoy security and freedom."

Published by the international accrediting body for business schools, AACSB newsletter is sent to senior administrators at more than 1,000 business schools in 70 countries. To read the full text, please visit **<www.aacsb.edu/publications/enewsline/Vol-5/Issue-3/dc-Harker.asp>**.

Wharton Undergraduates Lend a Hand in Katrina Relief

"Seeing and hearing the devastation first hand has made us all motivated to keep the issue of Katrina alive today," says **Allison Strouse, W'07**. Strouse was one of 14 undergraduates who took part in a Wharton Council volunteer trip organized by Louisiana native **Rina Thomas, W'08**, to help the relief efforts in New Orleans. Enabled by a sponsorship from Deutsche Bank, from May 7 to 13 the students cleaned homes that had been devastated by Hurricane Katrina.

"We gutted houses in the morning and consulted small businesses in the evening with the help of Dr. Michael Cusack at the University of New Orleans' Small Business Development Center," says Thomas, whose group dubbed itself the Cajun Cleanup Crew. "This trip had all the right stuff — experiential learning, team building, community building, community service. We now have 14 students who are fired up about continuing these efforts."

THE CAJUN CLEANUP CREW: BACK ROW: KRISTEN PATTON, DIMIAN (CONNIE) WU, ERICA LEDERMAN, ALLISON STROUSE, PETER STEVENS, AND RINA THOMAS. FRONT: CARLOS BUITELAAR.

ALLISON STROUSE

Learning Innovations:

New Course Enhances Creativity With Lessons from Science, Arts, and Business

"This is a challenging presentation — I couldn't just pull my usual slides out of the carrousel," confessed James M. Wilson before the class in Jon M. Huntsman Hall. Wilson, John Herr Musser Professor of Research Medicine and Head of The Gene Therapy Program at the University of Pennsylvania, is used to explaining to fellow scientists how he led a team of researchers to create new adenovirus vectors being used to develop genetic vaccines against biologic weapons, Ebola virus, and SARS coronavirus.

But on February 7, 2006, Wilson was addressing an audience of Wharton MBA students. The topic was not the nuts and bolts of his groundbreaking research in gene therapy — it was the creative process that has allowed him and his team of scientists to break that ground.

The class was "Creativity," a new elective in the Spring 2006 term — the brainchild of one of Wharton's experts on innovation, Yoram "Jerry" Wind, the Lauder Professor, professor of marketing, and director of the SEI center for Advanced Studies in Management. Wind is co-author of *The Power of Impossible Thinking: Transform the Business of Your Life and the Life of Your Business* (Wharton School Publishing).

It was fitting that speaking to MBAs required Wilson to move beyond his usual comfort zone — exiting comfort zones is an important part of the creative process. Wind's research has found that creative breakthroughs often happen at the intersections — and even the collisions — of disciplines. Wind intentionally introduced those collisions into the course by inviting prominent weekly guest speakers from an array of industries. Other lecturers included architects Bob Venturi and Denise Scott Brown, founders of Venturi, Scott Brown & Associates; Howard Morgan, founder and director of Idealab; Raph Koster, chief creative of officer of Sony Online Entertainment; Mark Hagerty and Lloyd Shorter, Musician and Musical Director of Relâche; and Barry Sternlicht, chairman and CEO of Starwood Capital Group.

Said Wind, "There are both similarities and differences between the approaches of a composer and a scientist, between an architect and a curator. We can learn from the synthesis of their approaches."

For example, in Wilson's advice from the field of science, he described how his research team recovered from a devastating setback in gene therapy by radically changing direction. "People from outside the field often make new discoveries," he said. "The people who will revolutionize science are not specialists, but those who see the systems approach."

The new course in creativity encourages that kind of innovative thinking. Said Wind, "There are some who believe you are born creative or not. I don't buy it. Some people are naturally creative, but everyone can enhance their ability to think creatively."

WHARTON DEPUTY DEAN DAVID SCHMITTLEIN AND SHAO PING, EXECUTIVE VICE PRESIDENT OF CHINA MINSHENG BANK

Executive Education Partners with China Minsheng Bank

IN MARCH 2006, Wharton Executive Education unveiled its first program in China — a partnership with China Minsheng Banking Corp. to prepare senior executives at China's only privately held bank. The comprehensive eight-module management development program will be taught in Shanghai by Wharton faculty with sequential translation into Chinese. Participants will include branch managers from various locations of China Minsheng Banking Corp.

Leadership Center Helps Launch Women's World Banking Program

THE CENTER FOR LEADERSHIP AND CHANGE MANAGEMENT has helped launch a three-year initiative — Women's Leadership Development Program — with Women's World Banking (WWB). The initiative was developed to promote the next generation of women leaders in microfinance, so that more women will have a seat at the table when financial policies and services are developed for the poor majority. Twenty-four rising microfinance female executives from 11 countries, including Colombia, Brazil, Russia, Uganda, Philippines, and Jordan, convened for a training in New York City in March.

Knowledge@Wharton Launches Corporate Affiliate Program

KNOWLEDGE@WHARTON, the online business analysis and research journal of the Wharton School, has launched a strategic corporate affiliate program that, for the first time, allows companies and organizations to deliver content directly to their clients and contacts through a special co-branded website and e-mail distribution.

Undergraduate Marketing Club Named Best New Chapter by AMA

THE UNDERGRADUATE MARKETING CLUB (MUSE), recently was named best new chapter and one of only 16 "outstanding" chapters of the American Marketing Association. The group joined the AMA earlier this year. Also, a team of Penn and Wharton students won first place in the AMA's case competition. The team included **Selin Alkans**, **Laura Choi**, **Jean Hsu**, **Nancy Lee**, **Annie Nozawa**, **Charles Pensig**, and **Ran (Anna) Ying**.

Undergraduate Division Invites Alumni to Participate in New Website to Demystify Business Careers

EVER TRY TO EXPLAIN to a ninth-grader what it is exactly that you do in business? Now it's a little easier. In March Wharton's Undergraduate Division and Wharton Publications launched the "What is Business?" website. This site features profiles of 11 leading undergraduate alumni, in different stages of their careers and working in very different fields, including investment management, real estate, entertainment, technology, and international development. The site invites undergraduate alumni to fill out a brief survey that will be used to encourage high school students (prospective Wharton applicants) to have a broad understanding of "business" as a field of wide opportunities that opens doors to varied and exciting career paths. The site can be found on the home page of the undergraduate program website or at **<www.wharton.upenn.edu/what_is_business/>**.

Societal Wealth Generation Program Receives $1 Million from William Holekamp and Family

WILLIAM HOLEKAMP, WG'72, and the Holekamp Family made a $1 million gift to establish the William F. Holekamp Fund to sustain the Societal Wealth Generation Program. At the same time the Holekamp Family has been named a founder of the program. As part of Wharton Entrepreneurial Programs, the Societal Wealth Generation Program applies theory with practice by conducting experiments to demonstrate that entrepreneurship can directly confront social problems, creating new societal wealth and benefits along with viable business opportunities for entrepreneurs.

Alumni Return to Campus to Tape "CEO Exchange" for PBS

ALUMNI BRIAN ROBERTS, W'81, CEO of Comcast Corp., and **Harold McGraw III, WG'76**, CEO of The McGraw-Hill Companies, returned to Wharton's Philadelphia campus to tape an episode of national PBS series "CEO Exchange." Moderated by respected broadcast journalist Jeff Greenfield, the April broadcast featured a discussion with the CEOs about their family businesses and the rapidly expanding world of cable television and publishing. Professors Raffi Amit and Kenneth Shropshire participated by asking questions, along with Wharton students in the audience.

TOMMY LEONARDI

LAUREN TAYLOR, FAUSTO MONACELLI, DEAN PATRICK HARKER, RYAN BERGER, AND ALI SATVAT

New Record: MBA Class Gift Tops $1.2 Million

Some records are made to be broken. For the fourth straight year, the graduating MBA class topped the gift of previous classes. This year the total sum was a whopping $1,208,194, including gifts from full-time, MBA Program for Executives (MBA Exec, East and West), and challenge donors. 87% of graduating MBAs participated, with an average pledge of $1,234 and the largest individual pledge of $30,000. Significantly, 460 students pledged at the Young Franklin Society level.

MBA Exec East achieved 100% participation for the third year in a row, led by co-chairs **Fausto Monacelli** and **Lauren Taylor**, both WG'06. The overall total of $330,000 included a gift from challenge donor, **David Mounts, WG'04**.

MBA Exec West achieved 90% participation, led by co-chairs **Michael Cross**, **Manish Ranjan**, **Jameson Thottam**, and **Craig Wittenberg**, all WG'06. The overall total of $125,000 included a gift from challenge donor, **Bruce Brownstein, W'80**.

Full-time MBAs achieved 85% participation, led by co-chairs **Ryan Berger** and **Ali Satvat**, both WG'06. The overall total of $756,096 included a gift from challenge donor, **Ed Antoian, WG'82**.

Alumni Leonard and Ronald Lauder Receive Dean's Medals at MBA Commencement

Leonard Lauder, W'54, and his brother, **Ronald Lauder, W'65**, were honored with Dean's Medals during commencement on May 14, when Leonard Lauder also gave the keynote address. The brothers, who founded the Joseph H. Lauder Institute of Management and International Studies 23 years ago, were recognized for their commitment to global business as well as their belief that a serious interdisciplinary academic curriculum — combining business fundamentals with language proficiency, and international cultural, social, political and economic expertise — are vital to the growth of business worldwide. This year marks the 20th anniversary of Lauder's first graduating class.

A charter member of the Board of Trustees of the University of Pennsylvania, Leonard Lauder is chairman of The Estee Lauder Companies Inc. He is also chairman of the Whitney Museum of American Art, a trustee of The Aspen Institute, and a member of the President's Council of Memorial Sloan Kettering Hospital. He served on the Advisory Committee for Trade Negotiations to President Reagan.

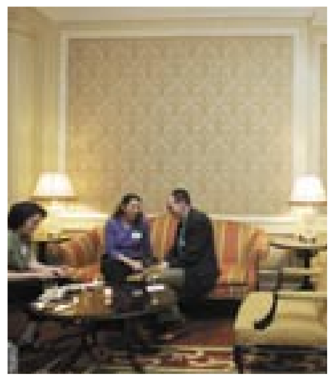
Ronald Lauder is chairman of Clinique Laboratories, LLC, and a past chairman of Estee Lauder International, Inc. He has served as deputy assistant secretary of defense for European and NATO Affairs and was U.S. ambassador to Austria. He is non-executive chairman of the board of directors of Central European Media Enterprises Ltd. and chairman of the board of trustees of the Museum of Modern Art. ◆

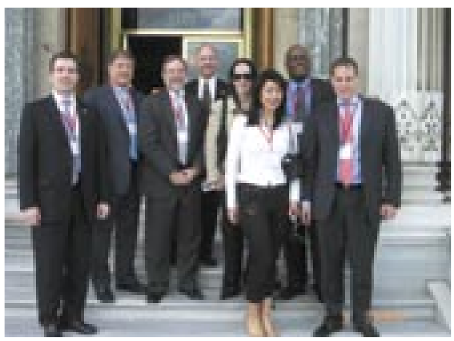
Graduation and Alumni Celebrations Kick off on the West Coast

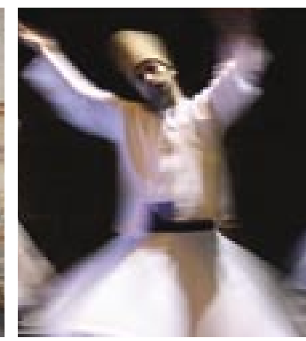
On May 7, Wharton welcomed 84 new alumni in the fourth commencement held on the West Coast. The new graduates of the MBA Program for Executives (MBA Exec) join Wharton's strong regional base, with more than 5,500 alumni in California — including commencement speaker **Kenneth Moelis, W'81, WG'81**, president and joint global head of investment banking at UBS Investment Bank. All 300 Wharton West MBA Exec alumni are invited to attend a Wharton West reunion to be held on November 4, 2006. Visit **<www.wharton.upenn.edu/campus/wharton_west/>** for details.

Alumni from all divisions were in attendance the next day (May 8) to hear Wharton Undergraduate Dean Barbara Kahn when the Wharton 125 Faculty Tour rolled into San Francisco. For more Wharton 125 photos, including Charlotte, Washington, D.C., and Chicago, or to register for upcoming events in St. Louis, Philadelphia, Rio de Janeiro, London, Los Angeles, and Tokyo, visit **<www.wharton.upenn.edu/alumni/wharton125/events/>**.

PHOTOS BY MAURICE RAMIREZ







125 YEARS

Where East Meets West: Global Alumni Forum in Istanbul

On June 8 and 9, Wharton traveled to a suitably historic — and dynamic — location as part of the celebration of the School's 125th anniversary. The ancient city of Istanbul, now a center of economic growth and political change, hosted faculty members, alumni, and other guests at the sold-out Wharton Global Alumni Forum. The event was based at Çirağan Palace Kempinski and traveled to some of Turkey's most recognizable locations, beginning with a luxury cruise of Bosphorus and concluding with a gala banquet at Esma Sultan Palace.

Wharton Dean Patrick Harker and committee chairman **Mehmet Habbab, W'65, WG'67**, also chairman of the Delta Petroleum Group of Companies, welcomed an impressive slate of dignitaries and business leaders from Europe and the Middle East, including Recep Tayyip Erdoğan, Prime Minister of the Republic of Turkey; Ross Wilson, Ambassador of the U.S. to the Republic of Turkey; **Nabeel Shaath, WG'61, GrW'65, H'96**, former Deputy Prime Minister of the Palestinian National Authority; Tezcan Yaramanci, Chairman of Bank Europa Turkey; Muhtar Kent, President, Coca Cola International; and **Todd Thomson, WG'87**, chairman and CEO of Citigroup Global Wealth Management.

Don't miss the next 2006 Wharton Global Alumni Forum in Rio de Janeiro August 10-11. Visit **<www.wharton.upenn.edu/alumni/forums/>** to register.

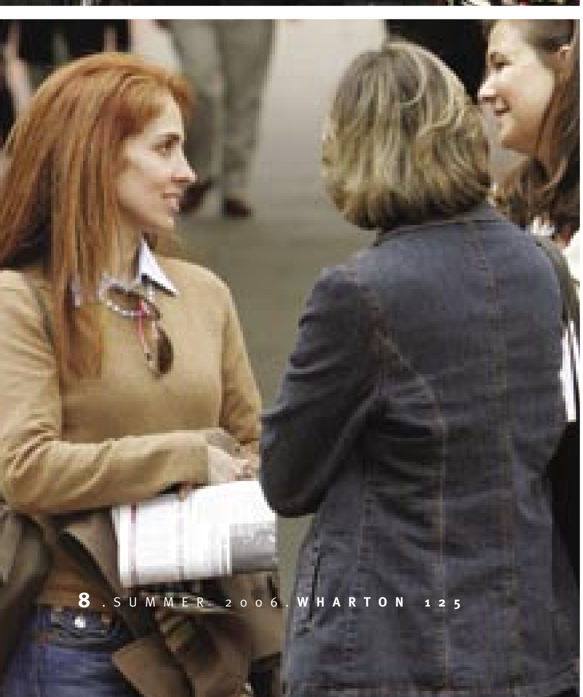





PHOTOS BY TOMMY LEONARDI





A Special Reunion Weekend as Wharton Celebrates an Anniversary

If reunion attendees didn't already know, the "125 Years" banners strewn around campus were a hint that that this was no ordinary Reunion Weekend, but, in fact, a much larger celebration of Wharton's history. "And it's not just 125 years of Wharton," said Dean Patrick Harker at the town meeting held in Jon M. Huntsman Hall on Saturday, May 13. "It's 125 years of business education as we know it."

