WHARTON
MAGAZINE

‘Go Forth and Do Great Things’

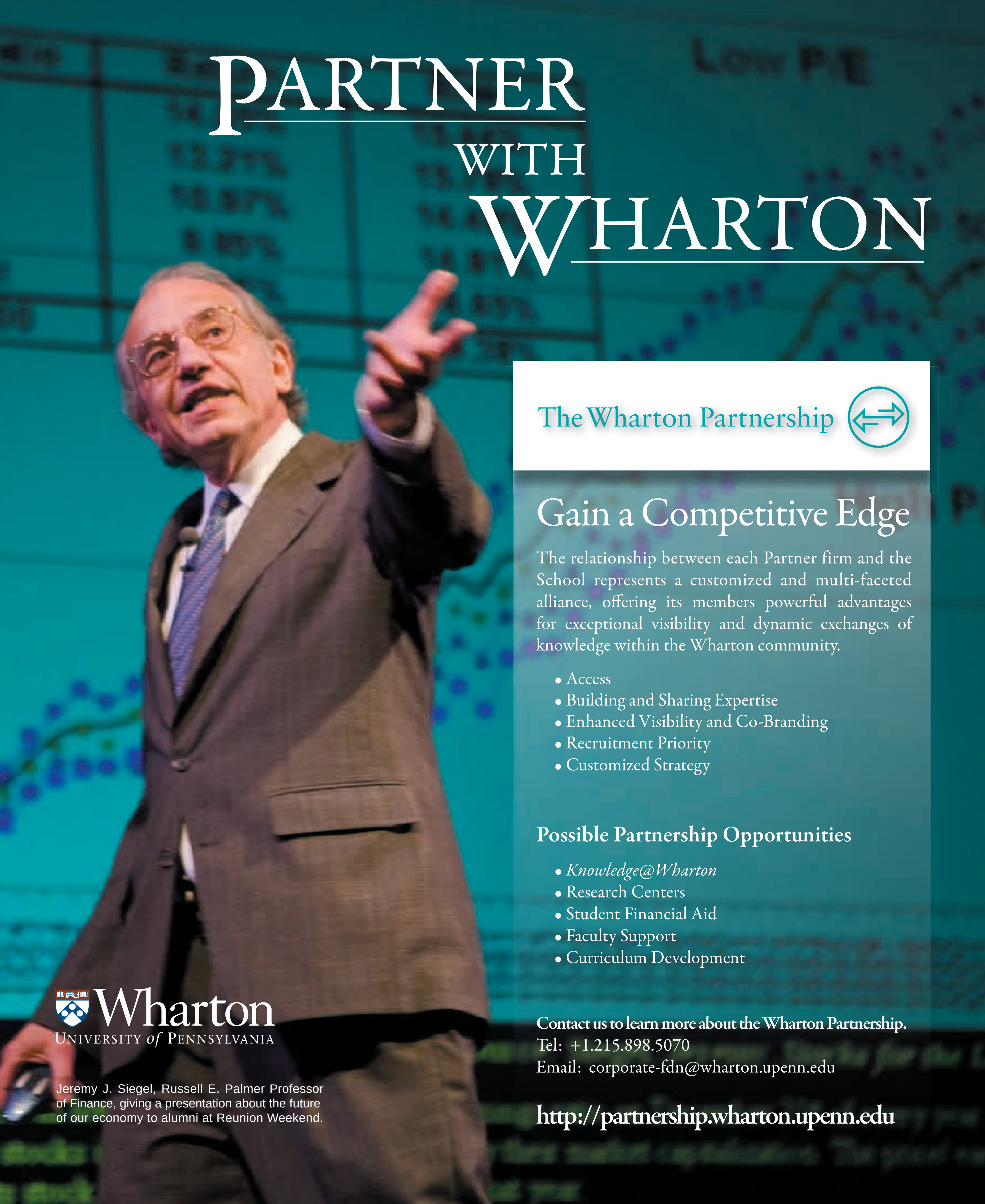
Wharton’s newest graduates get their degrees—and prepare to change the world economy for the better.

MOMENT OF TRUTH
What’s it take to win at the Wharton Business Plan Competition?

THE FUTURE OF BOOKS
Experts and insiders debate what comes next for the publishing industry.

A PLASTIC DISASTER
Doug Woodring, WG’95, is working to clean up a massive oceanic trash heap.

EDITION THREE | SUMMER 2010



Jeremy J. Siegel, Russell E. Palmer Professor of Finance, giving a presentation about the future of our economy to alumni at Reunion Weekend.

Wharton
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The Campaign for Wharton

The Wharton School is pleased to announce
the new *Campaign for Wharton* website and the
2009 Annual Report to Investors, exclusively online:

WWW.THECAMPAIGNFORWHARTON.COM

Browse video snapshots and multimedia stories as our students, alumni, faculty and friends illustrate Wharton's impact on their lives and the world.

PHOTO BY TOMMY LEONARDI

It is one of the most colorful events on the Wharton calendar—the Wharton Charity Fashion Show. Held in late April at the Crystal Tea Room in Center City, this year's event featured 22 student models showing off new designs from such fashion stars as Calvin Klein, Nicole Miller, Stewart + Brown and others. The student-organized show drew 600 guests and raised $8,000 for charity.

Contents

A Message from the Dean

Being a thought leader in business means sharing good ideas as widely as possible, and nothing has furthered this aspect of the School's mission more dramatically than the social media revolution.

Wharton has always been on the vanguard of technological innovation, and these days we are more plugged in than ever thanks to such sites as Facebook, Twitter and LinkedIn. If you aren't already doing so, I encourage you to stay connected as alumni through at least one of these digital platforms. Each is at once a virtual campus, bringing our international community closer together, and a portal to the world, bringing Wharton news and ideas to ever-expanding audiences.

Now more people have access to the latest faculty research, student and alumni stories, and School highlights from across the globe—as well as more opportunities to share their thoughts with us.

Thomas S. Robertson
Dean and Reliance Professor of Management and Private Enterprise

ON THE WEB

Join the Conversation
www.wharton.upenn.edu
Wharton's new website allows visitors to jump directly from the homepage to the to the School's Facebook, Twitter, LinkedIn, YouTube and Flickr pages.

VISIT WHARTON ON ...

Editor's Letter

There are no Gustavus W. Smith Elementary Schools in the South.