To fully recognize Wharton's 125th anniversary, this year's Reunion Weekend was expanded for the first time to include a Thursday, May 11, opening reception, with an address by **Joel Greenblatt, W'79, WG'80**, founder of Gotham Capital and author of *The Little Book That Beats the Market*. The weekend continued with faculty addresses, networking sessions, alumni panels, family activities, an all-class mixer, and individual class dinners, culminating in a Sunday alumni brunch before the Alumni Processional welcoming graduates to the ranks of alumni. More than 1,500 alumni attended the events — a record.

On campus for his 30th reunion, **Norman Gorin,WG'76**, explained why he has come back, and why, as managing principal and CFO of Analysis Group, a consulting firm in Boston, MA, he continues to hire other Wharton graduates. "The quality of the place and the sheer talent it attracts is nothing if not a reflection of 125 years of history."

Gorin was among the audience at the Wharton Women panel, the first such event ever held during Alumni Weekend. Speakers **Roslyn Courtney, WG'76**, of Roslyn Courtney Consulting, **Mindy Posoff, WG'86**, COO of NewMarket Capital Partners, **Lorrie King, WG'91**, senior marketing director of Coty celebrity fragrances, and **Phyllis Levy, WG'76**, CEO of the Outrepreneur Group, discussed leadership, money, and different challenges women in business face. "We share a personal mission to accomplish extraordinary things in our careers and lives, and that gets to the core of leadership," said Courtney. "In the spirit of the school's 125-year history, we find amazing inspiration."

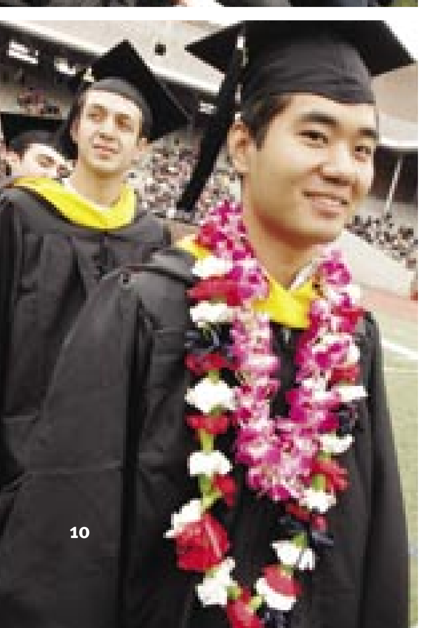
Later in the afternoon a panel devoted to entrepreneurship and lessons learned in the field featured **Farhad Mohit, WG'96**, CPO, Chairman and Founder of Shopzilla, **Michael Luby, WG'98**, co-founder of Target Rx, **Steven Woda, WG'01**, founder and chairman of Strategic Growth and **Shelley Boyce, WG'95**, CEO and founder of MedRisk Inc.

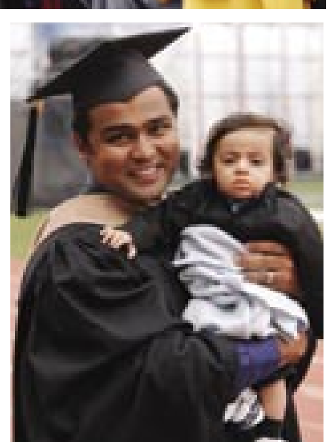
For her part, Boyce was enthusiastic about the weekend's historic significance. "It has been a great privilege to take part in the gatherings commemorating the school's 125th anniversary," Boyce said. "The education I received at Wharton has been an invaluable asset to me personally and professionally."

At the picnic, alumni dashed out of the rain and mingled beneath the tent in Lehman Brothers Quad with their former classmates. Over lunch, **Dan Coogan, WG'66**, reunited with several members of his class. "I was very impressed to learn that this was the 125th year and that the school was continuing to grow," said Coogan, a financial representative for Northwestern Mutual Financial Network in Virginia Beach, VA.

Mindy Crandus Sircus, W'81, a former corporate and securities lawyer who is now a principal with Chicago legal search firm Zenner Consulting Group, has attended reunions every five years since graduating, but this time she was focused on the future as well as the past — her oldest son, a rising high school senior, accompanied her as part of his own college search. "I'm more aware of Wharton's history now than when I was a student," said Sircus. "I was looking ahead then, not at what I was leaving. Wharton is such an important part of who I am today."

PHOTOS BY TOMMY LEONARDI





Wharton's Newest Graduates Join a Long Line of Leaders

On Sunday, May 14, the students lined up outside of Franklin Field were ready to celebrate. As members of the Class of 2006, their graduation from Wharton was doubly significant, coinciding with the school's 125th anniversary. "It's so exciting for us because we feel like we are a part of history," said Marian Lee, W'06, a marketing and communications student from Los Angeles.

For many, it was the crowning moment of a year filled with celebrations. "For months we have been talking about the anniversary. Right now it feels pretty good to be here and honor a longstanding tradition. We really have the sense that we are part of something larger," said **Colin McDonald, W'06**, a marketing student who hails from Harrisburg, PA.

At the undergraduate commencement ceremony, Dean Patrick Harker spoke about Joseph Wharton's vision of creating leaders when he established the nation's first business school. Later, Vice Dean Barbara Kahn spoke to the class about ethical responsibility and the importance of having a broader definition of success. Her remarks were followed by an address from student speaker **Beth Mlyanarczyk, W'06**, the announcement of awards, and the student roll call.

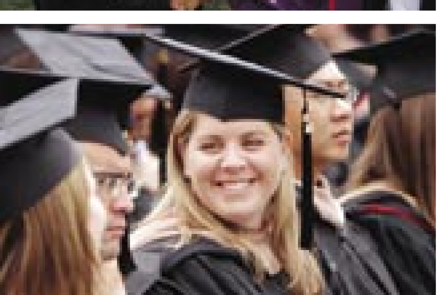
Hours later, it was a similar scene as hundreds of graduating MBAs took their positions in their cohort groups outside the stadium. Reflecting on the significance of the anniversary date, the newly minted graduates expressed pride and gratitude.

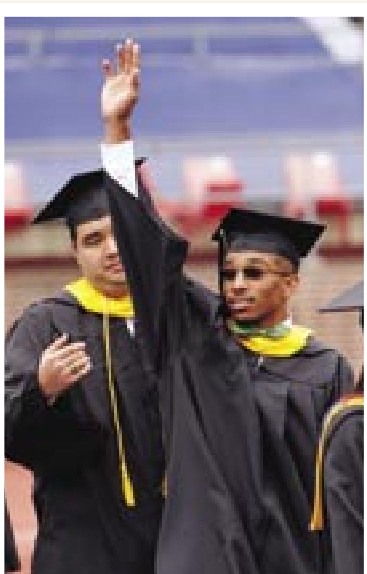
"It's an honor to be graduating during a landmark year," said **Sylvia Insogna, WG'06**, a finance major from Allentown, PA. "You feel the sense of tradition in everything from the alumni to the faculty to the school itself, and you can't help but feel lucky to be a part of it."

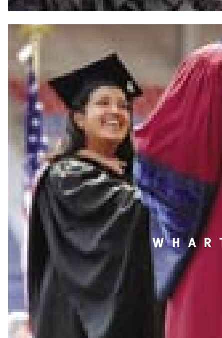
"We are proud of the institution and the student body," said **Anne Torrel Izrael, WG'06**, a finance and strategic management major. Her husband, **Vincent Izrael**, winner of the Joseph P. Wharton award for Leadership and Innovation, agreed: "After two years of hard work, it's nice to feel that tradition behind us."

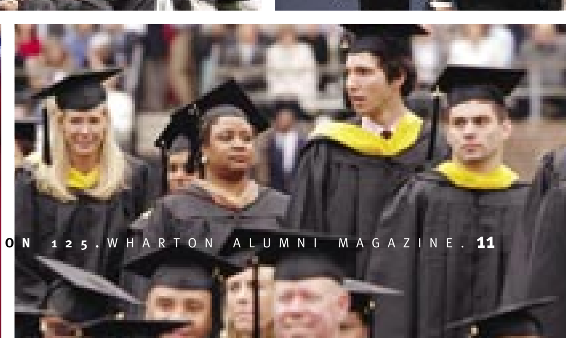
The MBA ceremony included rousing remarks from WGA President **Serhan Secman, WG'06**, and Dean Harker. In his keynote address, **Leonard Lauder, W'54**, chairman of Estée Lauder Companies Inc., talked about his own intersection with Wharton history, the school's impact on his career and his inspiration to co-found the Joseph H. Lauder Institute of Management and International Studies with his brother **Ronald S. Lauder, W'65**, in 1983, anticipating the needs of a global economy in the coming decades. Both men were honored as recipients of the Dean's Medal.

The consensus among graduates was that it was precisely this sort of insight that has allowed Wharton to remain at the forefront of business education. **Jean Reynolds, WG'06**, a New Yorker who completed an individualized major in private equity, credited the school's success to its powerful alumni network, top faculty, and academic rigor. "Wharton has a reputation for excellence and that's why it continues to thrive today."









100 Plus 25

ILLUSTRATION.HADLEY HOOPER

In honor of Wharton's 125th Anniversary, Centennial graduates reflect on changes in their lives and the world since 1981.

By Kelly J. Andrews

The lives of individuals are measured in hours, days, and years. The longer lives of institutions are counted in decades and quarter-centuries. For the Wharton class of 1981, those two timescales intersect. Twenty-five years ago, a cohort of students graduated amid the hoopla of the Wharton Centennial year. Now, those same alumni recognize their own milestones as Wharton celebrates the 125th Anniversary of its founding.

Over the past quarter-century, those Centennial alumni took the lessons from Wharton undergraduate and graduate classes into the real world — a world that was rapidly changing. The Soviet Union disintegrated while the European Union coalesced. The economies of China and India matured, and the Western workforce aged. An Internet bubble burst, and real estate markets boomed. Global stock markets spiked and dropped, then repeated the cycle a few more times for good measure.

Shaped by Wharton, the class of 1981 became leaders in the world — influencing events both global and local, building families as well as businesses. Counted among those alumni are Farouk **El-Okdah, WG'81,GrW'83**, chairman of the National Bank of Egypt; **Akinari Horii, WG'81**, Director General, International Department, Bank of Japan; **Thomas F. Loeb, WG'81**, — Chairman, Mellon Capital Management; **Kenneth Moelis, W'81, WG'81**; President & Joint Global Head of Investment Banking, UBS Investment Bank; **Brian Roberts, W'81**, CEO, Comcast Inc.; **Philippe Soussand, WG'81** — Founder, Soussand Associates; former CFO — Christian Dior and Louis Vuitton for North America; **Mark Zandi, W'81, GR'83**, Co-founder & Chief Economist, Moody's Economy.com; **David Karlgaard, WG'81**, Vice Chairman, Nortel PEC.

This single year's worth of graduates is impressive for its accomplishments, yet it represents just a small percentage of Wharton's 81,000-plus alumni worldwide. To understand the interplay between Wharton and economic developments, between individual alumni and world events, Wharton Alumni Magazine drilled down even deeper to discuss the past 25 years with a few members of the class of 1981.

Old Europe Is Renewed and Transformed

Jacob Wallenberg, W'80, WG'81
Chairman, Investor, Stockholm

Jacob Wallenberg's most vivid memory from the Wharton Centennial has a decided slapstick flair. He was one of the organizers of the student Centennial Ball, spending hours planning and marketing a black-tie bash to commemorate the School's anniversary. "The event was crowned with a terrific birthday cake that was to be presented to the Dean on the stage of the ballroom," he recounts. "But the cake was sitting on a huge table with wheels. When they moved the cart, the cake slid off the table and smashed on the floor."

The cake didn't quite make it, but the same can't be said of Wallenberg. He came to Wharton as an undergraduate after serving as an officer in the Swedish armed forces and as an intern at Morgan Stanley, and he left five years later with both bachelor and MBA degrees. As a slightly older student, he found the submatriculation process to be a natural choice. "It was me and the rocket scientists! I was fortunate to be admitted," he says. "But suddenly as an MBA student, here I was studying and working together with people my own age, with a lot more experience. I enjoyed it immensely. It was a great starting point to working life."

After graduation, Wallenberg continued what he calls his "American experience" by working at JP Morgan on Wall Street for two years. He then moved to London to work at the merchant bank Hambros, then eastward again, working in Asia for SEB before returning home to Sweden. Today he is chairman of Investor, a holding company with long-term stakes in Ericsson, AstraZeneca, ABB, Electrolux, Scania, and SEB. Throughout his business travels, Wallenberg had an up-close look at some major events.

"For a European, to see the Iron Curtain disappearing in 1989 was extraordinary," he says. "It created immense opportunity, but above all, freedom — freedom for millions and millions of people. This had a profound effect on the psychology of Europe."

At the same time, he says, the European Union became stronger and stronger, and commercial markets opened up in Eastern Europe. "This has formed me considerably, coming from a country with borders lined with strong fences 20 years ago, to living in a country that's a member of the European Union," he says. "People and goods travel freely, they cross borders; it's a dramatic difference. And anyone who compares the lines of every airport in Europe from before and after knows what a difference it makes!"

Aside from the daily conveniences offered via the European Union, Wallenberg and Investor became directly involved in the European Commission's 14-year-long efforts to create a single European market in financial services. He has also been affected by the rapid economic emergence of China, where he spent part of his early career. "I went to China the first time in 1984. There was one hotel for Westerners. Today, 20 years later roughly, it is just as developed as any American city when it comes to commercial services," he says. "It's been an enormous change in very short time period. The changes have been beyond comprehension, which I think everyone would agree with."

When asked the most important lesson he learned since Wharton, he answers without hesitation, "How to lead people. I was an officer before Wharton, and at Wharton we studied management in class and on teams. So in fact, I've been practicing a long time — more than 30 years — but learning to lead is something you never finish."

Marketing Takes a Central Role

Ann R. Marks, W'80, WG'81
Chief Marketing Officer, Dow Jones, New York

"The single thing that changed my life was the Blackberry," says Ann Marks. "I can keep everything going at work while sitting in the singing circle at nursery school. My life is completely integrated — I work around the clock as both a CMO and a mom."

She's able to say that because Wharton to her is not a "single thing." It's the destiny she resisted by first attending Bryn Mawr before transferring to Wharton as a sophomore. It's the intellectual environment she found so stimulating that she stayed an extra year as a submatriculant, leaving Wharton in 1981 with two degrees. It's the business grounding that served her well enough as a newly minted MBA that she was able to outcompete peers who had five and six years more experience under their belts. And it's the campus home that feels both familiar and fresh when she visits 25 years after graduation.

"My father and brother both attended Wharton, so it was sort of in my DNA," she says. Although her interest in liberal arts first led her to Bryn Mawr, frequent visits to Penn to visit her older brother **Bruce Marks** (W'79), convinced her that Wharton was where she belonged.

As a transfer, she jumped in with both feet. "I dual majored in accounting and management as an undergrad, and in finance, marketing, and entrepreneurship in grad school. I think I was able to eke more out of Wharton than most," she jokes. At the time, Marks thought her future would be in entrepreneurship, and that's where she excelled. She remembers her best academic moment as an entrepreneurship class that charged her with generating $100,000 in capital to start a business. She earned an A-plus and became a teaching assistant in entrepreneurial management.

Outside of the classroom, she and her brother put together a real-life business — "The Rip-Off Book," a coupon package featuring deals from local businesses that they eventually operated on four campuses — Penn, Temple, Pittsburgh (their hometown), and Michigan (the school their sister attended).

Upon graduation, however, Marks found another application for her creativity and business drive as a marketing as-

ANN MARKS, W'80, WG'81

TOMMY LEONARDI

sociate with General Foods in White Plains, NY. During her 14 years there, she found the world of corporate marketing immensely rewarding and surprisingly entrepreneurial.

"It used to take us a week just to set up a meeting. When I started working, decisions and progress occurred at a snail's pace compared to today," she says. "The Internet and e-mail has changed that."

In the time since she began at General Foods, the role of marketing had changed significantly. Marketers have to move quickly to identify and adapt to new trends and technologies. They have to fulfill the growing demands that marketing generates measurable results. As a result, marketing strategy is more commonly recognized as a core business function that creates real shareholder value.