Because when history called, Smith refused to answer.

As William and Jacalyn Egan Professor of Management **Michael Useem** explained to an audience during Wharton's 2010 MBA Reunion Weekend, Smith served (for a *very* brief time) as Commander of the Army of Northern Virginia, the flagship army of the Confederate States of America. Smith assumed command of that army on May 31, 1862, just moments after his superior, General Joseph E. Johnston, was badly wounded in battle—and just as his breakaway republic seemed on the brink of collapse.

Michael Useem

It was a perilous time for the Confederacy. The Union Army was closing in on Richmond. A very worried Confederate President Jefferson Davis asked Smith for his plan. The general asked for a day to figure it out. Davis obliged.

Now, if anyone would have seemed fit to tackle the monumental task before him, it was Smith. He had graduated eighth in his class at West Point. He was a decorated veteran of the Mexican-American War. He knew strategy as well as anyone in the Confederacy. And here, in the early summer of 1862, his moment had arrived.

On June 1, just as he had promised, Davis returned to the battlefield. The Union Army was rumbling in the distance.

Again, he asked Smith for his plan.

"Sir, I have no plan to defend the Confederacy," Smith infamously replied. "Do you have any good ideas?"

Suffice to say, Smith's tenure as the South's top commander was short-lived. He was promptly replaced by a little-known, lightly regarded colonel by the name of Robert E. Lee—a man who would go on to repel the Union Army's advance on Richmond, extend the Civil War for two long years and prove himself to be one of the most brilliant—and most *decisive*—Generals in American history.

As Useem explained, what Lee had—and what Smith so clearly lacked—was the ability to make decisions in times of crisis. It is an ability that all great leaders simply *must* have.

Especially today.

Especially in business.

At Wharton, it is plain to see, students are taking Useem's lesson to heart.

A couple days after hearing Useem speak, we here at *Wharton Magazine* interviewed one of Wharton's newest graduates, **Salim Kassam, WG'10**, who had been chosen by his classmates to serve as their Commencement speaker (you can check our video interview with Kassam by visiting whartonmagazine.com). During our interview, we asked Kassam what he thought he would take away from his Wharton experience.

His answer echoed, almost to a tee, what Useem had said two days before.

"What I learned at Wharton was to be fearless in life, to be selfless in life," Kassam said, "and to be willing to take action."

Later that day, Kassam joined 950 of his MBA classmates in receiving their Wharton degrees. The School also handed out 606 undergraduate degrees. These new graduates now enter a troubled financial world, one that will demand not only creativity, fearlessness, selflessness and brilliance, but also decisiveness—decisiveness in the face of great uncertainty.

Eventually, history will come calling for them.

I'm betting that, when their moment arrives, they will be more than willing to seize it.

Sincerely,
Tim Hyland / Editor

ILLUSTRATION BY: KEN FALLIN

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‘Clunky Typewriters?’ Think Again …

Editor’s Note: Our regular “From The Vault” feature from our Spring issue generated enormous reader response. For good reason, too: We here at Wharton Magazine *made a mistake. In the opening sentence of our short piece about Dietrich Hall, we wrote that the pictured students could be seen “typing away” on “clunky typewriters.” At least, we* thought *they were typewriters. But it turns out, they weren’t—and many of our readers wrote in to correct our mistake. We received far too many letters to include in this issue. But here are some of our favorites.*

I read with great interest your short note about Dietrich Hall in the Spring issue of *Wharton Magazine*.

You may be interested to learn that the “clunky typewriters” in the 1960 photo were not typewriters at all.

They were mechanical calculators, which were actually able (believe it or not) to multiply or divide large numbers in a fraction of a minute. They produced their results one digit at a time, but very quickly. This was obviously a great labor-saver compared with doing this type of calculation manually, which is why you see so many Wharton students (all male and mostly with jackets and ties, I noted) taking advantage of the availability of these state-of-the-art devices.

There were two such machines in the early 1950s—Friden (the ones pictured) and Marchant. My recollection is that the Marchants were “clunkier” than the Fridens; so perhaps by 1960 the Fridens were the only ones used.

I should add that Dietrich Hall was indeed a great improvement over the prior site for most Wharton classes, Logan Hall, though I don’t recall any air conditioner as is present in the 1960 photo. I fondly remember an 8 a.m. class in a cramped, non-air-conditioned attic classroom on the top floor of Logan in my pre-Dietrich freshman year.

David Sachs, W’54

Before electronic calculators, before computers, before Excel spreadsheets, there was the Friden. The advent of the electronic calculator quickly obsoleted these heavy, large and somewhat confusing-to-operate machines, which were truly a work of art and science.

Using a system of gears, buttons and levers, the calculating machine could solve complex mathematical problems, in addition to the basic add, subtract, multiply and divide functions. While solving the problem, the machine would shake, rattle and clank while the long bar at the top would move from side to side. They were amazing machines, and worth the time to look up online.

At an accounting firm I worked at during my college years’ summers, we would see who could set up the problem that would take the longest to solve, just to see the machines dance and hear the rhythmic beat of the gears.

Joel Kantor, W’66

I howled with laughter at the sight of the 1960 photograph of Dietrich Hall and [the sentence], “Don’t let those clunky typewriters fool you.” Those clunky *calculators* did fool you!

In addition, my fellow students never came to class so handsomely dressed and well groomed. Perhaps these students dressed for the photo op or were on their way to an interview? Anyone recognize themselves? And note the ashtray on the table!

Thank you for a lively and entertaining magazine.

Brita Skarbrevik, W’58

Those contraptions pictured are (almost certainly) what were called accounting or bookkeeping machines—in effect, large electro-mechanical adding machines with rows and columns of mechanical digit keys like old-time cash registers.

I think they were mostly replaced by electronic adding machines by the early ’70s, though in my early post-MBA career, in the late ’70s and early ’80s, I would sometimes stumble upon one at a vacant desk in my job travels. After plugging it in, for fun (obviously I am easily amused) I would enter something like 999,999,999 divided by 111 and then watch the machine mechanically whirr through the calculation, often taking as long as 30-45 *seconds*!

Send your letters via email to letters@whartonmagazine.com or via traditional mail to: Letters, Wharton Magazine, Wharton External Affairs, 344 Vance Hall, 3733 Spruce Street, Philadelphia, PA, 19104-6360. Letters may be edited for clarity or brevity.