"Wharton taught me how to think analytically and this is required in all business fields, not just consulting and investment banking," she says. "It has served me well in my marketing career."

The reward — and challenge — for Marks culminated in a seat at the table as a C-level officer. After a tour of duty at American Express, in 1998 she became Chief Marketing Officer for Dow Jones.

"Maybe if I didn't have a family I would be on a CEO track, but a CMO track is okay with me," she reflects. "I have a very demanding job with more than a hundred people reporting to me. And I'm the mom of three children under 10, which I think is the most demanding job of all."

Entertainment Becomes Digital

Paul Vidich, WG'81

Adviser for Video Strategy, AOL, New York and Dulles, VA

Before Paul Vidich completed a Wharton MBA in 1981, he was a journalist. Twenty-five years later, he still works in the media, but now he's the man being interviewed, not the other way around. And the media itself is generations beyond the trade magazines where he toiled pre-Wharton.

As a special adviser to AOL for video strategy, Vidich is immersed in the current debate over digital content distribution and copy-protection. In fact, he's one of the people that has shaped the debate — his work as EVP of strategy, business development, and technology for Warner Music Group helped make iTunes Music Store possible, proving that digital music could be profitable.

"I never wanted to be in a rock band, never had great aspiration to be in the music business," he confesses. "But I did have aspiration to be in the business side of the media."

When he graduated Wharton, he joined CBS Cable. It was a time of transformation, with cities being built up for cable, narrow-casting channels proliferating, and industry-defining successes being built by independent, entrepreneurial companies (such as CNN and ESPN) and larger media companies (such as MTV and Nickelodean).

By 1987, the industry was maturing and consolidating. Vidich moved to Warner Communications in a role of corporate development and acquisitions. In that capacity, he helped complete the merger between Time Inc. and Warner Communications. Time Warner almost doubled in size, rolling music operations into Warner Music Group, where Vidich became the executive in charge of strategy, business development, and technology.

At Warner Music, he considered several opportunities to grow the music business, and digital distribution over the Internet would be the means.

In 1998 he led Warner Music to a breakthrough, testing the ability to deliver music electronically over broadband in Time Warner Cable's San Diego service. "We showed that it could be done and the consumers liked it," he says.

But before this success could be leveraged broadly, along came Napster. In 1999, the little file-sharing application roiled the landscape of digital distribution. Napster became one of the fastest-growing Internet services ever — adopted by some 50 million people. Threatened music publishers and record companies cried foul over widespread copyright violations, and rancorous hearings and civil suits forced a legal shut-down. The one-time category killer Napster itself was out of commission, with nothing to replace it.

Despite industry outcry, the phenomenon proved that consumers were hungry for digital distribution. "We knew this new way of consuming music was going to transform the business," Vidich explains. "What was lacking at that

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"For a European, to see the Iron Curtain disappearing in 1989 was extraordinary."

time was a legitimate service that provided music in a way that was as convenient as Napster, but allowed the people who owned the underlying rights to make money."

Vidich clearly saw an opportunity for Warner to sell music within a legitimate service. However, music companies had never been technology providers, and their experiments in subscription services like Rhapsody and MusicNet met with indifference.

Then in 2001, Steve Jobs and Apple unveiled the iPod — a portable music player with a 5 GB hard drive that "put 1,000 songs in your pocket." But where would the songs come from? Someone had to feed iPods a regular diet of new music — something Apple couldn't provide alone.

That's where Vidich and Warner Music fit in.

"We saw in Jobs and Apple all the elements that were needed in order to provide the consumer platform for distributing music digitally," says Vidich. "We sat down with Steve and agreed that consumers needed to be able to use their purchased downloads in convenient ways. It may sound intuitive now, but it was counter intuitive at a time when peer-to-peer piracy was rampant.

"We did our deal with Jobs," says Vidich. "We introduced him to the CEOs of Universal Music, BMG, Sony, and EMI, and he replicated the deal that we had done."

The result was iTunes Music Store — a huge success right out of the gate, selling music from all four major labels (Sony and BMG subsequently merged) and (later) independents. The store proved what Vidich had long believed — that online music sales were viable. By February 2006, the store had sold over 1 billion songs — more than 80% of worldwide online music sales.

Says Vidich, "I believe if it hadn't been for the deal that Warner did with Apple, then the launch for iTunes wouldn't have happened. The iPod would never really have taken off the way that it did."

When Warner Music was sold in 2004, Vidich returned to Time Warner, joining AOL with a specific focus on creating video products and services that would have the same impact as the iPod and iTunes had on music.

As a student, he didn't perceive the media business as a popular destination for his classmates, but when opportunities in the industry called, and he answered.

"We didn't anticipate the technologies," he says. "Business school provided me with an analytical framework for looking at the world from a business perspective."

Continual Reinvention and Learning

Beth Kaplan, W'80, WG'81

Co-founder and Managing Partner, Axcel Partners, LLC, Baltimore

"Today when I look back, I've taken more risk with my career than I ever thought I would take," says Beth Kaplan.

It has paid off personally and professionally. She's achieved success in several careers, including retail, a sector she never considered as a student, and venture capital for the internet, a business-transforming phenomenon that barely existed in 1981. Now she's a co-founder and principal of Axcel Partners, LLC, a Baltimore-based venture capital firm. Kaplan's continual career reinvention might have seemed eccentric to her 22-year-old self, but her adaptation illustrates the flexibility and constant learning rewarded — and required — in today's job market.

In hindsight, her student years show signs of the varied career she'd carve out. Her friend and classmate Ann Marks recalls, "Beth was always in everything." Chairman of the Student Activities Council, editor of the Wharton Account, choreographer for the Wharton Follies, radio host for Focus on Youth, manager of Hill House, Beth's interests were clearly too broad to be fulfilled with a single career — or a single degree. She graduated with both BS Econ and MBA degrees. She says modestly, "I did a range of things at Wharton, but five years is a long tenure."

Centennial: 1980-1981

Philadelphia Inquirer wrote, "The quality of the faculty and student body seems stronger than ever."

Professor Lawrence Klein won the Nobel Prize in economics.

The expansion of Dietrich Hall began with a $15 million budget; the original building cost $3,600,000 in 1952.

Two $1 million gifts endowed the Reginald H. Jones Professor of Corporate Management and the Joseph Kolodny Professor of Social Responsibility.

Two new research units were founded: The Center for International Management Studies and the Reginald H. Jones Center for Management Policy, Strategy, and Organization.

Wharton began international co-ventures with Shanghai Jiao-Tan University of China and Nomura Research Institute of Japan.

There were 1,928 undergraduates, 1,300 MBA and MS students, 81 Executive MBA students, 239 doctoral students, and 1,487 evening students.

There were 10,000 participants in Executive Education at 200 different seminars.

Wharton's endowment was $16 million, compared to Harvard's $80 million.

The School had $12 million in corporate and foundation grants for research projects and contracts — the most for any business school.

School won the Western Electric Fund Award for "innovation in undergraduate business education for administration."

The average Wharton freshman scored 1350 on the SAT — the highest for any undergraduate school in the nation.

For graduating MBAs, the average GMAT was 620 and GPA was 3.38. There were 3,300 applications for 620 MBA spots.

20% of the MBA class was from outside the U.S., with the most students from Japan, Mexico, India, France, and the Philippines. Wharton students hailed from 83 countries.

27% of the MBA class was female — a huge increase from only 4% in 1972.

2,100 recruiters representing 600 companies visited campus for MBA — the most who visited any graduate business school that year.

The job market was strong, with the average MBA granted 27 job interviews and receiving 3.8 job offers.

The average salary of a Wharton MBA was $30,200. Salaries were highest in consulting ($40,000) with investment banking second ($36,000).

The average salary of a Wharton undergraduate was $17,500, with each receiving three job offers.

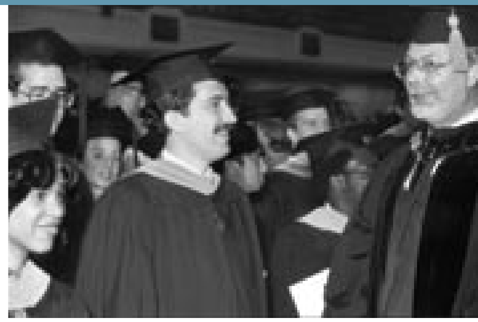
The U.S. Postal Service honored Wharton's founding by issuing a stamp with Joseph Wharton's portrait and the words "Professional Management."

SOURCES: WHARTON PUBLICATIONS, NEWS RELEASES, AND PRESS CLIPPINGS IN THE UNIVERSITY OF PENNSYLVANIA ARCHIVES

Her post-Wharton journey began at Procter & Gamble. "The context of the work was everything that I loved," she says. "It was strategic, it was marketing driven, and it was about leadership and teamwork. Sometimes people say, 'I never really used what I learned in business school,' but I used what I learned in business school practically every day."

She stayed for 17 years, eventually moving to Baltimore to become president of Noxell, P&G's domestic cosmetics division. She planned to stay for life, but left to join the "other side" of the consumer equation as senior executive vice president of marketing for Rite Aid. "A lot of people thought I lost gray matter upstairs," she says of her decision. While now retail is a hot area centered at Wharton's Jay H. Baker Retail Initiative, at the time her career move seemed unorthodox for a successful consumer products executive.

"It's not for the faint of heart," she says of the change. "You grow up in one system, and then you move to a different system." She saw an opportunity to make an impact on Rite Aid, a company with lean management and an aggressive growth strategy. Some fundamentals of the business were the same, but she had to learn how to manage purchasing, operations, and human resources in a retail environment. She worked long hours six days a week, and she loved it. Kaplan brought insight from P&G and rebuilt the store design around its main customer — women. She built the beauty business through innovative initiatives, including the launch of Rite Aid's wildly successful cosmetic money-back guarantee. She augmented the vitamin and nutrition lines, eventually partnering with GNC, and increased floor space for profitable greeting cards.



COLOR PHOTOS. **TOMMY LEONARDI**

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In 1999, the Internet was booming. Rite Aid invested in Drugstore.com, and Kaplan herself moved into the new frontier with the Internet Capital Group of Wayne, PA. Recruited by a Wharton contact, she became a managing Director of Operations. Once again, she was learning a brand-new business. "It was like drinking from a fire hose," she says, "a totally different kind of work, sitting on boards, helping to shape business models, and coaching young management teams."

Internet Capital Group at that time had raised billions through an IPO, but the landscape was about to change when the Internet stock bubble burst. Kaplan toughed it out to enter venture capital on her own terms with her own strategy. In 2001 she and her husband co-founded Axcel Partners, LLC. She's continued with that venture ever since, although the ever-energetic Kaplan couldn't resist another turn in retail, serving as executive vice president and general merchandise manager for Bath and Body Works flagship stores, a Limited Brands beauty superstore, from 2002 to 2005. "It really was an interesting combination of all my experiences," she says. "I was in charge of brand management, retail and even venture capital, so it was very much like a start-up." The downside to her dual role was that she was commuting from her home in Baltimore, living during the week in a hotel near Limited Brands' Ohio headquarters. She logged long days without distractions, but she admits "after a few years it got a little old."

Now she concentrates on Axcel Partners, sitting on the boards for some of her promising investments like MinuteClinic, a chain of no-appointment medical offices hosted inside drugstores. Even more crucially, she has time for her personal life. Her philanthropic and volunteer activity includes a long commitment to Wharton that has deepened in recent years as she was chairman of the Wharton Undergraduate Board, and was recently appointed to the Wharton Board of Overseers.

"My father passed away about a year ago, and it was really important for me to endow a scholarship in his memory," she says. "Meeting the first scholarship winner was very touching — my dad's name was carried on through the scholarship, and I'm able to provide an opportunity to another young woman."

Even more importantly, her new schedule allows her more time for her two young sons. "I didn't want to wake up one day, and say, 'Oh no, they grew up and I wasn't even there!'" says Kaplan. "Everything that I learned at Wharton has allowed me to get where I am in my life. And that means that now, for the first time I have a level of flexibility to enjoy it."

Cementing the Asian Economy

Leslie Koo, WG'81

CEO and Chairman, Taiwan Cement Corp., Taipei

Leslie Koo has helped build many bridges during the past 25 years. Some of them, like the graceful Green Lake Suspension Bridge near Taipei, are made of concrete from the Taiwan Cement Corp., the company he runs. Others are figurative — the bridges between businesses, between East and West, between mainland China and Taiwan. To build those, Koo has needed something even stronger than cement — negotiating skills, business strategy, financial smarts, and cross-cultural fluency. And he gives Wharton some of the credit.

"The Wharton experience was very important to me," Koo says. "It was not only a learning experience, but also a confidence building exercise, especially for Asian business people like myself. Going through Wharton, it's like being with the best of the best in the world. After the successful completion of the curriculum, you get the sense that you can compete with anyone, do business with anyone — and anywhere — in the world."

When he graduated with his MBA, he returned home to join the Taiwan Cement Corp., part of the Koo Group controlled by his father, C.F. Koo (a longtime friend of the Wharton School who passed away in 2005). Beginning as a specialist in the Electronic Data Processing Center, Leslie Koo made an immediate impact by designing and implementing a distributed-processing decision-support system — the first of its kind in Taiwan. By 1991, he was president and COO, and in 2003 he became CEO and chairman.

From the beginning, he had a great sense of responsibility to the company, and to his country as well. "I was quite optimistic," says Koo, of his return to Taipei. "I had a very strong sense of commitment and mission. My family has been associated with the economic development of Taiwan for a long time. To us, it's more of a carry on or legacy issue, following the footsteps of my father and other family members who have contributed so significantly to the Taiwanese economic development."

Taiwan's rapid economic development in the 1960s was often referred to as the Taiwan Miracle, but Koo sees nothing miraculous about it. "I think it has to do with the Taiwanese people," he says. "The Taiwanese business community is very much aware of our country's situation in terms of lack of natural resources, and being squeezed especially from mainland China. The only way to really have a foothold in the international scene is to be successful economically. What we had achieved was a part of the Taiwanese commitment to hard work and business."

Koo demonstrates that commitment through his many roles in Koo Group companies and other business and community ventures. He is the chairman of Ho-Ping Power Co., Ta-Ho Environment & Technical Services Co., Ltd., China Synthetic Rubber Corp., Continental Carbon Co., and Synpac Inc., as well as director of Taiwan Stock Exchange Corp., Taiwan Polypropylene Co., Ltd., and Far Eastone Telecommunications Co., Ltd. He serves as a business ambassador through leadership in the Taiwan Britain Business Council, Chinese National Association of Industry and Commerce, ROC-USA Business Council, Sino-British Culture and Economy Association, and the Taiwan Cement Manufacturers' Association.

During his time leading Taiwan Cement Corp., Koo has weathered storms during regional economic changes and political challenges for his country, which is not officially recognized by any country with diplomatic ties to the People's Republic of China. While Koo says Taiwan and Koo Group were not heavily impacted by the Asian financial crisis of the late 1990s, the handover of Hong Kong from the British to China in 1997 was a critical turning point.

"We prepared for the worst," says Koo. "We had a subsidiary in Hong Kong that was privately held until 1997 when we IPOed the company. Now this publicly listed company is a financing source, and also a vehicle to tap into the Hong Kong capital market for our Chinese expansions. On one hand, we are able to get cheap capital from Hong Kong, and on the other hand, we shield the Taiwanese operation from the Chinese political risk."

Now Koo's company is once again facing significant opportunities, investing heavily in the People's Republic of China. Between 2004 and 2008, Koo expects to invest more than $700 million U.S. dollars in mainland China, operating five manufacturing sites with more than 8.1 million tons of annual capacity in the Fujian, Guangdong, and Guangxi provinces.

"That's twice the size of what were able to do in a 50-year time span in Taiwan," he says. "We're literally building up 100 years of capacity in a five-year time." The goal is to become the third-largest supplier in mainland China.

There are additional benefits and risks for his company, which is treated as a preferred investor because China considers Taiwan to be Chinese territory.