ON THE WEB For more letters visit: www.whartonmagazine.com

The carriage you see at the top of the machines in the photo would move during this process. Even then, I was amazed to realize that these accounting machines were once the cutting edge of our computational technology.

Thanks for sharing this.

D. Craig Blizzard, WG’77

I believe you may have dated yourself in the Spring 2010 edition (as am I now!). On page 10, the “clunky typewriters” shown in “From The Vault” appear to be “clunky adding machines” (aka Friden calculators).

Notwithstanding this historical discrepancy, the *Wharton Magazine* in its revamped format is refreshing and a pleasure to read.

Robert W. Swaney, W’63

Excuse me, but those so-called “typewriters” labeled in your photo are Rotary Calculators, precursors of the electronic version. The guy in the front of the photo is operating a Friden brand and the next man over is using a Marchant.

How do I know? My dad was a regional sales manager for Marchant for 20 or so years in Indianapolis.

Jerrold Asher, WG’54

I was amused by the explanation under the picture taken in Dietrich Hall that the students were using “typewriters.”

As can be clearly seen, those are Friden Electro-Mechanical calculators, not typewriters. Almost no one owned a calculator at that time, and the room was available in Dietrich Hall to work on projects involving mathematical calculations.

Today I have a better calculator that I bought for a dollar at Wal-Mart.

M. Bruce Miner, W’60

'Purpose, pragmatism and people'

Indian Business Leaders Do Things Their Own Way—'The India Way'

BY PETER CAPPELLI, HARBIR SINGH, JITENDRA SINGH AND MICHAEL USEEM

"Purpose, pragmatism and people" aptly capture much of the essence of the India Way. Composed of a mix of organizational capabilities, managerial practices and distinctive aspects of company cultures, the book identifies what makes Indian enterprises different from firms located elsewhere. This essence is characterized by four principal practices: holistic employee engagement, improvisation and adaptability of managers, creative value delivery to customers and a broad sense of mission and purpose.

Bundled together, these principles constitute a distinctly Indian way of conducting business, one that contrasts with combinations found in other countries. Indian business leaders, as a group, place greater stress on social purpose and transcendent mission, and they do so by devoting special attention to surmounting innumerable barriers with creative solutions and through the utilization of a prepared and eager workforce.

Not all Indian business leaders are saints or sages, just as not all American CEOs are laser-like focused on delivering shareholder value while ignoring larger societal concerns. Nor do Indian firms and their leaders hold a monopolistic view on virtue. Corruption and malfeasance can be found in the Indian business community, like Satyam Computers,[1] just as it can be found in other countries. Yet, the attributes of the India Way appear often enough and especially among India's most successful companies, who have come, we believe, to constitute a clear and distinctive model. Drawn from the voices of Indian business leaders, and from our observations of Indian leaders and companies in action, the four attributes of the India Way capture much of the modern Indian way of conducting business.

In completing this study of Indian business leaders, we were repeatedly reminded of the remarkable impact that Japanese business leaders and the Toyota Way have had on the auto-making world and far beyond. The methods of lean production pioneered by Eiji Toyoda and his company—treating all buffers as waste and seeking continuous improvement in all aspects of production—originated in the cultural traditions and austere times of postwar Japan. But the methods have proved powerful drivers far beyond that context, enhancing both quality and productivity in everything from Porsche manufacturing in Germany to hospital processing in the United States. With a model originally built in Japan, Toyota has become the world's largest automaker, and its methods have come to be widely emulated by managers far beyond Japan.

Much the same applies to the India Way. It was born of the circumstances facing Indian business during the past two decades, but like the Toyota Way, it is also a model that can readily transcend its origins, providing a template for Western business leaders to reinvigorate their own, often sluggish growth rates. Think of it pragmatically: if applying the principles of the India Way were to generate even a single extra percentage point in yearly growth, say increasing the annual growth rate from 3 to 4 percent over the next five years, the 4 percent–rate companies would see their value doubled, compared to 3 percent–rate firms. Over 10 years, they would triple their worth, compared to the slower-growing companies.

India is a world leader in business, with interests ranging from medical procedures to investment banking. Innovation and ideas either migrate from other countries to India or spring up from within. Simultaneously, Reliance, ICICI, Infosys and hundreds of India's other top companies have been clambering onto the world stage to compete directly against Western multinationals in virtually all sectors. In mastering the art of high-quality and efficient production—and in developing unique ways to manage people and assets to achieve it—Indian executives have delivered growth rates that would be the envy of any Western executive. During much of the 2000s, India's gross domestic product (GDP) had been rising by more than 9 percent per year—several times that of the United States and nearly equal to that of China. That 9 percent–plus GDP growth, we should note, represents Indian businesses as a whole. Many of the nation's *premier* companies—the focus of our inquiry—reported that they were growing at twice the rate of the general economy or more. Chairman Subhash Chandra of Zee Entertainment Enterprises—India's largest media and entertainment company—told us, for instance, that his company had grown from $400 million in annual revenue six years earlier to $2 billion at the time of our interview with him. Managing director G. R. Gopinath of Deccan Aviation said before his acquisition by Kingfisher Airlines in 2007 that he had been adding a new aircraft every month to the fleet, growing from one to 45 planes in less than four years. Infosys Technologies's chairman Narayana Murthy had presided over a company that employed 10,700 and drew $545 million in revenue in 2002; seven years later, his company employed 104,900 and earned revenue of $4.6 billion.

Originally, we did not believe that the rapid expansion of the Indian economy would be the result of an innovative and exportable way of doing business. In fact, we had expected much the opposite: with the triumph of American-style capitalism, at least until it came under a cloud during the financial crisis of 2008–2009, managers around the world had often sought to understand the leadership secrets of U.S. companies like Apple Computer and General Electric. In commencing our study of Indian business leaders, we had anticipated a cross-national convergence on American terms, with Indian companies looking to adopt the management methods of Steve Jobs, Jack Welch and other leaders of American enterprise.

What we found instead was a mantra of "not invented there." Though well aware of Western methods, Indian business leaders have been blazing their own path. And though rooted in the traditions and times of the subcontinent, the value of their distinctive path can, we believe, transcend the milieu from which it arose. When Indian companies, for instance, take over publicly traded American firms—such as Tata Motors' acquisition of Ford's Jaguar and Land Rover divisions in 2008—research confirms that the acquired firms increased both their efficiency and their profitability. Western firms might be well advised to learn from the Indian experience in advance. Indeed, understanding the India Way and its drivers has become vital for business managers everywhere.

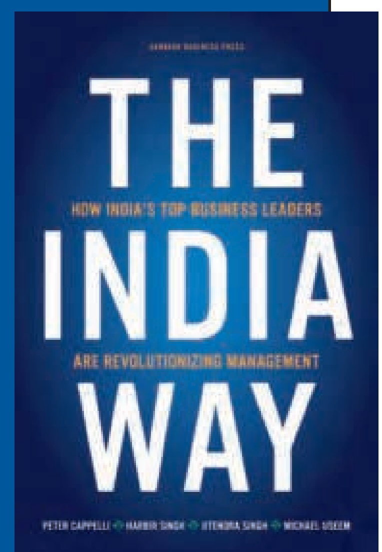
This piece is adapted from The India Way: How India's Top Business Leaders are Revolutionizing Management. *The book is published by Harvard Business Press.*

1. "Satyam: Sanskrit for 'Enron'" – Wall Street Journal. The Indian IT company "cooked the books to the tune of at least $1 billion" http://online.wsj.com/article/SB123143655097064873.html

Principle Practices of the India Way

Holistic engagement with employees. Indian business leaders see their firms as organic enterprises where sustaining employee morale and building company culture are treated as critical obligations and foundations of their success. People are viewed as assets to be developed, not costs to be reduced; as sources of creative ideas and pragmatic solutions; and as bringing leadership at their own level to the company. Creating ever-stronger capabilities in the workforce is a driving objective.

Improvisation and adaptability. Improvisation is also at the heart of The India Way. In a complex, often volatile environment with few resources and much red tape, business leaders have learned to rely on their wits to circumvent the innumerable hurdles they recurrently confront. Sometimes peppering English-language conversations, the Hindi term '*jugaad*' captures much of the mind-set. Anyone who has seen outdated equipment nursed along a generation past its expected lifetime with retrofitted spare parts and jerry-rigged solutions has witnessed *jugaad* in action. Adaptability is crucial as well, and it too is frequently referenced in an English-Hindi hybrid, *adjust kar lenge*—"We will adjust or accommodate."



Creative value propositions. Given the large and intensely competitive domestic market with discerning and value-conscious customers, most of modest means, Indian business leaders have of necessity learned to be highly creative in developing their value propositions. Though steeped in an ancient culture, Indian business leaders are inventing entirely new product and service concepts to satisfy the needs of demanding consumers and to do so with extreme efficiency.

Broad mission and purpose. Indian business leaders place special emphasis on personal values, a vision of growth and strategic thinking. Besides servicing the needs of their stockholders—a necessity of CEOs everywhere—Indian business leaders stress broader societal purpose. The leaders of Indian business take pride in enterprise success—but also in family prosperity, regional advancement and national renaissance.

Debrie

A Battle in the Pacific

There is a Trash Heap the Size of Texas Floating in the North Pacific. Doug Woodring, WG'95, is Working to Clean It Up.

On the morning of August 2, 2009, Doug Woodring and two dozen scientists, oceanographers and environmentalists departed San Diego Harbor aboard the 130-foot marine research vessel *New Horizon*. They were bound for a massive section of ocean formally called the North Pacific Gyre, a remote swath that has come to be known simply, and tragically, as the "Great Pacific Garbage Patch."

Four days and 400 miles later, **Woodring, WG'95**, was sailing into the heart of his new life's mission—gazing off into the distance and trying to find the fabled island of trash. But it was only when he fixed his eyes straight down, directly overboard, that he finally could see the white particles strewn like confetti blanketing the ocean surface.

"It looks like stars in the sky," Woodring says, "but instead of looking up you're looking down in bright blue water, and it's everywhere."

The particles are plastic. Plastic that may well have been used for 30 minutes or an hour, but won't biodegrade for 300 to 1,000 years.

"When something washes into a river or stream or beach, if the wind doesn't push it back on shore or it doesn't sink, it can wind up in the ocean," Woodring says.

And it has. When Woodring learned at a 2008 tech conference that incalculable amounts of water-borne plastic debris were finding its way to one specific section of the Pacific Ocean, he knew inaction was not an option. Which is why just four months later, Project Kaisei—*Kaisei* means "Ocean Planet" in Japanese—was born. Based in San Francisco and Hong Kong, the nonprofit aims to measure the scope and scale of the North Pacific garbage patch and better understand its impact on oceans and the environment. In addition, Project Kaisei works toward solutions for both prevention and clean-up of the waste.

A native of the Bay Area, Woodring, 44, has spent virtually his entire life swimming, surfing and paddling in, on and through the water. Through Project Kaisei, he's hoping to ensure future generations will be able to do the same. And some believe he's got a chance to do just that.

"He has a personality that engages people," says James Leichter, associate professor in biology at Scripps Institution of Oceanography at the University of California at San Diego. "Because he has a background both in business and economics as well as in environmental issues, he's able to interface with people in these disciplines quite effectively."

Woodring majored in political science and economics as an undergraduate at UC Berkeley, and worked for a few years in Asia before enrolling at Wharton. After graduation, Woodring headed back to Asia, where he created a framework for a global environmental technology fund at Merrill Lynch. He later migrated to the startup world, where he

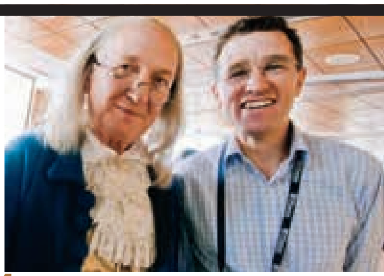
Bottom Line

For three days each spring, Wharton welcomes its alumni and their families back to campus for MBA Reunion Weekend. This year, graduates from around the world returned to campus to meet up with former classmates, learn about the latest business research from top professors, hear about the School's exciting new programs and initiatives, enjoy family-friendly activities and, of course, to have a party or two—Wharton-style. In this edition of the Bottom Line, we take a look at Reunion Weekend 2010.

10 "official" parties, including the 2005 MBA Pub, the all-alumni mixer, seven reunion class dinners, and . . . the WG'90 Barn Bash

276 registrants from the Class of 2005—tops among all classes

1,618 total attendees



1 visit from Philadelphia's own "Ben Franklin" at each of Saturday's five Family Picnics

ef

remains today as a consultant. But Project Kaisei is his ultimate startup. The organization initially came together with the simple mission of educating the public about the garbage patch and the problem of plastics. It has since morphed into much more.