"At this moment, China is changing from the manufacturer of the world to the market of the world," says Koo. "For Taiwan, we are in a very unique position. On the one hand, we're Chinese, and on the other hand, we've been associated with the international business community for so long. There's an opportunity for ambitious Taiwanese business people to transform their companies from domestic Taiwanese companies, to become regional strong players, and even become global players."

That ambition is evident in Taipei 101, located in the Taipei Financial Centre. It is the first and only building in the world to break the half-kilometer mark in height — the tower has been the world's tallest building since 2003. It's a powerful symbol of the country's economic development, and it's built of concrete from Taiwan Cement Corp.

World Interconnections Grow

Michael Dee, W'81

Managing Director and Regional Head, Morgan Stanley, Houston

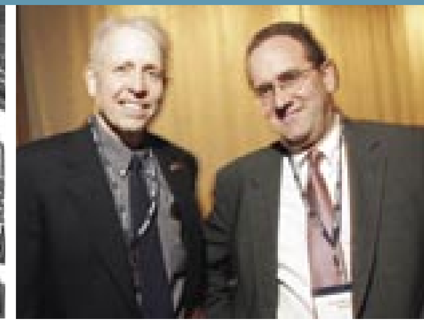
In 1989, when the Berlin Wall fell, Michael Dee was there with a sledgehammer in hand. He had been far away on a business trip in St. Louis when his now-wife Shelly called him and told him that the wall dividing East and West was crumbling. The two got on a plane and together participated in the dismantling of a Cold War landmark. The first day the Brandenburg Gate permanently opened between East and West, Michael and Shelly passed through.

That may have been the last time that Dee went deliberately looking for history, but it wasn't the last time he was involved. But when Dee graduated in 1981, he did not anticipate involvement on a world stage. At that time, he had left the United States only once for a trip to Toronto. Since then, he has spent 15 of the last 25 years abroad, doing business in more than 30 countries.

Even as a student Dee made an impact, albeit on a more personal scale. A former top amateur pairs skater, he implemented his athletic connections and organization acumen by pulling together a Showcase of Champions to benefit the Elwyn Institute, a school that educates children with Down Syndrome. Drafting 110 classmates from Stouffer College House, as well as Olympic luminaries including Peggy

TOMMY LEONARDI



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"I worked on a number of Chinese deals, and I was there right at the beginning of the Asia crisis."

Fleming and Scott Hamilton, Dee's ice show raised close to $100,000. Seated among the audience members were 4,000 children with disabilities who saw the show for free.

For his efforts, Dee was honored with the Sol Feinstone Undergraduate Award for instituting orderly and constructive social and educational change, but the biggest reward came through finding a way to assist his sister, who has Down Syndrome. Says Dee, "The day of the show was one of the most emotional days of my life." He still counts the showcase as one of his most memorable achievements, holding up among the string of successes during his 25-year career with Morgan Stanley.

He vividly recalls his first day on the job as an analyst in mergers and acquisitions. "I was a numbers geek who assembled the data and crunched the 'nums' so our senior bankers could advise the titans of industry on billion dollar mergers (back then a billion was really serious money)." he recounts. "I took this job because it was only for two years and was widely acknowledged as the hardest job on Wall Street, at the best firm, in the toughest city."

He stuck with Morgan Stanley, but he didn't stay in New York. He was given the opportunity to work in London, and from there, he and his wife ("the adventure queen," as he calls her) were hooked, following London with lengthy stints in Hong Kong and Singapore. Says Dee, "I started going to China in 1994, when China really started to get hot economically. I worked on a number of Chinese deals, and I was there right at the beginning of the Asia crisis. It was a pretty amazing time to be there. I think our firm played a very instrumental role in trying to help countries raise money and stabilize themselves. We were the only firm in Asia that increased head count in 1998. Everybody else was cutting back. That was a bold, critical decision in building our Asian franchise. When I look back, I see that period of time as an inflection point internationally, and it's been really fun to be involved."

From 2000 to 2004 Dee was Managing Director and CEO of Morgan Stanley Dean Witter Asia in Singapore, where he took another opportunity to help pay forward the value of his Wharton education. Committed to expanding access to business education internationally, Wharton in 1998 joined with Singapore Institute of Management to help establish Singapore Management University, Singapore's third university and only undergraduate business school. Through his Wharton connections, Dee became a trustee of the nascent university, which just graduated its first full class this year.

Two years ago Dee and his family relocated to Texas, where he became managing director and the regional head of Morgan Stanley's Houston office, with primary responsibility for the Investment Banking Division. In September 2005, he found his new hometown wrapped up in the human tragedy of Hurricane Katrina when the city hosted hundreds of thousands of evacuees. As a member of the board of the Greater Houston Partnership, he went to the Astrodome, the stadium that provided temporary shelter and services for thousands.

While the faith-based community was serving meals, the Texas Medical Center was providing health care, and the United Way was fundraising for cash, there was no mechanism in place to accept donated goods. Dee volunteered to take on that task.

He helped set up an Internet site on the Greater Houston Partnership server and began a telephone line staffed by secretaries and executives alike, each volunteering for an hour at a time.

Says Dee, "We just had all these calls coming in; a taxi company in Las Vegas said they would hire 100 people. We had a guy in Tennessee with an 18-wheeler filled with refrigerated food. So we set up this system whereby people, literally from all across the country, were able to donate goods and services, and we would match them up with the people that needed those services." The project continued for a month until the website was developed to the point that donors and recipients could match themselves up. "We kind of put ourselves out of business, so to speak. It was incredibly successful."

Dee considers himself fortunate to be able to help on that level when called, and especially fortunate for the day-to-day support of his family and the challenges of rewarding employment. He says, "25 years later I'm proud to say I am still at Morgan Stanley and as excited about my work as the day I arrived. Wharton let me do this." ◆

The NEXT Long Run

The Wharton School began in 1881, but Wharton's Jeremy Siegel began even earlier. When researching his 1994 bestseller, *Stocks for the Long Run*, Siegel uncovered stock performance data stretching back all the way to 1802, revealing that stocks have outperformed every other investment class by a considerable margin. This once-surprising truth is now nearly universally accepted — a sign of his wide influence.

This long view of financial history makes Siegel, the Russell E. Palmer Professor of Finance, an ideal commentator on market performance during Wharton's anniversary year. An icon at Wharton and a guru of equity investing, Professor Siegel looks ahead at how the Age Wave will affect the future for investors, workers, and global economies.

PHOTO. **TOMMY LEONARDI**

By Ritu Kalra

Published in 1994, *Stocks for the Long Run* catapulted Wharton Professor Jeremy J. Siegel from an esoteric economist to a wizard of finance. And it ushered in six years of the greatest boom market in history.

Siegel's latest book, *The Future for Investors*, stemmed from two questions audiences persistently asked him on the lecture circuit. Investors were sold on the notion that stocks were the best bet for the long run, but wanted guidance on which stocks. And with 77 million baby boomers eyeing retirement, investors were fretting over the impact on the financial markets as they aged.

As Siegel researched the answers, he found a crucial link between the two seemingly-disparate topics. With the help of his research assistant Jeremy Schwartz, another book was born.

Like *Stocks for the Long Run*, *The Future for Investors* began with an astonishing lesson from history. From 1871 to 2003, reinvested dividends accounted for 97 percent of the real return of stocks. Capital gains contributed just 3 percent. Siegel then applied that lesson to a future in which the aging population will be, as he puts it, "the most critical long-term economic issue facing the developed world."

While analyzing stock performance for *The Future for Investors*, Siegel received a phone call from **Jonathan Steinberg, W'88**. He wanted to create an index weighted by dividends rather than market capitalization, and hoped Siegel would help test the data.

Siegel went beyond testing the data. He joined Steinberg's company, Wisdom Tree Investments, as a senior adviser. This year, at age 60, after nearly 35 years of teaching and with more 300,000 copies sold of one of the most influential investment texts of all time, he took for the first time — and passed — his Series 7 and Series 63 exams.

Wharton Alumni Magazine sat down with the Siegel in his home overlooking the Atlantic Ocean in Longport, NJ, to discuss the importance of history, his latest work, and the opportunities and challenges facing investors ahead.

In your new book, you conclude that growth does not guarantee returns. Why not?

It's a surprising result. When you look at the S&P 500 since its inception, you see how much its sector weights have changed over time. Information technology, health care and financials were only six percent of the index in 1957 and they're 50 percent of the index today. Materials and energy were 50 percent then. They're only 12 percent today.

If you bought the original S&P 500 stocks, and held them until today — simple buy and hold, reinvesting dividends — you outpaced the S&P 500 index itself, which adds about 20 new stocks every year and has added almost 1,000 new stocks since its inception in 1957.

Over the past 50 years, information technology and financials were just mediocre in terms of their performance. Energy, which has contracted, has outperformed. I've done the analysis and it turns out less than one-third of a sector's return is due to its expansion or contraction. In other words, less than one-third of the return is explained by growth. The rest is the price you pay and the dividend you receive. That's pretty amazing.

The problem is new firms are overvalued when they're put in the index. People get excited about new stocks. People rush to buy them for their portfolios. And they pay too much.

Why does the aging of the population have such significant implications for global trade?

Throughout history, the old have sold to the young, and the young work for the old and provide them goods. In the U.S., life expectancy has gone up while the retirement age has gone down. The difference between life expectancy and retirement age used to be 1.6 years in 1950. Now it's 14.4 years. That's a huge difference.

Meanwhile, the number of workers per employee in the U.S. has gone down dramatically, from 50 in 1950 heading toward 2.5 in 2050. In Japan, the largest population by age group in 2050 will be 75 to 80 years old. And the number of workers per retiree goes down to almost one for one.

So the biggest questions facing the developed world are, who's going to produce the goods, and who's going to buy the assets?

If there are not enough people producing goods and generating income, they're not going to be able to purchase the assets. We're going to have to work much longer, and the retirement age will go from 62 today to 73 or 74. It even goes up more than life expectancy, and so for the first time in history that gap will shrink, from 14.4 years to 9.2 years.

Now I ask myself, are there any solutions?

Faster productivity growth is one. But if I plug into my model 3.5 percent productivity growth — that's 70 percent above the long term average of 2.2 percent — I find it only buys a little bit. And the reason is, wages are tied to productivity and benefits are tied to those, so it doesn't produce a lot of margin.

Then I look at immigration and one model says we can still retire at 62 if we bring in half a billion people over the next 45 years. That's twice the population. I'm a liberal on immigration, but that's a lot of people.

But if I look at India, and I look at the dynamic of its age profile, the number of workers per retiree does go down but it stays high during this critical time of our baby boomers retiring. What I see happening in the world is that the older, developed countries are going to sell their assets, and the buyers are going to be developing countries.

> "One thing we learn from ECONOMICS is you can have a WIN-WIN situation. It's not just zero-sum."

The answer to our questions, who will produce our goods and who will buy our assets, is the same. It's the developing countries.

How large a swing in economic prowess between developed and developing countries do you envision?

I do a projection of stock market capitalization, which is now overwhelmingly in the developed world, close to 92 percent. By 2050 I think only one-third of the stock market capitalization will be in the developed world. Two-thirds will be in the rest.

It's inevitable. By the middle of this century developing countries will own most of the world's capital. They will have controlling interest in most of the world.

It comes back to demographics. The developed world is currently 15.2 percent of the world's population. But the developed world today produces 56 percent of the world's GDP. By 2050, the population of the developed world will shrink to 11.8 percent.

What does that mean? I put some productivity growth figures on various countries and I predict that by 2050 what we call the developed world today will only produce 23 percent, and the developing world 77 percent of the world's GDP.

Let's break that down even further. I think by 2050 the U.S. will contribute 11 percent of the world's GDP, Western Europe six percent, Japan two percent and Canada one percent. The sum of those is 20, which is the same as China.

By 2050 China will be 20 percent, and India 16 percent, of the world's GDP. And that's based on conservative projections. I wouldn't be surprised if India and China were even further ahead.

But actually, I think it's the best solution to a lot of our problems — Social Security, Medicare, the baby boomers retiring, what's going to happen to their assets. We need to make this trade. If I put it into my global model, this trade that takes place between assets and goods, I can get us retiring not at 62 but only at 67, which is still very reasonable.

This trade is just a global extension of a trade made through history, which is the old selling to the young and the young providing goods to the elderly.

So what are your thoughts on the U.S. trade deficit?

In that context the trade deficit is not worrisome. Of course I'd like it to be a little less now, but I believe we will have a trade deficit for the next 30 or 40 years. I think Europe will. I think Japan might. This is a lot to think about. It has tremendous implications. But it's vital. It's critically important.

The growth of the developing world is not just good for them. It's not just charity. Yes, we want the poor to not be poor. But it's also *critical* to us that the poor not be poor.

The workers and the goods the developing world provide actually prevent a much poorer future for developed countries if they relied instead on their own populations.

If we just had to rely on our own people, we would have to retire that much later, or we would retire earlier but poorer. And the markets would go down. People think they have wealth, but without the developing countries there are not enough buyers out there.

My feeling is the stock market will hold up, if we open markets to the buyers from Asia and the rest of the developing world. It's going to be really critical in terms of producing good returns in the future. That's why when I see developments like CNOOC and Dubai Ports World, I become very worried. If that protectionism becomes entrenched we would see a much poorer future.

Protectionism seems to be fueled in part by anxiety. What is society's responsibility to those who have lost their jobs to global trade?

As you go through this analysis, you see that globalization is just so important. All these Age Wave problems don't completely disappear, but they are ameliorated to a huge extent by a global outlook and the trade that can take place. Nothing that I see that the developed world can do by itself would come close to solving the problem.

If we want public policy to buy globalization, we must address the issue of who's going to be the loser from globalization. There's no question that for unskilled labor, their relative wages are going down because two billion workers from China and India are suddenly hitting. That's supply and demand. But the gains we're making from that trade are more than enough to provide these people with whatever support and income substitution they may need. One thing we learn from economics is you can have a win-win situation. It's not just zero-sum. The winners can win enough that they can, in fact, compensate the losers for their losses.

But it has to be done carefully. All the studies that have been done so far on protecting jobs show the costs are many times the salaries of the people whose jobs are actually saved. The loss to the consumer of protecting 100 workers in, say, a chemical plant, costs consumers a thousand workers' worth in income. That just doesn't make sense, from an economist's standpoint.

Can we compensate the workers who have lost? Yes we can. There's enough gain here for everybody to be winners. We have to develop ways to transfer some of the profits and higher incomes that globalization implies to compensate people who lose from globalization. It is much better to do it that way than to restrict globalization, because then everyone loses.

You've said that the developing world can be the saving grace for the developed world's upcoming demographic tidal wave. How does that translate into opportunity for investors?

Don't just jump into the fast growing markets. Look at China. It has had more than 9 percent real GDP growth but it is at the very bottom in terms of returns. There's actually a slight negative correlation between GDP growth and return, for the same reason it exists in stocks.

Too many of the fast growing countries get over-bid. They get over-priced. But if you find an established company with a strong international brand, then you have a reasonably priced investment that takes advantage of the changing world economy.

What made you decide to take your first major role in a company after more than 30 years teaching and doing research?

I was very upset about the rollercoaster that cap-weighted indices took in the bubble. Weighting stocks by fundamentals attracted me as an alternative to capital-weighted indices. When Jonathan [Steinberg] called me and said he was developing a dividend-weighted fundamental, I thought, 'This is really good for investors.' I think this is a better way to index. My feeling is I'll be helping investors if I help develop some sort of vehicle that will give them better returns.

I did the research, with my research assistant Jeremy Schwartz, and it was extraordinary. Going back through history, whether looking at it by sector, large-cap, small-cap, it's all there. It corresponds to what I found on dividends in the book.

What has been a defining development in the financial markets over the past half century that will continue to shape the world over the next 50 years?

It depends on how broadly you define it. I think we ended the 20th century with the knowledge that democratic market-oriented systems, for all their failings, are the best way to deliver the good life to people. We've experimented with communism, fascism, socialism. We've seen that can't be done. We have more commonality now on an outlook of how we should run the system.