"The main goal is to show there's a value for waste," he says. "New technologies are coming out in different parts of the world right now that to me are pretty promising for the waste management business. If some of these can turn plastics into fuel by re-liquefying, it's a great way to get this stuff off the planet."

For now, though, the focus is on the gyre, one of at least five spots in the world's oceans where water comes together along a circular path, essentially rotating around a central point. The gyre, it seems, cannot help but attract all of that plastic.

During last August's expedition, Project Kaisei and its partner, the Scripps Institution, took more than 250 samples from the surface of more than 3,500 miles of water. Plastic was found in every single one.

In other words, while the trash heap hasn't gotten nearly the attention that the Gulf oil spill has, it may be just as disastrous for the ocean environment. "There's plenty of evidence that [this plastic] is eaten by all kinds of wildlife. They've recently found a sperm whale in California that had 800 pounds of plastics inside his stomach," he says.

Still, Woodring came away from the voyage optimistic that improvement is possible. He's even kicking around the seemingly outlandish idea of cleaning up the trash. *All of it*. Next on Project Kaisei's agenda, however, is another research trip to the gyre. The trip is set for August, and the group is in the process of trying to raise $3 million for the work.

"We are trying to tackle a huge issue," he says. "The ocean covers two-thirds of the earth, but it is the momentum, and the awareness, that is really going to make some changes. We don't need billions of dollars, but getting our expeditions out to sea to learn how to deploy new technologies goes a long way in motivating the world to think about changes." *—Mike Unger*

1 "State of the School" address by **Dean Thomas Robertson** and one "State of the University" address by **Penn President Amy Gutmann**

12 events offered on Friday; 31 events across campus and in Philadelphia on Saturday; and three events, including Commencement, on Sunday

3 family-friendly, exclusively Philly excursions: Franklin Institute Tour, Mural Arts Trolley Tour and Please Touch Museum visit

14.75 hours of professional education workshops and presentations led by top Wharton faculty, staff, and alumni, including: Professors **Mike Useem**, **Olivia Mitchell**, **Raffi Amit**, **Jeremy Siegel** and **Peter Fader**; on such topics as leadership, retirement, private equity, personal wealth management, interactive media and career development

News Briefs

Wingard Named Vice Dean of Executive Education

Dr. Jason Wingard, formerly a senior director of the Wharton Executive Education program, was named Vice Dean for Executive Education in early April.

As Vice Dean, Wingard will oversee Wharton's non-degree executive education programs, including open enrollment and custom programs. Those programs reach an estimated 9,000 business leaders each year through sessions in Philadelphia and Wharton | *San Francisco* as well as global programs in India, China and Europe.

Prior to his return to Wharton, Wingard served as executive director of the Stanford Educational Leadership Institute, a senior fellow at the Aspen Institute and founder and managing partner of The Zoeza Group, a management consulting firm specializing in organizational strategy, leadership development and business planning. Wingard holds a bachelor's degree in sociology from Stanford, master's degrees in education from Emory and Harvard, and a Ph.D. from the Graduate School of Education at Penn.

$3.16 Million Gift Establishes Wharton-Netter Center-Community Partnership

Wharton in early May received an anonymous gift of $3.16 million to establish the Wharton-Netter Center-Community Partnership.

The goal of the new community partnership is to create an effective model for university-assisted community development that can be replicated both in cities throughout the United States and the world. The Wharton-Netter Center-Community Partnership will work to develop and implement programs in social impact that involve both Penn students and faculty in curricular, co-curricular and research activities.

"We are deeply grateful for this gift," said **Dean Thomas S. Robertson**. "The Wharton-Netter Center-Community Partnership will stand as a dramatic example of the potential for business to enact positive change on both local and global levels."

Ira Harkavy, Associate Vice President and founding director of the Netter Center, said he believes that university-community partnerships "can powerfully advance research and learning, as well as the quality of life in communities."

Founded in 1992, the Barbara and Edward Netter Center for Community Partnerships works to use the broad range of human knowledge needed to solve the complex, comprehensive, and interconnected problems of American cities and communities so that West Philadelphia (Penn's local geographic community), Philadelphia, the University itself, and society benefit. For more information about the Center, visit http://www.upenn.edu/ccp/.

Down From the iMount

Wharton Folly

Illustration by Brian Ajhar

Concept by the Wharton Folly Committee (Joel Serebransky, WG'85, Matthew Sinacori, WG'03, Ram Rajagopal, WG'02, Steve Margolis, WG'86, and Andy Stack, WG'01)

The Future of Books? It's Anyone's Guess

Here's a riddle for the publishing industry: if someone were to write a book about the future of books, what would the result look like? Published between covers or an e-book? Promoted through traditional channels or social media? Sold at Barnes & Noble or uploaded to the Kindle or iPad?

The currently amorphous answers are being debated in editorial offices, corporate boardrooms and, increasingly, in public, as though the industry, facing the digital revolution and wary of a misstep, wants to test new concepts. Three separate panels were held over the span of a week in April in New York to discuss the book's future. The most prominent took place during the **Wharton Future of Publishing Conference**, a kind of Apalachin Meeting for the media in which high-ranking emissaries from the industry came together at the Marriott Marquis to plot a course forward. Days earlier at the New School, the *London Review of Books* pondered the "Author in the Age of the Internet," and two days after Wharton's event, at the PEN World Voices Festival, another talk covered similar ground.

In attending these events, two things became clear: Gutenberg's name hasn't been invoked this much since the 15th century—as in, "Not since Gutenberg invented the printing press"—and, while theories abound, no one knows what book publishing will resemble even two years from now. "People have presented interesting pieces but I haven't seen anybody put the whole picture together," says **Brendan Cahill, C'96, WG'98**. Formerly an editor at Gotham Books, Cahill left traditional publishing and went to Wharton to get his MBA. Now he's looking to "crack the code," as he put it, and create a new business model for the 21st century as Vice President of e-book publisher Open Road.

Cahill was one of the panelists at the Wharton conference, which was sponsored by the Wharton Interactive Media Initiative (WIMI), *Knowledge@Wharton* and Wharton School Publishing. **Peter Fader**, Wharton's Frances and Pei-Yuan Chia Professor and co-director of WIMI, said the idea was "to get folks together and, instead of navel gazing, rely on data." Not that navel gazing didn't take place. What follows are some thoughts on the future of the book from participants of the Wharton and *London Review* panels. In their conflicting mix of optimism, anxiety, measured concern and humor, the comments illustrate the diverse range of thought at this critical and unsure moment in the history of the published word.

—Steven Kurutz

JASON EPSTEIN, founder, On Demand Books: "The fragility of content in digital form is something to worry about…It's very, very important that we keep physical inventories…Because that's all we have between ourselves and chaos."

JOHN LANCHESTER, British writer, novelist: "When I picked up my felt tip pen, I was hoping to write books. I wasn't expecting to live through a moment of cultural and technological ferment."

BRENDAN CAHILL: "E-books are the future, and it's going to be here faster than anyone thinks."

JAMES WOOD, *New Yorker* magazine: "I bumped into Andrew Sullivan a couple of weeks ago in Washington, DC. Some of you know he made a switch from print journalism to blogging at the *Atlantic*. I said how are you doing? He said, not so well. I was thinking he was going to talk about his physical health. It was really his mental health he talked about. He does 300 posts a week. As you might imagine, it has completely interfered with his ability to concentrate on anything longer than a few paragraphs."

ELLEN ARCHER, president/publisher of Hyperion: "The beauty of a book for me has been about the writing and storytelling. I don't feel the need to hold a physical book in my hand."

STEVE WILSON, co-founder, Fast Pencil: "In 2009, traditional publishing remained stagnant, and **self-publishing grew by almost 200%**. Just like you see on TV—it's reality shows, individuals being themselves."

Why 'Participation' Matters

As Wharton's New Associate Dean for External Affairs, **Sam Lundquist** Wants to Build a Stronger Connection Between the School and its Alumni

When **Sam Lundquist** enrolled at Denison University in the fall of 1977, he did so without any specific career in mind. As a self-described "classic liberal arts" student, Lundquist instead hoped that his college experience—his learning experience—would ultimately tell him what he wanted to do with his life.

"I went to college hoping to learn what I would be passionate about," says Lundquist. "I went through three years of college and then I sort of had this epiphany where I realized I could actually have a career in higher education.'"

And he has.

After graduating from Denison with a psychology degree in 1981, Lundquist took a job in Bucknell University's admissions office. He's remained in academia ever since.

In a long and winding career that's taken him through a variety of positions at four different universities, the one constant through the years, it seems, has been Wharton, which he's returned to now three different times. After serving as associate director of admissions here between 1985 and 1987, Lundquist later returned to serve as director of MBA admissions and financial aid (1992-1996), chief of staff (1996-1999) and managing director of administrative services (1999-2000). He also spent five years working as Penn's assistant vice president for development and campaign initiatives between 2001 and 2006.

But when the Philadelphia native left Penn to return to Bucknell as vice president for development and alumni relations in 2006, Lundquist was fairly certain that stop would be his last.

Then there came word that a new opportunity had opened up at Wharton.

"It was something I couldn't resist," says Lundquist, who took over as Wharton's Associate Dean for External Affairs in April. "Because of my deep background at Wharton, and because of the opportunity to work with this outstanding alumni body, it is something that was very, very appealing to me."

In his new role, Lundquist will not only guide Wharton through the last two years of its historic $550 million fundraising campaign, but also work to strengthen connections between the School and its alumni.

How does he plan to do that? That was among the many questions we asked when we sat down for a conversation with Lundquist earlier this summer.

You obviously have an affinity for Wharton. What is it about the culture here that keeps drawing you back?

The thing I love about Wharton is the culture of 'initiative' here. I always remembered that initiative was highly valued in the admissions program when I was involved in it. Wharton is a place that is big enough and complex enough that if you're going to be successful here, you're going to have to be a self-starter and take initiative—and take risks, too. That's what I love about Wharton.

Tell me a bit about your approach to development, and what you'd like to achieve here at Wharton.

One of the big messages that we want to get out to the Wharton community is that good fundraising results reflect a healthy campus culture. We very much recognize the value of student and alumni engagement in all of the School's programmatic offerings. Our focus really needs to be on those engagement experiences, so that the students and alumni working with us are adding value to what we're doing. Also, that at the same time, it's reciprocal, so engagement provides value back to them. It's only then that we can switch from this 'engagement moment' to one that would be supported with a financial contribution. Because we know people will give to their passions.

How would you define 'engagement' in terms of alumni involvement?

Engagement can be both informal and formal. When a student or a graduate takes on a volunteer leadership position, they become formally engaged with us—as a board member, for instance, or with the Wharton Graduate Association. Students and alumni in that type of formal leadership role have a set of responsibilities that really define the way in which the institution interacts with them. But not everyone who graduates from Wharton wants to be on the board. That's why informal engagement is critically important to us, as when alumni engage with their local Wharton clubs, or come to campus to recruit for their companies, or participate in career networking through our online community, or help organize class-based activities as part of a Reunion committee. The act of giving to Wharton is also a form of engagement. Contributing to Class Notes is a form of engagement. It can get that simple. Because we also know that people are so busy, we want to create an environment in which even their small acts of engagement are still meaningful.

One of your principal tasks here at Wharton, of course, will be successfully wrapping up the campaign. Where do we stand today?

We're at 65 percent of our $550 million goal, which means that as much as we can celebrate what we've accomplished, we do still have a couple hundred million left to go. And so we'll approach the next two years as a campaign within the campaign. We have a very well-defined outcome for what we want to achieve over the next two years: We want to raise $200 million. If that goal is achieved—or, I should say, when it's achieved—we will have set fundraising records and strengthened Wharton considerably.

How do you plan to "re-energize" the campaign and ensure that these goals are met?

Well, campaigns are seven years long for a reason—and one reason why is to weather economic cycles. The reality is that we've just been through one of the biggest economic downturns ever. But the fact that we're emerging from the past several years of economic turmoil is in and of itself an opportunity to refresh the campaign.

The wonderful thing about Wharton is how dynamic this place is. Our priorities are well-known to us, but opportunities are the things that cycle in during the life of a seven-year campaign—everything from social impact to faculty development to curriculum development. Scholarships have been one of the constants throughout the campaign. We'll also have the opportunity to talk about opportunities in our international initiatives and all of Wharton's research centers, which are constantly evolving.