I think mankind is naturally competitive. What we have to do is funnel the competition in a way that helps society. I think there's recognition that we want freedom of markets, but we need to have a social fabric. There needs to be recognition of income disparities. There are real reasons why some people fall behind. And a society that doesn't take cognizance of that will also suffer, and may not survive.

And that is very important looking ahead to globalization. You must take care of the losers, but my feeling is the winners will have sufficient resources to do it. It has to be presented as a package that can benefit all. We have to think ahead about that if we want globalization. Once we can benefit everyone, people will see globalization's potential and hopefully grasp it as the goal that can realize most of their dreams. ◆

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SERENDIPITY AND THE ACADEMIC LIFE:

The Story Behind a Bestseller

Serendipity is the invisible hand that has guided Wharton Professor Jeremy Siegel throughout his life. A math major at Columbia University, he happened upon an economics class during his junior year and two weeks later declared he had discovered his life's work.

Economics, not capital markets theory, took Siegel in 1967 to Massachusetts Institute of Technology, where he struck a lifelong friendship with fellow doctoral student Robert Shiller while the two were standing in line for mandatory chest x-rays. It was as an economist that he taught at the University of Chicago from 1972 to 1976, where he was guided by giants such as Milton Friedman. (Friedman, it turns out, was awarded the Nobel Prize the same day Siegel was supposed to go on a blind date set up by the then-president of the Federal Reserve of Philadelphia. Siegel was so eager to get back to Chicago to celebrate his friend's achievement that he left a barely intelligible message canceling the date, nearly derailing the relationship with his wife before it even began.) Even the invitation to teach at Wharton rested squarely on his macroeconomic credentials.

Investments didn't come into the picture until 1989, nearly two decades into Siegel's career. The topic may not have come up at all had it not been for a phone call from a colleague. The New York Stock Exchange had asked fellow Wharton finance professor Marshall E. Blume to write a history for the institution's then-upcoming 200th anniversary. Blume asked Siegel to collaborate on the project.

An astute student of history, Siegel suggested to Blume that they expand their focus on the 200 years of the New York Stock Exchange's institutional history to include two centuries of stock returns as well. When he finished analyzing the data, Siegel was stunned by the now-familiar results: Since 1802 (the earliest year for which numbers were available), stocks had returned between 6.5 and 7 percent with considerable consistency, rewarding investors with higher returns and less volatility than any other asset class. The persistency of stocks, now dubbed "Siegel's Constant," had never been explored in such depth before.

This was trail-blazing work. But Siegel's research was too vast for a history on the New York Stock Exchange, and the institution rejected it.

Ironically, it was Shiller — whose *Irrational Exuberance* later warned of the danger of stocks in March 2000 — who encouraged Siegel to turn his research into its own book. Blume was supportive as well.

Siegel heeded the advice, and the result was *Stocks for the Long Run*.

"Had Marshall [Blume] never called me about that project, would I have done the book? Who knows," says Siegel. "It was all in me, but nothing had ever sparked me until that."

BUSINESSPERSON'S SPECIAL

By Alan Schwarz

Wharton alumni lead professional baseball teams – in the front office, the owner's box, and even on the field.

In ballparks throughout the United States this summer, fans will celebrate the seventh-inning stretch with one more hot dog, yet another beer, and a rousing chorus of "Take Me Out to the Ballgame." They'll toast to their good fortune and soak in the panorama, whisked back to their youths in a delightful, dreamy daze. They'll come to just as Shoeless Joe emerges from the cornfield in right. But for about a dozen Wharton alumni at these games, their stadium experience will be considerably different. They will enjoy none of these Rockwellian delights. They will be working. They will be in the owner's box, surveying the attendance figures and sweating next year's payroll. They will be pointing a radar gun at the fastball of next year's high school phenom. They will be in the boardroom devising new wireless services for fans that will make Dick Tracy look downright Victorian. They will be brainstorming tomorrow's minor-league Vasectomy Night promotion. (More on that later.) They will be playing second base, of all things.

The Work BEHIND the Game

For these Wharton alumni, baseball isn't a break from work — it *is* their work. So what if they don't make anywhere near the money they might on Wall Street's treadmill, at plush-leather consulting firms, and other traditional b-school careers? And who cares if working in baseball forfeits one's ability to blow off the office and go to the ballpark, since the ballpark is the office? Talk to any Wharton alumnus working in the national pastime, and you'll find that the most difficult thing about calling baseball your job is not being able to call it anything worse.

"It's virtually impossible to complain about this job," said **Bob Bowman, WG'79**, the president and CEO of Major League Baseball Advanced Media, MLB's flourishing Internet arm. "Because when people like doctors and lawyers and bankers are complaining about their jobs, and then you mention you work in baseball and there are not a lot of sympathetic ears." Or as **Jon Searles, W'05**, a pitcher in the Boston Red Sox minor league system, put it: "I have friends who are making six figures at Lehman and Citigroup, and they all say, 'This'll be here when you retire. I'd do anything to be where you are.'"

Between Bowman, one of the most powerful people in all of sports, and Searles, an all-but-anonymous farmhand, lives a full roster of Wharton alumni making names for themselves in the baseball world. There's **Bob Castellini, WG'67**, a native Cincinnatian who recently became principal owner of his hometown Cincinnati Reds, joining longtime Phillies CEO **Dave Montgomery, WG'70**, at exclusive ownership meetings and invitation-only events like Wharton's May 2006 Impact Conference: Building Winning and Profitable Organizations in Professional Team Sports. Cardinals executive **Jeff Luhnow, M&T'89**, is part of the Ivy League revolution among team front offices. **Mark DeRosa, W'97**, is where Searles wants to be — in the major leagues, playing well for the Texas Rangers. **Marvin Goldklang, W'63**, is one of the most prominent owners in all of the minor leagues, his clubs setting the gold standard for both profitable business sense and headline-worthy hijinks.

All of these men have become so successful in an industry often overlooked by Wharton grads that the next generation has started to take notice: Both the Wharton Sports Business Initiative, a research and industry arm led by longtime professor **Kenneth Shropshire**, and the new Wharton Sports Business Club (WSBC) are indoctrinating new students about how fertile major league grass can be. "The sports industry as a whole is not hiring a lot of MBAs, but I think they're starting to, and that trend is moving in a positive direction," said **Anne Boviard, WG'07**, co-president of the WSBC. "People who are involved in major sports companies who now have moved up in the ranks and have their MBAs are looking to their alma maters to hire people coming out. That's not something that's traditionally done in the sports industry in the same way that it's done by investment banks or consulting firms or consumer products companies."

Perhaps. But if there's anything these Wharton grads are doing just like their breathren at those banks and firms, it's succeeding. Wildly.

(ON)LINE DRIVE

To anyone familiar with the baseball biz, Bowman's work with MLB Advanced Media is the industry's most intriguing, and potentially profitable, venture since Mr. and Mrs. Ruth decided to have a Babe.

Just 10 years ago, only a few baseball owners — if any — had ever heard of the Internet. Now, this cash cow might just save their bacon.

BAM, as it's known among baseballites, oversees MLB's online business on its portal (mlb.com) and elsewhere, from ticketing and merchandise to Web broadcasts and wireless services. It has exploded from a 2000 startup with $120 million in seed money to a profitable company with $195 million in annual revenues and growing at some 30 to 40 percent a year. Some experts say that if it were to go public — a temptation baseball owners have thus far resisted — it could be worth $2 billion and go a long way toward fixing the game's problems with revenue imbalance among clubs. Said MLB commissioner Bud Selig, "I don't think a lot of people understood how important this is going to be."

Leading the company is Bowman, a 51-year-old Michigan native who arrived with the all-but-motto, "It's the content, stupid." While he has leveraged his company's position in the ticketing and merchandising areas — as well as building such a mammoth broadband pipeline that BAM now hosts sites for top music acts and even the NCAA basketball tournament's streaming video — Bowman has always clung to the fact that baseball, because it plays 2,430 games a year, had vastly more material to exploit than any other sport. (Football, by comparison, plays only two days a week with every game part of a national television contract.) Bowman's enterprise first tackled radio, began webcasting every game in full this season — in perfectly watchable video clarity — and now is tackling an array of wireless services that will keep fans connected to the game as tightly as the 108 stitches on baseballs themselves.

"We're at an inflection point," said Bowman, who speaks about as fast as you'd expect from someone for whom Diet Coke is a major food group. "The question is, will people watch 40 minutes on a 1.5-inch screen? I don't know. Certainly we're preparing for it, and certainly in terms of ubiquity and the ability to reach customers, we're doing everything we can. We're preparing for everything. And it's going to be a real maelstrom in terms of trying to get on cellphone devices and wireless devices. I can't predict where we're going to go, and if you can't predict, you've just got to plan a little bit more."

KEVIN COOLEY


Bob Bowman

"Baseball is a terrific challenge and a unique industry, but it has a lot of things in common with the ABCs of business."

Much will depend on how the marketplace reacts to paying for baseball's type of premium content. More than 800,000 people in 2005 subscribed to some sort of streaming audio or video package, that number probably rising another 50 percent this year. ("And as we move over to cellphones," Bowman said, "people are more used to paying for services on that kind of device than they've been on the Internet.") The result could become so many tens and hundreds of millions, all of which is shared among baseball's 30 owners, that some believe MLBAM could help fill the financial gulf between the game's opulent New York Yankees and penurious Kansas City Royals. Whispers among baseball's power brokers suggest that Bowman has become as powerful as anyone at Major League Baseball not named Selig.

"I don't know if they're taking me more seriously or the business," Bowman quipped about ownership, "but they're certainly taking this business more seriously."

FROM RANGERS To Reds

One of the owners taking it all more seriously is Castellini — after all, when you drop an estimated $270 million to buy one of the more cash-strapped franchises in baseball, you tend to keep your eyes open for revenue. Since earning his MBA from Wharton in 1967 and eventually running his family's food-distribution and -processing businesses, Castellini had been a minority owner in several big league franchises (including the Texas Rangers along with a certain fellow named George W. Bush) but never had sat atop the power pyramid. Now he does, and while that doesn't quite fit his down-home, gregarious personality — "When you're the owner," he lamented, "people look at you like you have two heads" — Castellini is determined to bring back Cincinnati's glory days of the 1970s Big Red Machine.

"We're in this because of a specific generational interest," Castellini said. "Was it to make a lot of money? No. And I told my partners there will be no distributions. Everybody who's in this is in it because they are passionate baseball fans — they're passionate about the Cincinnati Reds and they care about their city. In a small-market city like ours, we only have two Major League teams, football and baseball. The psyche of the city is very dependent upon the success of the two teams."

(Speaking of city psyches, it must be noted that it was a Penn grad, **Walter O'Malley, C'26**, who moved the Dodgers to Los Angeles after the 1957 season and in so doing broke the hearts of generations of Brooklynites — but in so doing brought major league baseball west of the Mississippi for the first time. And O'Malley's Wharton-grad son, **Peter, W'60**, ran the flagship franchise from 1970-98, becoming one of the most beloved owners in big league history, paving the way for baseball in the Olympics and overall internationalization the sport that we now take for granted.)

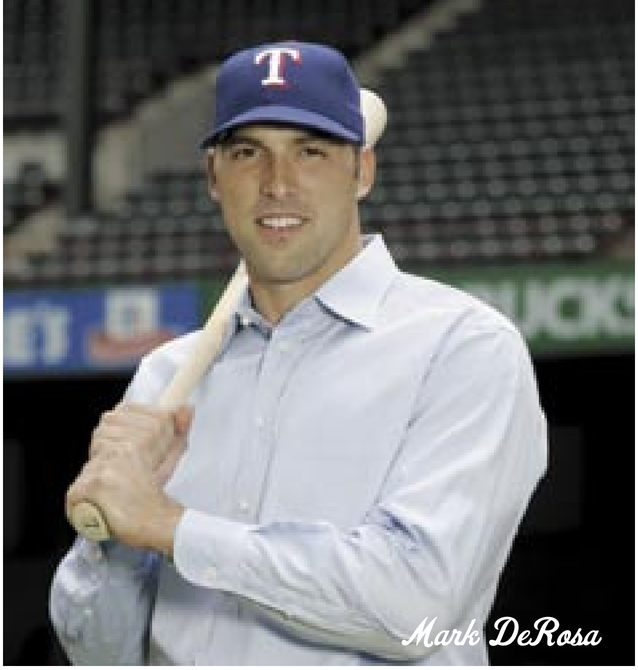
For all baseball's romantic virtues, though, Castellini insists on bringing to the Reds a disciplined business sense, lessons he said he learned way back at Wharton. (Early results were encouraging: the Reds, longtime small-market doormats, started this season 23-12 as one of the best teams in the National League.) He wants to build his roster through the farm system, understanding that it's far more efficient to develop your own capital (minor leaguers) than to compete for it on the open market (major league free agency). He's big on hiring the right people and empowering them to do their jobs unfettered. And he doesn't mind a little Wharton networking either — after noticing the gorgeous spring-training facility that Montgomery got built in Clearwater, FL, for the Phillies, Castellini chatted with him about doing the same for a new Reds complex someday.

"Wharton gave me a lot of confidence to go out and tackle almost any business challenge I encountered," Castellini said. "Baseball is a terrific challenge and a unique industry, but it has a lot of things in common with the ABCs of business."

Putting Stats Class TO GOOD USE

If you can't own a ballclub — and even Wharton grads can have a hard time scraping up the requisite $250 million — the next best thing is to run one as the general manager, making trades, signing free agents and generally finding your face on talk-radio bullseyes year-round. Young Ivy Leaguers with little or no baseball experience have become en vogue these days, with several becoming general managers: Jon Daniels (Rangers, Cornell), Paul DePodesta (Dodgers, Harvard), Theo Epstein (Boston Red Sox, Yale) and Mark Shapiro (Cleveland Indians, Princeton). No Penn grads yet, but if Jeff Luhnow keeps rising in the Cardinals' front office, it won't be long.

Luhnow entered baseball in 2003 after starting two companies from scratch, and brought that entrepreneurial mentality to an industry that, ideologically, is about as progressive as a glacier. Baseball folks typically like doing things as they've always been done, and Luhnow, now 39, was hired by the Cardinals in part to shake up an organization that wanted new ideas. He now runs their scouting operation, heading up the evaluation of high school and college amateurs, manages an international talent pipeline from the Caribbean and elsewhere, and oversees a department that



BRAD NEWTON

Mark DeRosa

evaluates all players, including major leaguers, through sophisticated quantitative analysis — all the while seeing those ventures through the filter of a Wharton education.

"When you talk about where to put money as far as players in the amateur draft or internationally or on the major league free-agent market, we think of it as a portfolio of investments," Luhnow said. "They all have different returns and risks associated with them, and you try to find the right mix. It's the same as if you're in a business where you're deciding whether to put money into R&D, or a marketing campaign, or a new manufacturing facility."

While most young executives are dismissed as numbers geeks by baseball traditionalists — of which this industry has never suffered a shortage — Luhnow focuses on the integration of all ideas, new and old, into one operational, decision-making philosophy. His influence certainly hasn't hurt, as the Cardinals won 205 games from 2004-2005, the most in the major leagues, and have an improving farm system.

"I had to start our international program from scratch," Luhnow said. "And I like to think we're doing many things differently than we used to. I still feel like a bit of an entrepreneur."

If Luhnow wants to draft any players from Rhode Island, he might want to stop by the Extra Innings training center in Warwick, opened last year by 1992 Wharton grad **Todd Mascena**, himself a stand-out on Penn's baseball team as a student. And if the Cardinals decide they want a new utility infielder, they can find a ready-made one in yet another Wharton product, current Texas Ranger Mark DeRosa.

A former Penn quarterback and baseball star, DeRosa spent parts of seven seasons with the perennially playoff-bound Atlanta Braves before joining the Rangers as a free agent two offseasons ago. And while he has had some fine major league moments — including a "walkoff" shot to win a game over Baltimore early this season — he still feels like he has to justify his career choice. "I had eight roommates in college," he laughs, "and I probably make the least out of all of them — and I play in the big leagues!" Then again, DeRosa has had one experience those buddies would give up their 401(k)s for.

Now bah-ting . . . Mahk . . . Deh-Roh-sah.

"When I walked into the batter's box at Yankee Stadium in '99, to Bob Sheppard announcing my name in that voice, it was just awesome," said DeRosa, now 31. "I went to games as a kid and I remember him saying *'Dahn . . . Mat-ting-ly'* — and to hear him say my name, it was like, 'God, I've arrived.'"

Most of his teammates, DeRosa said, have no idea of Wharton's prestige, and assume that every Ivy Leaguer walks around with glasses and pocket protectors. ("If they went to Smokey Joe's on a Saturday night," DeRosa chuckled, "I think it would change their image of what going to Penn is about.") But they'll sure be glad DeRosa has his Wharton degree if, after his career ends, he goes into his brother's financial advisory business and helps manage their considerable earnings. In the meantime, DeRosa is trying to learn about running a club from Daniels — and fitting some Penn-Cornell trash-talking in there, too — in case he chooses to follow Luhnow's lead and pursue a career in a baseball front office.

Game Theory in Practice

Daniels's appreciation for DeRosa's intelligence is mirrored in Boston, where Red Sox brass, a gaggle of young and intellectual thirtysomethings led by Yale's Epstein, signed Searles this offseason in the hope he can contribute to their bullpen staff within a few years. Searles, now pitching at the Red Sox's Double-A Portland (Maine) affiliate, took a rare route to where he is today — rather than turn to professional baseball full-time either after high school or college, he signed with the Pittsburgh Pirates out of his Long Island high school and played in the minors primarily as a summer job, attending Wharton otherwise as a reasonably regular student. He graduated last December and can now, at age 25, focus entirely on baseball.

Then again, maybe he focuses too much. Like many Ivy League athletes, Searles is accused of being a little too

STEWART SMITH

Jon Searles

cerebral on the field — "thinking too much" in baseball parlance. (Perhaps you recall the Crash Davis line in *Bull Durham*, "Don't think — it only hurts the ballclub.") As Searles puts it half-jokingly, "They can see the wheels turning on the mound. I'm thinking things through. If I was dumb as a rock, I might be in the big leagues by now." But Searles has improved to the point where he has an outside shot of getting a callup to Boston in September, to help the Sox in their pennant push as a righthanded middle reliever.

As Searles wants to escape the minors, a Whartonite one generation ahead of him, Marvin Goldklang, savors every moment of it. "Minor league" has a certain pejorative connotation, but no owner in the minor leagues has had more of a blast operating clubs, and sharing that joy with his community, than Goldklang. When you consider that his main partners include Mike Veeck (whose father, Bill, was known as Baseball's Barnum for his promotional stunts) and comedian Bill Murray, it's a wonder anyone their ballparks pay any attention to the games. From sack races for childen to actual nuns giving massages in the stands to pigs carrying baseballs for the umpires to, yes, Vasectomy Night (in Charleston, SC, one lucky man on Father's Day was going to get a free vasectomy before the local church got, uh, snippy), the Goldklang Group's half-dozen teams have played a large role in the modern minor league boom by teaching everyone to not take baseball too seriously.

"When people come into our ballparks, we view them as customers, not as fans," said Goldklang, who also owns 3 percent of the New York Yankees. "The product is the experience. It's not a baseball product or even an entertainment product. We're in the business of creating positive experiences for people in a manner wrapped around a baseball game."

Did that strategy work? Put it this way: The Goldklang Group's four core franchises (in St. Paul, MN; Charleston; Hudson Valley, NY; and Fort Myers, FL) cost $2.5 million from 1989-1993. They are valued at about $30 million today. And as he manages these holdings, Goldklang views the "minor-league" label as less insulting than liberating, as an opportunity to try things the starched-shirt major leagues can not.

"We know who we are," Goldklang said, "and we're comfortable with who we are."

Another minor league owner, **Bob Friedman, W'61**, concurs. Principal owner for 14 years of Norwich Navigators, a AA farm team for the Yankees until 2004, Friedman now is a limited partner with the team, which is now affiliated with San Francisco Giants as the AA Connecticut Defenders. As a former Penn ball player, Friedman fulfilled his lifelong desire to own a team. He says half the current Yankee team played for him over the years, including Bernie Williams, Andy Petit, and Derek Jeter. "I knew I wouldn't be the next Phil Rizzuto, but this was the next best thing," he said. "It keeps me young."

BEN STECHSCHULTE

Marv Goldklang

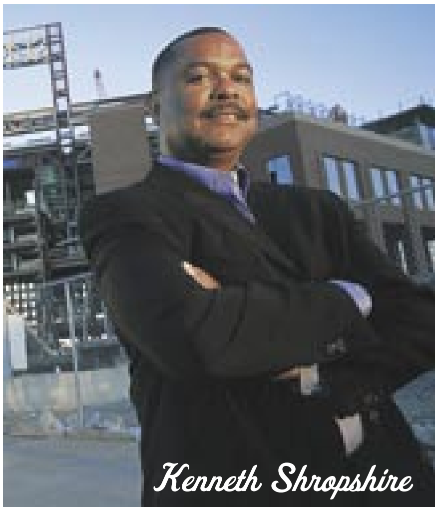
Wharton Takes the Field

To current Wharton students who have yet to figure out who they are, nothing inspires them more than hearing these success stories directly from, and networking with, graduates who came before them. Hence the Wharton Sports Business Initiative and the Wharton Sports Business Club, which together are striving to make Whartonites in the sports-business world more the rule than the exception.

Professor Ken Shropshire keyed the Initiative two years ago in an attempt to help Wharton develop more of a relationship with companies involved in sports, through speaking engagements and consulting projects, and in so doing create more of a pipeline from West Philly to the best sports-related companies and positions. He said that those firms are looking more to MBAs now than they have in the past — rather than having Joe Ex-Cornerback develop sponsorship plans, for example — and Wharton, despite not having a formal sports business program like UMass-Amherst or Ohio University do, can prepare graduates to consider sports business as a legitimate career. Shropshire has already had groups of students work with CBS Sportsline and the National Football League on different projects, exposing each group to the other.

"I think more people than we really understand come to business school and say, 'I need to make a transition and I'm not sure what it is,'" Shropshire said. "And one of the places they can look is at this sports business initiative and see if there's some connection for them."

More than 60 students, about one-third of them women, have a sports business connection enough to join the Wharton Sports Business Club, which just finished its first academic year. Co-president Anne Boviard, a Philadelphia native who, while working in the White House Office for Cabinet Affairs several years ago, served as a liaison with operators of the 2002 Salt Lake City Winter Olympics, said that pow-wows with sports executives aren't always encouraging about joining the industry immediately.



"The advice that we often get from sports companies is to go out, build your functional expertise somewhere else — become a true expert in financing, operations, media strategy — and once you've got your expertise that you can bring to the table, come back to us," said Boviard, who will earn her MBA next spring. "They don't have major training programs. They don't have those kinds of resources where they can take people fresh out of school without specific industry experience and then make them experts. They need people who already are functional experts."

The Wharton grads already thriving in the sports business arena — the Bowmans and Castellinis and Luhnows and Goldklangs and all the others — keep saying how their Wharton educations are what prepared them for success. Listen to them, and they learned almost everything they needed to know in Steinberg Hall-Dietrich Hall. Perhaps the learning curve isn't as steep as people assume.

"While the words have changed and the technology has changed and 10 million books have been written since I graduated, the basic tenets are the same," Bowman said. "Find out what you're doing, do it well, find out what your customers like, and make sure they know you're doing it." Or, as Luhnow put it, "I use the same analytical frameworks I always have. And it all started within the classrooms at Wharton."

It's hard not to see those classrooms, now relocated to Jon M. Huntsman Hall, re-populating the baseball world in even greater numbers moving forward. "Knowledge is everything," Castellini said. "I'd say Wharton really taught me that." For the next generation of baseball Whartonites, his and others' success stories could teach them even more. ◆

Alan Schwarz, C'90, is the Senior Writer of Baseball America magazine.

Revisiting the 'Part-Whole' Relationship of Firms and How It Impacts Competitive Strategy

Professors Daniel A. Levinthal and Nicolaj Siggelkow apply a new lesson from genetics to fundamental management theory.

It's one of the oldest, most fundamental ideas in management theory: that executives should understand how the many distinct functional components of a firm — production, distribution, product mix, human resources — interrelate to achieve the proper fit. For a firm to establish an effective, overarching strategic position relative to its competitors — what management theorists call "firm positioning" — the varied functional elements should, ideally, be complementary and reinforcing.

In recent years, however, this notion of comprehending the "part-whole" relationship of the firm fell out of favor as thinkers turned to other concepts to analyze and explain why organizations are effective. One well-known concept that emerged was the idea that companies could turn to core competencies to attain competitive advantage. Instead of thinking holistically, companies began to embrace the notion that they should, say, benchmark and imitate the best practices of other firms in order to develop these core competencies in their own organization. In that rush many firms forgot to think hard about whether practices that worked so well for other companies would fit well in their firms and, in turn, offer similar benefits.

Now, two members of Wharton's management department, Daniel A. Levinthal, the Reginald H. Jones Professor of Corporate Management, and Nicolaj Siggelkow, Associate Professor of Management, say it is time to resurrect the idea of addressing the part-whole relationship of the firm. Without this systemic way of looking at companies, the researchers say, firms run the risk of engaging in compartmentalized thinking that can lead to the adoption of practices that are a poor fit and work to the firms' disadvantage. The two scholars have addressed issues related to firm positioning and the part-whole relationship of the firm in a number of papers and articles.

"Companies should be cautious about benchmarking or imitating certain policies and practices of other firms," Levinthal warns. "Benchmarking can have value and power. But the implicit assumption in this thinking is that the policy that is benchmarked and adopted is independent of what my firm is already doing. The best human resource management practice for Nordstrom may not be the best for McDonald's. It may actually be dysfunctional."

"Firms that have been able to sustain their competitive advantage for a long while are those that have been very good at managing interdependencies within the firm," says Siggelkow, adding that "the ability to attain and sustain competitive advantage arises from creating systems of interdependent strategic choices. Dell Computer and Southwest Airlines are good examples. If you want to know the source of their strength, it's not just one thing; you have to rattle off 15 things that each does well. Those systemic qualities make it hard for other firms to directly imitate them or straddle them."

"Fitness Landscapes"

The idea that the parts of a firm should fit together to strengthen the whole sounds convincing enough. But how, exactly, can management researchers make progress on more deeply understanding the impact that different structures of interdependencies have on a firm? A different domain of academic research actually has some helpful tools available.

In the field of biology, the part-whole relationship problem is the relationship between an organism's genetic structure, which contains a vast number of elements, and the organism's phenotype (or overall structure of the organism) and, in turn, its fitness. Stuart A. Kauffman, an emeritus professor at the University of Pennsylvania who is now at the University of Calgary, developed a model that allows one to consider analytically the impact of different structures of interdependencies on so-called "fitness landscapes," which map the "genetic structure" to fitness (or, in the world of business, a firm's performance).

Levinthal has been a pioneer in adapting Kauffman's work to a business context. In the absence of interdependencies, landscapes have what Levinthal

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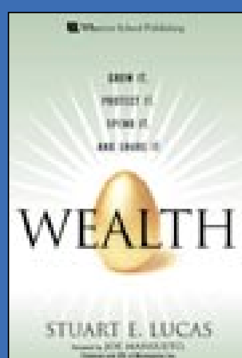
New and selected titles: Summer 2006



Wealth
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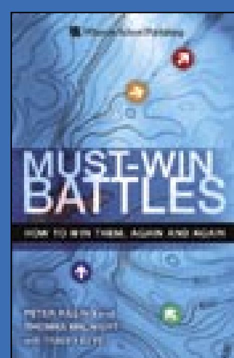
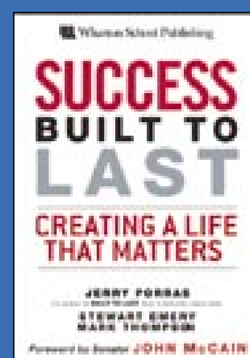


Must-Win Battles
How to Win Them, Again and Again
Peter Killing, Thomas Malnight, and Tracey Keys



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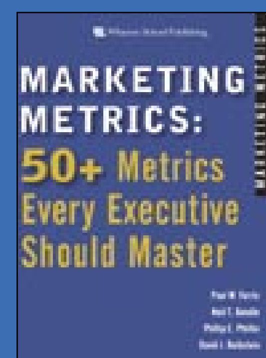
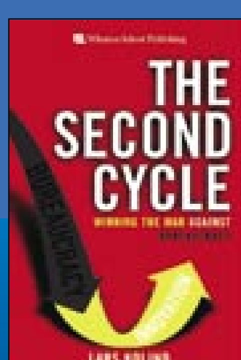


Marketing Metrics
50+ Metrics Every Executive Should Master
Paul W. Farris, Neil T. Bendle, Phillip E. Pfeifer, and David J. Reibstein



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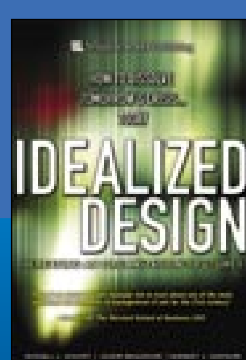
Lars Kolind



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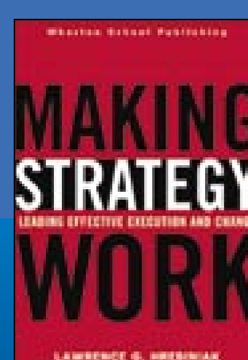

Making Strategy Work
Leading Effective Execution and Change
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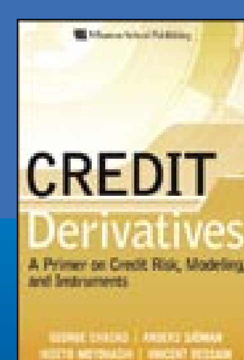

Credit Derivatives
A Primer on Credit Risk, Modeling, and Instruments
George Chacko, Anders Sjöman, Hideto Motohashi, Vincent Dessain

Wharton School Publishing www.whartonsp.com Wharton University of Pennsylvania calls a "single peak." In business, this corresponds to a world in which there exists a set of best practices corresponding to each functional strategy of the firm — that is, the best human resource management policy would not depend, for example, on the firm's production processes, product positioning and functional components. Indeed, practitioners who advocate particular best practices are typically making an implicit assumption that the proposed practice has no interdependence with other firm policies. In this view, the human resource management policy for Nordstrom would also be thought to be best for McDonald's.

Clearly, for most business settings, such interdependencies do exist. Interdependencies result in a performance landscape being multi-peaked — that is, there are multiple distinct configurations of strategy choices that are internally consistent. However, not all local peaks are created equal. A firm could have an *internally* consistent set of choices that is not well suited to the firm's competitive environment — meaning that it is not externally consistent. For example, contrast a hub-and-spoke carrier such as United Airlines versus a point-to-point carrier such as Southwest or Ryanair. A distinct set of choices regarding route structure, pricing and operations management correspond to an effort to optimize the business system for each way of competing. However, the profitability of the hub-and-spoke business system has declined in recent years relative to that of the point-to-point system. This is an issue of external fit or consistency.

"The presence of multiple peaks — multiple internally consistent ways of competing — poses a challenge for firms that choose to adapt their strategies or strategic positions," according to Levinthal. "Any incremental movement away from their current set of choices will, in fact, be dysfunctional — a movement 'downhill' on the performance surface. Thus, for a hub-and-spoke carrier to adopt a limited set of policies from the high-performing Southwest business model may actually drive down the firm's performance."


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Effective change would require that the hub-and-spoke carrier shift to an entirely new configuration of strategy choices about how the firm competes. As a result, a firm is often a prisoner of its prior strategic commitments. For instance, the challenge that a company like Hewlett-Packard faces in possibly imitating Dell Computer's business model is not just the complexity of Dell's build-to-order business system but HP's existing relationships with resellers and retail channels.