Why is it so important for Wharton to achieve these goals?

One reason that emerges top of mind for me is the little-understood phenomenon that tuition alone does not pay the operating costs of the School. It is, instead, the generosity of those who came before that allows the current student body to enjoy what Wharton is today. And it is the accomplishments of those not yet here at Wharton—the next generation—that will make Wharton even greater than it is now.

Can you speak generally about your goals for the School?

I am very interested in finding a way to communicate out [to our stakeholders] the importance of participation. This "Wharton Community" provides the critical mass that defines how far we can reach. It's the most powerful asset we have, and it provides the basis for moving forward in a very meaningful way. My strategy is to do as much as we possibly can ... to make sure alumni and friends can invest in the School in a manner that is of value to them and that ultimately has the value of strengthening their Wharton degree.

How do you accomplish that?

It goes back to building a healthy culture of philanthropy, which I sometimes now refer to as a culture of investment or a culture of innovation. We want our alumni services to be valued by the people who are seeking those services, and relevant to them, too. We are very interested in being as creative and innovative as we can. But we can't do that without the gift of time from our alumni, and the gift of financial resources. It takes both. And that gets down to the question of participation. —*T.H.*

Top Tweeters

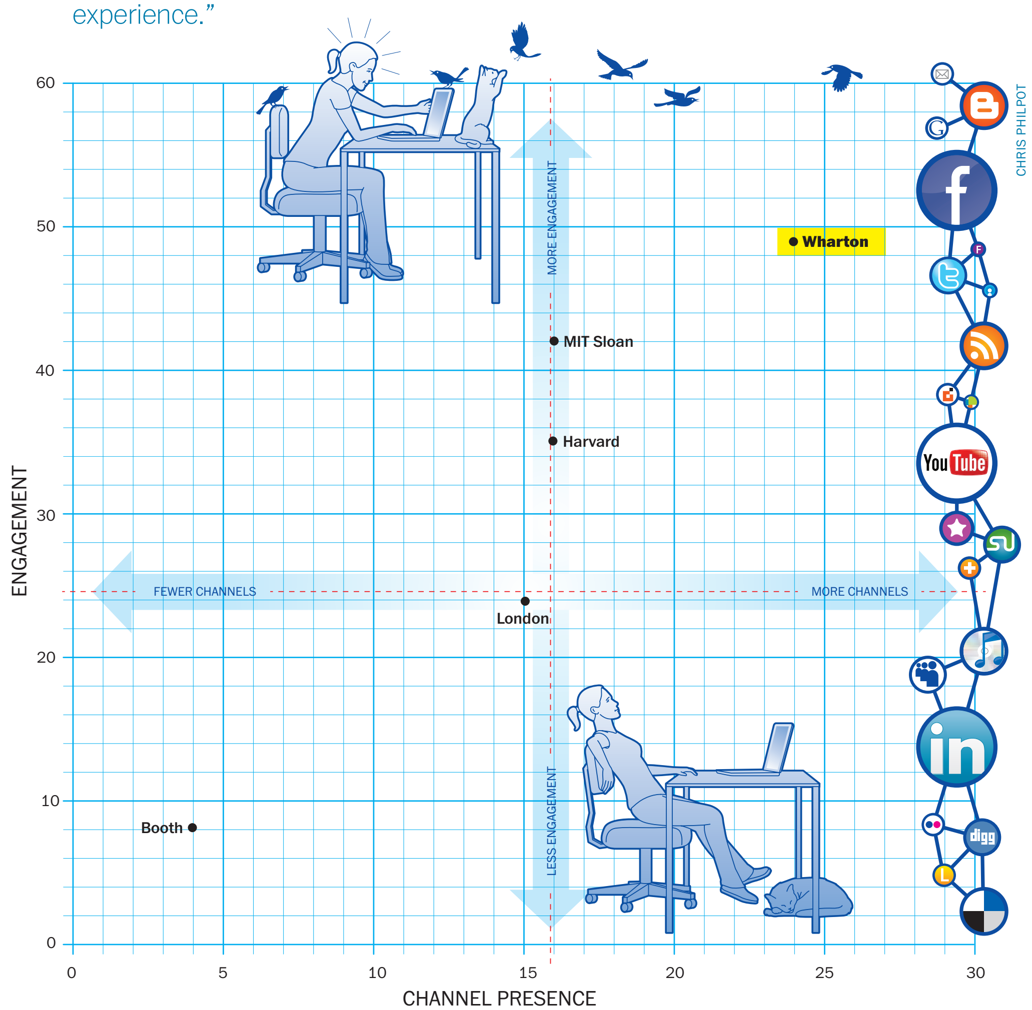
Ask Dawn Henderson what most impresses her about Wharton's efforts in social media, and her answer is quick and succinct: "Everything."

Henderson, an Honours marketing student at the University of Strathclyde in Glasgow, Scotland, set out this year to analyze the social media involvement of 20 top business schools in the United Kingdom and United States. And when Henderson finished her work, one thing was clear: Wharton is tops in tweeting.