"One danger is the implicit assumption that what's good for you is good for me, but the other treacherous risk of companies imitating each other is that they all are racing to the same peak in the landscape," Siggelkow explains. "The more firms that crowd on the same peak, the more that peak's height will decline as all the companies will look the same because they are all engaged in the same activities. This process is known as strategic convergence. Copying best practices may make you more efficient, but it will also make you look more like your competitors, and thus is quite unlikely to be a source of competitive advantage."

Big Change in the Brokerage Industry

Unlike biological organisms, managers make conscious strategic choices about how they wish to compete. At the same time, the array of positioning choices that must be made is generally extensive and the nature of interdependencies among these choices often subtle and not fully understood by management. This raises a number of challenges. For instance, can a company simply tell its marketing department to specify the policies explicitly germane to the marketing function with little attention to choices in, for instance, manufacturing? Or does the company need to manage these choices in a more coordinated manner? Answers to these questions require deeper understanding of the role played by organizational structures and the use of cognitive shortcuts, both research topics of Levinthal and Siggelkow.

Continued on page 36

How to Measure Marketing Success, How to Make Strategy Work

Wharton-connected authors release new titles on marketing metrics and strategy implementation.

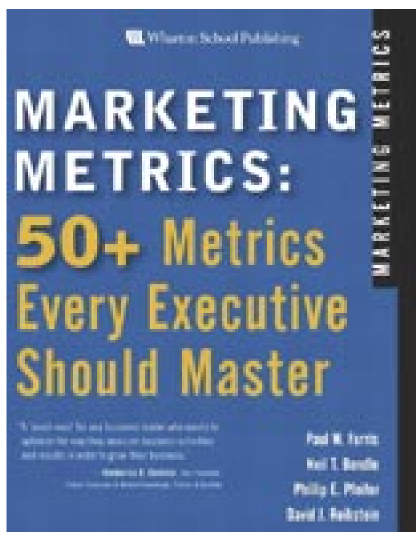
Who says summer reading should be ephemeral? Wharton School Publishing introduces two new titles that can have year-round impact on your business. First, David Reibstein, Wharton's William Stewart Woodside Professor and Professor of Marketing, offers a refresher and an update to his popular marketing strategy courses. Or take a broader look at strategy with *Must-Win Battles*, co-written by two Wharton MBAs: **Thomas Malnight, WG'79**, Professor of Strategy and General Management at IMD, and **Tracey Keys, WG'95**, a consultant and manager with 20 years of experience working on complex strategy and organizational issues.

Numbers That Matter: Marketing Metrics to Transform Your Business

Marketing Metrics: 50+ Metrics Every Executive Should Master
By Paul Farris, Neil Bendle, Philip Pfeifer, and David Reibstein
Wharton School Publishing (2006)

John Wanamaker's legendary Philadelphia department store is long gone. But its founder's rueful words still echo in the ears of executives everywhere: "Half the money I spend on advertising is wasted; the trouble is, I don't know which half." You wouldn't tolerate that level of mystification elsewhere in your business. And, according to the authors of *Marketing Metrics: 50+ Metrics Every Executive Should Master*, you shouldn't accept it in marketing, either.

This new Wharton School Publishing book aims to present the entire modern toolbox of marketing metrics, showing what each metric can (and can't) measure, how to use it — and how *not* to use it, too. The book details how to measure share, margins, profitability, products and portfolios,



the value of individual customers and prospects, sales force performance and compensation, distribution issues, pricing, promotions, conventional advertising, media planning, Web media, e-commerce sites, even brand value.

This book's breadth is a reflection of its authors' experience as academics and as consultants in a wide range of industries. Wharton Professor of Marketing David Reibstein, co-founder of Wharton's CMO Summit, created Wharton's pioneering executive education course on marketing metrics. Phillip Pfeifer teaches marketing and quantitative analysis at the University of Virginia's Darden School; down the hallway from him, Paul Farris leads advanced research on building coherent systems for evaluating business and marketing metrics. Co-author Neil Bendle's marketing measurements for the U.K.'s Labour Party have helped Tony Blair retain his office.

Their book is more than a reference to individual metrics, or a plug-and-play "cookbook" (though many marketers will doubtless use it that way). It's best read as a guide to creating a complete dashboard of metrics, then using them to gain multiple perspectives, minimize error, and "triangulate" better strategies.

For each category of metric, the authors start with the simplest examples, then incrementally introduce more subtle and revealing measurements. For instance, their chapter on customer profitability begins with counting how many customers you serve (admittedly, not nearly as easy as counting units).

Building on this, the book describes how to evaluate the past financial performance of any customer relationship. Next, it looks forward, projecting the much-discussed "customer lifetime value." Finally, and most important, Reibstein and his co-authors relate how to use that information to inform decisions about retention and prospecting. Similarly, the authors' pricing chapter begins with relatively simple calculations of *price premium*: the percent-

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age by which a product's selling price exceeds (or falls short of) a benchmark. They move on to price optimization — including determining the likely impact of a potential price increase. Many marketers are familiar with price elasticity, of course. But when it comes to reflecting competitors' responses, most fall back onto intuition. This book shows how to bring rigor to those calculations, as well.

Marketing Metrics is especially strong when it comes to helping managers identify hidden snares that can compromise their analyses. Take a basic (but crucial) example: measuring market share. First, define the market you're measuring — but not too broadly (diluting your focus), *or* too narrowly (missing opportunities and emerging threats).

Having established scope, define data parameters and timeframes with equal care. As the authors observe, "Different methods may yield not only different computations [of share] at a given moment, but also widely divergent trends over time." (GM's 25% market share can mean *very* different things, depending on context.)

You'll also need to weed out "noise," such as the effects of recent promotions. Finally, there may be biases buried in "objective" data: for example, customer-reported usage surveys that skew towards well-known brands.

Senior marketers must coordinate closely with other areas of the business, typically using the language of finance. This book gives a foundation for doing so, reviewing essentials like ROI and EVA, and introducing nascent attempts to measure Return on Marketing Investment (ROMI). The authors also show how marketing metrics can augment traditional financial metrics, uncovering emerging problems and hidden opportunities, and shedding light on future financial performance. Right now, mastery of this book's metrics can powerfully differentiate marketers in most organizations. Soon, however, this expertise will be demanded, not merely welcomed. Senior-level marketers will need "not only familiarity, but fluency... [they] should be able to perform relevant calculations on the fly — under pressure, in board meetings, during strategic deliberations and negotiations."

When marketing is roughly as measurable as anything else, it ought to be roughly as manageable, too — and the leaders of the marketing function will have gone a long way towards earning the board-level credibility they crave.

Why Do Talented Executives Produce Mediocre Results? Practical Answers to Strategic Ills

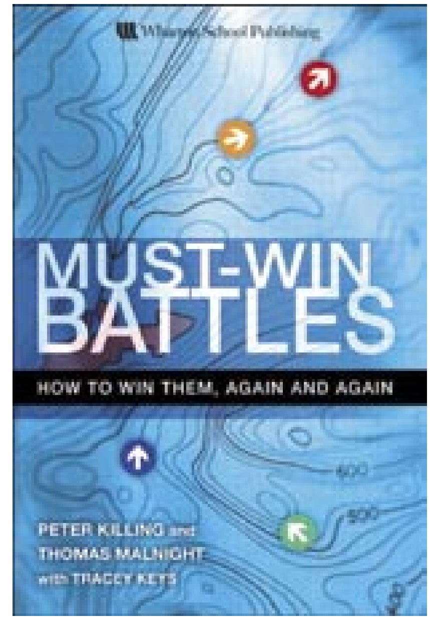
Must-Win Battles: How to Win Them, Again and Again

By Peter Killing and Thomas Malnight, WG'79, with Tracey Keys, WG'95

Wharton School Publishing, 2006

Most businesses find that complexity jeopardizes strategic focus. Every product, customer, and market begets its own list of priorities. Year on year, these multiply. Another month, another initiative. The result is that corporate initiatives become generic wish statements such as double-digit growth or "being more innovative." To quote from *Must-Win Battles* by Peter Killing, Thomas Malnight, and Tracey Keys, "how could we have such talented executives producing such mediocre results?"

In this book, the authors provide a solution. Their contribution to strategic thought is that success depends on focus and an organization-wide commitment to that focus. They argue persuasively that getting out of the complicated tangle of ever-multiplying priorities to make strategy *work*, i.e. deliver results, requires a multi-faceted approach. Defining strategic priorities is just part of the equation. Priorities only become real when people across



the organization give them full support. A great strategy with no commitment goes nowhere, but a great team without a clear sense of direction will do no better. And without strong, authentic leadership at many levels of the organization, even both together are not sufficient. All three elements — strategy, team, and leadership — must be tackled simultaneously.

The requirement is clear. *Must-Win Battles* provides a practical guide for establishing, agreeing on, and implementing just three to five must-win battles (MWBs) you must win to achieve your most important goals. "Lots of priorities are no priorities" (write that down on a Post-It note and stick it on your next set of strategy papers).

Phase I is a top management team kick-off to discuss, debate, and select the MWBs and build shared commitment to making them happen. The emphasis on preparation is essential — too often initiatives fail because executives feel the need to jump into action before thinking the issues through adequately. Chapters 4, 5, and 6 set out a clear, practical agenda for the management off-site event, complete with proposed exercises, discussion points, and reality checks. One idea is to paper the walls with analytical summaries and customer feedback rather than passing out reports. The format makes it easy to incorporate the information into normal conversation without scrabbling to find page references in the binder.

Wisely, the authors suggest that to get to three to five key battles, you should begin by generating many more possible MWBs. Not only does this provide more options, it also brings in more voices to the conversation. To gain commitment you need everyone to feel their voice is heard and has impact. It is a useful reminder that demanding and self-determined performance challenges will create stronger teams hungry for success, far more effectively than any number of team-building exercises. The authors strongly advocate ending the kick-off by affirming the team's shared commitment to the chosen battles, and to the behaviors that will be needed to underpin them. The "spotlights" process puts every team member in the hot seat to receive feedback on their own statements of actions, behaviours and support needed. It is powerful stuff.

However, establishing the battles is just the start of improving performance. The authors write, "Change cannot occur if it only involves those at the top. Success requires that everyone buys into the journey, understands their contribution to the battles, and the new behaviours."

The book's Phase II lays out a specific, cross-functional approach to successful execution with useful tools for communicating the new agenda and aligning the organization behind it. Giving positive messages on areas of focus is vital, as is constant reinforcement across the organization to motivate people. But it is also critical to stop those initiatives that are not central to the new agenda — remember: "lots of priorities are no priorities." And that's tough. Faced with the challenges of keeping the momentum going to win the battles, leaders would do well to heed the pragmatic insights peppered throughout phase II. In particular, the chapter written with Kees van der Graf of Unilever offers interesting ideas, as well as a large dose of honesty about how to keep people on-side.

Must-Win Battles delivers on the promise of its title: a practical guide for executives who want to improve performance. As the authors write, "Over time, individual battles will be won or lost: the enduring victory that drives further success is in the new ways of working together that emerge from the must-win battle process. You start by winning battles; you end by transforming your organization." ◆

Knowledge@Wharton Continued from page 32

"Managers will make efforts at ... theorizing about what might constitute more or less effective basic positioning choices but subsequently will need to flesh out and elaborate these basic choices and in many instances may find these basic choices misguided," notes Levinthal.

In addition, the competitive environment may change drastically. Consider the upheaval that has transformed the brokerage industry in recent years. What once was a sensible set of positioning choices for a retail brokerage firm prior to deregulation of the industry and the emergence of the Internet is no longer viable.

For decades brokers' compensation was based on making securities trades for customers to generate commissions, a model that motivated some brokers to churn clients' assets. Brokers' commissions were not what researchers call a "choice variable." Commissions were a given; brokerages created the commission-based system to drive transaction volume. However, the real value-added provided by the brokers was the advice they provided their clients, Levinthal says. "In the 1980s and 1990s, in response to the opportunity provided by deregulation and customer dissatisfaction with the current system, Charles Schwab and other discount brokerages came along and created a consistent transactional system. Today, full-service brokerage firms have moved away from the commission-based model to a relationship-based one where revenues are derived from a percentage of the level of assets a client has at the firm. That has been a big change for firms that had done business the same way for 60 years."

To get conceptual traction with these complex problems, Siggelkow and Levinthal have developed a number of agent-based simulation models, representing a new tool in management theory and practice that can be used to create performance landscapes and that allow the study of ways of managing interdependencies.

"We are trying to model firms as agents with different properties and trying to use landscapes to see how they are performing," Siggelkow notes. "We think our work in agent-based modeling has rejuvenated this area of management research. We know choices have to fit together but the question is how. Agent-based modeling allows you to see how well firms are able to solve these highly interdependent decision problems." ◆

First published by Knowledge@Wharton
May 17, 2006

Alumni Association Update

A Record-Breaking Reunion, A Welcome to New Board Members

TOMMY LEONARDI

Vige Barrie
CW'74, WG'76

Dear Fellow Alumnus,

This year's reunion weekend was a great success, breaking all records for attendance and giving. I hope those of you who were in attendance for all or part of the four-day-long celebration found it as enjoyable, entertaining, and educational as I did — despite the occasional downpours. Thanks go especially to the members of the alumni affairs office who seemed to work around the clock to ensure that each event ran smoothly as well as to the faculty members and alumni who presented a series of engrossing continuing education programs. As a 30th year celebrant, I so appreciated the opportunity to visit with many of my former classmates.

Just prior to the beginning of the reunion weekend, the Wharton Alumni Association Board gathered for its last meeting in this academic year at which we confirm new members for the board. We were fortunate to have received the largest number of board nominations ever, and the nominations committee was faced with a challenging task in creating the slate for board approval. Our goal was to identify nominees who demonstrated experience and engagement in alumni activities as well as who reflected the broad diversity of our 81,000-plus alumni body. We confirmed a slate that included six three-year members and four one-year chair appointees. Their names are included in the list on page 41. They hail from Istanbul to Minneapolis, from the 1970s to recent classes and include undergrads, MBAs, and WEMBAs [now the Wharton MBA Program for Executives].

Board members will continue to work on their committee goals throughout the summer in preparation for our October meeting and the Alumni Leadership Conference. The conference is an annual gathering of club and reunion leaders offering an opportunity to share best practices and to learn about new resources available via the Alumni Affairs office.

In the meantime, I hope many of you will be able to travel to Rio de Janeiro to attend the final Global Alumni Forum of the summer. And, as always, I welcome your suggestions and comments at any time.

Vige Barrie

Vige Barrie, CW'74, WG'76
Chair, Wharton Alumni Association
Business: 315.859.4623
E-mail: vbarrie@hamilton.edu

Club Spotlight: Middle East

The New Wharton Middle East Club Serves a Thriving Business Community

Over the past few years, the Middle East has been one of the world's most active emerging markets. Changing geo-politics and high levels of liquidity driven by rising oil prices, accompanied by local economic reforms, have fueled the growth of this region and bolstered its business environment. The finance, real estate, petrochemicals, and services sectors have all been thriving, and are providing attractive career opportunities for talented business professionals. As a result, there has been a significant inflow of both local and expatriate talent, including Wharton graduates.

An Active Regional Club

With the growth in the number of alumni in the region, current students and alumni have been working to tighten the links with the School. The hard work of many dedicated individuals, led by **Fadi Abou-Arbid, WG'03**, and **Raymond Noujaim, WG'02**, finally resulted in the School's approval of the Wharton Middle East Club (WMEC) in February 2006. The Club has three goals: 1) to provide a forum for interaction amongst alumni in the Middle East, 2) to foster strong bonds between alumni in the region and the School, and 3) to increase the name recognition and prestige of the School in the region. The Club will offer a wide range of social, educational, and career development activities throughout the year. Its first official event was the Wharton Alumni Global Forum in Istanbul, held in June.

To organize these activities, the Club will rely on the 150 to 200 Wharton alumni living in the Middle East, as well as the more than 500 alumni from the Middle East living outside of the region. Anyone with Wharton alumni

WHARTON MIDDLE EAST CLUB

Fadi Abou-Arbid, WG'03, Ghassan Barrage, WG'78, Hala Ghandour, WG'04, Rami Ghandour, WG'03, and Karim Farra, WG'04, at a reception in Beirut, Lebanon

status — undergraduate, graduate, or special programs — is encouraged to join. The Club will be a nonprofit association managed by officers elected by the membership and committee members who serve on a voluntary basis. Members are welcome to participate in this management process.

Wharton's Growing Regional Presence

The Wharton School has long recognized the importance of the Middle East region, and has been expanding its presence there. The following are a few notable achievements:

- The Wharton School added two prominent Middle Eastern businessmen to the Wharton Executive Board — **Mohammed Alshaya, WG'84** and **Hassan Yamani,WG'83**.

- The University of Pennsylvania's Lauder Institute of Management and International Studies added an Arabic language track, which includes a two-month stay in Morocco learning the culture and language, and visits to leading companies in Dubai and Abu Dhabi.

- The Wharton classes of 2003 and 2004 had the largest-ever enrollments of students of Arab descent

- In 2005, the Wharton Family Alliance chose Dubai as the location for its first official meeting.

- Since 2003, three Admission receptions have been held in the region (in Cairo, Beirut, and Dubai). Each reception was attended by a representative of the School's Admissions Office.

- In February, the School gave its final approval of the Wharton Middle East Club.

- In May, Dubai World announced the launch of Dubai Leaders Program, a leadership initiative aimed at building a corps of leaders, in collaboration with the Wharton School.

- In June, the Wharton Alumni Global Forum for Europe, Africa, and the Middle East was held in Istanbul.

The WMEC is off to a great start, and is looking forward to a bright future of growth and opportunities for Wharton alumni living in, or originating from, this thriving region. For more information about the Club and its activities, contact its START-UP committee members: Fadi Abou-Arjid at fadi.abou-arbid.wg03@wharton.upenn.edu, or visit WMEC's website, **<www.whartonme.com>**.

Club Spotlight: Greece

Wharton Club of Greece Joins With Peers to Create Larger Network

Networking is about expanding contacts through a broad net of acquaintances, but until 2005, the Wharton Club of Greece formed a tightly closed circle. While the Club started its operations in 2003, the limited number of Wharton graduates in the small European country prevented the club from holding big events. In order to open up the network and have a bigger impact, in 2005 the leaders of the club invited other "small" alumni clubs of prominent U.S. and European universities and graduate business schools to join in activities. A powerful new network was created.

A total of 17 alumni clubs (Babson, Bocconi, Boston University, Columbia, Georgetown, Harvard, INSEAD, Kellogg, LBS, Michigan, MIT, Northeastern, NYU, Oxford, University of Pennsylvania, Stanford, and Wharton) joined forces and formed the Coordinating Committee of Alumni Associations. The single loose association created a large network of graduates who share a common business culture, who care about their professions and their careers and who want to see their country, Greece, become more involved on a world stage.

An Outward View

The first joint event was held a year ago on July 6, 2005, at the Hilton Athens Hotel. Entitled "Extroversion as a Factor of Modernization and Development," the half-day conference included speakers from the government, NGOs, the diplomatic corps, and the academic community, as well as the business community. Greece is currently engaged in an effort to modernize, and alumni members who have lived and studied

Alumni Association Update

abroad have the outward-looking mentality that is the first prerequisite for modernization.

The conference was attended by more than 500 people. The opening remarks were made by the Leader of the Opposition, Andreas Papandreou, the guest speaker at the dinner was the Minister of Economy G. Alogoskoufis, while the closing speech was given by **Christian Hadjiminas, WG'83**, president of the Wharton Club of Greece.

WHARTON CLUB OF GREECE

E. Papakonstantinou, a chemist-engineer who directs conservation at the Acropolis, discusses her work in the context of the 2005 event, "Extroversion as a Factor of Modernization and Development."

WHARTON CLUB OF GREECE

Christian Hadjiminas, WG'83, president of the Wharton Club of Greece, at the first joint event held by the Coordinating Committee of Alumni Associations in Greece.

The Network Grows

Following the success of the first event, the association grew to 21 alumni clubs with the addition of Tufts, Yale, Princeton, and LSE. The 2006 conference, "Education & Extroversion," was held June 18, 2006. The new conference highlighted the ways education influences and enhances competitiveness, pointed out the obstacles in the Greek educational system that prevent the achievement of this aim, presented successful educational systems from foreign countries but mainly to propose a number of "small, feasible, and immediate" actions that can upgrade education in Greece in a manner that can contribute to the country's effort to become more extroverted and competitive.

The Wharton Club of Greece has found its outreaches are paying off. The club has grown to 38 members, and plans to hold an event in November, inviting a Wharton faculty member to speak, as well holding its annual Christmas party in December.

Says Hadjiminas, "We are happy to say that despite its initial modest beginnings with a maximum participation of 10 to 15 members, the Wharton Club of Greece has now become a well-known alumni club in Greece and a coordinator of 21 alumni clubs, with an active membership that exceeds 1,500 persons."

Save the Date!

Reunion Weekend 2007 is set for Thursday, May 10 through Sunday, May 13, 2007. **<www.wharton.upenn.edu/alumni/reunion>**

Club Spotlight: Southern California

The Wharton Club of Southern California Redefines 'Active' With an Ambitious Slate of Activities

Who says the California lifestyle is relaxed? The Wharton Club of Southern California has put together one of the most active, varied programs for an enthusiastic and growing membership of 3,000 area alumni. In the past 18 months, club president **Meesh Joslyn, W'93, WG'98**, **Jerry Kornblau, WG'86**, and a devoted core of volunteers have planned something for everyone — topical speaking events featuring faculty and alumni, targeted networking opportunities including C-Circle, Real Estate, Wharton Women, and Media & Entertainment, and (naturally) beach and golf parties.

An Event for Every Career

Events are scheduled throughout Los Angeles and Orange County. A partial list of 2006 gatherings includes:

- The Investment Outlook for 2006 panel discussion
- "Running a Non-Profit" featuring **Hope Wohl, WG'92**, President of breastcancer.org
- Panel on *The Mommy Wars* moderated by author **Leslie Morgan Steiner, WG'92**, featuring **Amelia Tyagi, WG'96**, **Carla McLoughlin, WG'96**, and **Laura Brand, WG'99**
- Media and Entertainment panel moderated by Professor Pete Fader, featuring **Nick Franklin, WG'96**, SVP International Development, Walt Disney Parks & Resorts, President, Walt Disney Attractions Japan; **Josh Resnick, WG'93**, President & co-founder, Pandemic Studios, LLC; **Mark Pearson, WG'99**, SVP, Brand & Franchise Management, 20th

Century Fox Television; **Larry Tanz, WG'99**, CEO, LivePlanet.

- Demographic Shifts and Real Estate panel
- Gutsy Women and Savvy Entrepreneurs event co-hosted with HBS
- Speaking event with *Passion at Work* author **Lawler Kang, WG'96**
- M&E brownbag lunch series, featuring **Dan Smith, WG'86**, VP Production, Playboy Entertainment
- Entrepreneurs roundtable featuring **Chris Rothey, W'96**, COO and co-founder, Traffic.com
- Wharton/Penn Summer Dinner at Big Canyon Country Club in Newport Beach
- Wharton Women Potluck Dinner in Santa Monica

Finally, most importantly, the group hosts monthly happy hours and invites applicants and students to join in. End-of-summer events will include the 3rd Annual Wharton/Penn Summer Dinner in Santa Monica on July 25 and an Inaugural MBA Masters Golf Classic at the Robinson Ranch Golf Club on July 29. For more information, visit **<www.whartonsocal.com/>**.

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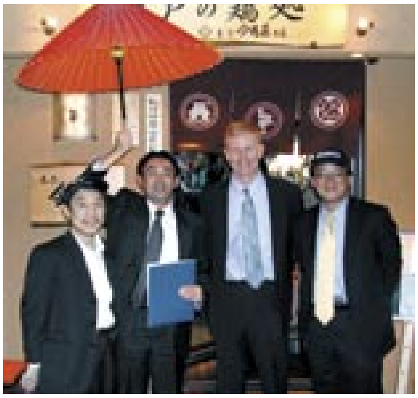
WHARTON CLUB OF SOUTHERN CALIFORNIA

Chuck Bush, WG'01, Ben Katz, WG'02, and K.W. Low, WG'01, at the Wharton SoCal monthly happy hour in Beverly Hills.

WHARTON CLUB OF SOUTHERN CALIFORNIA

Nick Franklin, WG'96 and Mark Pearson, WG'99, at the 2006 Media & Entertainment Panel in Burbank, CA, on March 30, 2006.

Alumni Association Update



WHARTON CLUB OF JAPAN

Yoshinori Sato, WG'96; Shegenori Araki, WG'96, Montgomery Harris, and Ken Nakamura, WG'96 at the annual meeting of the Wharton Club in Japan.

Club Spotlight: Japan

The Wharton Club of Japan Celebrates Long Ties at Annual Meeting

Connections between Wharton and Japan stretch back to Wharton's beginnings. One of the five men in Wharton's first graduating class in 1884 was **Shiro Shiba**, who later became a member of the Japanese Diet. With such a long intertwined history, it's only fitting that the Wharton Club of Japan recognized the Wharton 125th anniversary with its 2006 Annual Meeting (So-kai), in an event that recognized Wharton's past, present, and future.

Keisuke Muratzu, WG'75, President of the Wharton Club of Japan, welcomed a total of 110 alumni to the meeting. In addition, 18 prospective students in attendance were able to see the power of Wharton's alumni network in action. The event, held at Top of the Square, UTAGE, in Tokyo, was also attended by Montgomery Harris, Wharton's Associate Director, Regional Programs; **Thomas Caleel, WG'03**, Director of MBA Admissions, and **Matthew Greene, WG'89**, Managing Director of Utendahl Capital Partners, LP, and a member of the Wharton Graduate Executive Board.

Toshihiko Okiayu, WG'00, Chief Secretary of Wharton Club of Japan served as Master of Ceremonies for the event. The meeting committee included **Yasuko Ono, WG'01**, and **Shinji Okumura, WG'90**, while Wharton alumni **Keizo Tsutsui, WG'98**, of Dream Incubator Inc., **Iwao Tomita, WG'63**, of Tohmatsu /Deloitte Touche Tohmatsu, and **Toshio Iwasaki, WG'70**, of Cresco Ltd. were individual sponsors.

The club's next event will be held in Osaka. For more information, contact **<minako_shimanuki@wharton.upenn.edu.>** ◆

Upcoming Alumni Club Events

July 25, 2006

The Wharton Club of Southern California will hold its 3rd Annual Beach Dinner Party at the Jonathan Club in Santa Monica from 6 p.m. to 10 p.m. Penn and Wharton Alumni, current students, incoming students, and faculty are invited.

August 10-11, 2006

The Wharton Club of Brazil hosts the Global Alumni Forum in Rio de Janeiro, Brazil. Visit **<www.whartonrio06.org>** for more information.

September 28, 2006

The Wharton Club of New York will hold a black-tie Joseph Wharton Dinner, reviving an old tradition in celebration of the Wharton 125th Anniversary.

October 19, 2006

The Wharton Club of Western Pennsylvania hosts a Pre-Election Economic Preview featuring Stuart G. Hoffman, Senior Vice President and Chief Economist at PNC Bank. The morning event runs from 7:30 a.m. to 9 a.m. at the Duquesne Club in Pittsburgh.

November 14, 2006

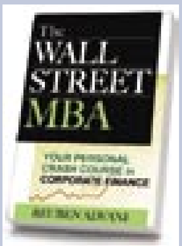
The Wharton Club of Southern California invites alumni to the 5th Annual All-MBA Holiday Party of the MBA Alumni Alliance of Southern California (MAASC). Beginning at 6:30 p.m., the event will be held at the Friars Club in Beverly Hills.

December 7, 2006

The Wharton Club of Switzerland plans its year-end lunch at the Mövenpick Beef Club in Zurich, beginning at noon.

For a complete, up-to-date list of events, visit **<www.wharton.upenn.edu/alumni/clubs/>** or your regional club's website. To have your club's event included in the Fall issue (mailing at the end of October), please send the listing to **<magazine@wharton.upenn.edu>** by August 18.

Recent Alumni Books



The Wall Street MBA: Your Personal Crash Course in Corporate Finance

By Reuben Advani, WG'01
McGraw-Hill (2006)

"*The Wall Street MBA* distills a broad swath of corporate finance and financial reporting concepts into a concise, practical and easily accessible format."

– Robert Borghese, author of M&A From Planning to Integration

A Practical Guide to Software Licensing for Licensees and Licensors

By H. Ward Classen, WG'90
American Bar Association (2006)

"Ward, an experienced practitioner who understands software licensing thoroughly, provides excellent practical advice and new ideas for handling software licensing issues ... definitely a must-read and must-have for the practitioner."

– J.T. Westermeier, Partner, DLA Piper Rudnick Gray Cary

The Change Function: Why Some Technologies Take Off and Others Crash and Burn

By Pip Coburn, WG'94
Portfolio (2006)

The Change Function is an irreverent look at how technology adoption plays out in countless sectors, from computers to cell phones to digital TV recorders. The author is the founder of Coburn Ventures and a former managing director and global technology strategist at UBS Investment Research.

The Little Book That Beats the Market

By Joel Greenblatt, WG'80
Wiley (2005)

"The best book on the subject in years .... Beyond the credibility that comes from someone whose private investment partnership, Gotham Capital, has produced 40 percent a year returns over the past 20 years, Mr. Greenblatt brings an elegant and simple writing style to what can be a complicated subject."

– Financial Times

Leadership Spotlight

DAMIAN DALLA-LONGA, W'06

Shortly before graduation, Damian Dalla-Longa, walked unannounced into the Wharton External Affairs suite for the first time. Undergraduates spend little time in Vance Hall since Jon M. Huntsman Hall opened, and the few who venture into External Affairs are usually lost. But Dalla-Longa had a purpose — he was there to donate his signing bonus to the School that made it possible.

JUSTIN FLAX

Dalla-Longa realized early how much Wharton meant to him. In December 2005, he finished degree requirements for a finance concentration, and his responsibilities as president of business fraternity Delta Sigma Pi were wrapping up. He had accepted a fantastic job offer with Bain Capital in Boston, but he wasn't due to begin until July 2006. A Canadian citizen who had spent a semester in Australia, Dalla-Longa wanted to see more of the world, and took the opportunity to spend three months traveling across Asia and Europe.

"It definitely gave me new perspective," he says. Not only did he learn to appreciate the cultures he was exposed to, but also what he left behind. "Away from Wharton, I realized the value of social relationships — the strong bonds with classmates, the other people in my fraternity. That's what I missed."

When he returned to the United States to participate in graduation festivities, he already had the bittersweet perspective of a young alumnus. Then a colleague who had graduated a few years ago from another school told him that he had donated his signing bonus to his alma mater.

Dalla-Longa's first thought was that it was a lot of money. His second thought was that it was worth it. "I hadn't heard of anyone doing this at Wharton, but I wanted to start something," he says. "I feel very fortunate to have had such a great undergraduate experience at Wharton, and I feel an obligation to reciprocate and give something back to the School."

That's what landed him in Vance Hall that day in May. He has since set up a long-term partnership with Wharton, and plans to donate in many ways for years to come. To maximize the impact of his generosity, he pledged his bonus as an unrestricted gift to The Wharton Fund.

"More undergraduates should consider doing this," he says. "They say they'll donate when they've been working a few years and they're financially stable. I thought, why wait?" After living the unencumbered life of a student and traveler, Dalla-Longa had little to give up. His apartment is barely furnished and the ink on his degree is barely dry, but he's already a Founder in the Benjamin Franklin Society, and a member of the Young Franklins. In fact, he's the youngest member, a peer of alumni with ten years of career success behind them.

"I'm ready," says Dalla-Longa. "I've closed that college chapter, and I'm going to miss it, but I'm ready for the next step. My gift is just a symbol of that." ◆

– KELLY J. ANDREWS