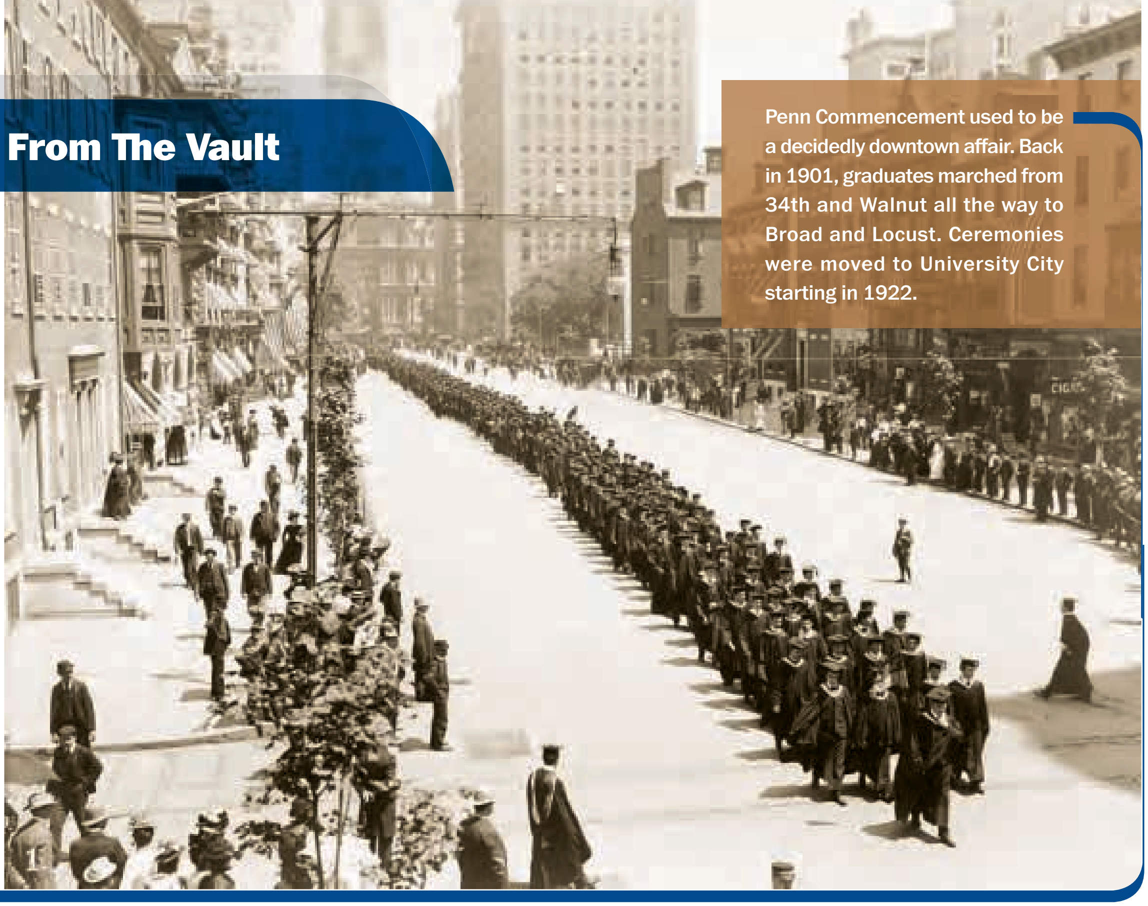
And pretty much everything else in social media, too.

According to Henderson's analysis, Wharton ranked far ahead of its peer schools. Harvard Business School and MIT's Sloan School of Management were next best.

In her dissertation, Henderson wrote that Wharton "is clearly focused on engaging with prospective students, current students and their alumni, who all show a keen interest in interacting with [the School] and adding to their student experience."



From The Vault



Penn Commencement used to be a decidedly downtown affair. Back in 1901, graduates marched from 34th and Walnut all the way to Broad and Locust. Ceremonies were moved to University City starting in 1922.

A Real-World Look at Private Equity

Marc Wolpow, W'80, jokes that when he was at Wharton, it's not just that there was no course on private equity. It's also that there was not a recognized *industry* in private equity.

Today, of course, that's hardly the case.

Though private equity activity and leveraged buyouts have been staples of the business world since the early 1900s, only in recent years has PE become established, somewhat unofficially, as a sector all its own—not to mention a possible career path for Wharton grads. In response to the rapidly growing interest in private equity, Wharton this year created the Advanced Seminar on Private Equity, a new course designed by Associate Professor of Finance **N. Bulent Gultekin** to bring a uniquely "real world" perspective to Wharton's classrooms—and give students an idea of what it takes to make it in PE.

Wolpow believes the course delivered exactly that.

"It was a great experience," says Wolpow, Co-Chief Executive Officer at the Audax Group in Boston and a contributor to Gultekin's course. "The students were very engaged. They had great questions, and they clearly valued the experience."

The Advanced Seminar on Private Equity was designed by Gultekin to be a strictly "applied" course, presenting material on the entire private equity cycle through the experience of high-level practitioners such as Wolpow, **Fadi Arbid, WG'03**, Executive Vice President for private equity firm Amwal AlKhaleej, Ammar Al-Khudairy, CEO of Amwal AlKhaleej, and **Antoine Dréan, WG'92**, Chairman and CEO of Triago, among many others.

The course grew out of a request by **Dean Thomas S. Robertson** and **Deputy Dean Mike Gibbons**, who had been seeking a way to tap into the expertise of Wharton's alumni network in private equity and have students learn first-hand from successful practitioners."They wanted to develop an experimental course a bit different from other offerings," explained Gultekin. "Since our alumni were very supportive, we would bring them into the classroom. I developed some teaching materials, including some cases, and invited alumni to address each topic—how they did it, how they do it, comparing across companies."

For Wolpow, that meant getting down the "nuts and bolts" of running his firm—including such "human" issues as managing his relationship with his co-CEO. Overall, he came away impressed with the students' inquisitiveness about the business—not to mention the functionality of this unique new course.

"If the other classes in the course were as productive as the one I attended," Wolpow says, "I have no doubt that it will be a very successful course." —*T.H. & K.A.*

WHARTON IN THE NEWS

Google, the Whale to be Harpooned
The Seattle Times | May 21, 2010
Wharton professor Eric Clemons said he believed Google's reported $6.5 billion profit on sales of $23.7 billion last year was "misleadingly low." Said Clemons: "My guess is that the real profit margin on search is about 70 percent."

Are U.S. Shoppers Over Frugality?
Marketplace | May 20, 2010
Wharton professor Stephen Hoch commented on whether Americans are starting to spend more freely again. Said Hoch: "It's going to be a more measured consumer—even the high-end consumer—I think as we go forward, because habits that change and then change back take time."

Can people actually 'own' virtual land?
CNN.com | May 10, 2010
Wharton professor Andrea Matwyshyn commented on digital property rights, explaining the legal issues involved in virtual land ownership. "The law is a slow-moving elephant, and technology is a graceful gazelle," she said. "And it's a mismatch."

Greek Tragedy Unfolds
CFO Magazine | May 7, 2010
Wharton professors Richard Marston and Mauro Guillen talked about the global impact of the economic crisis in Greece. "If the Europeans had acted decisively at the very beginning," Marston said, "they could have snuffed it out."

'Not in my term of office'
Washington Post | April 14, 2010
Wharton professor Michael Useem wrote about how leaders can better prepare for catastrophes. "The art of leadership includes preparing for the unexpected, and the value of leadership thus becomes more important when the world becomes more unpredictable. Leaders face special challenges with respect to low-probability, high-consequence events: By definition, they occur rarely and are especially difficult to predict."

What is Naked Short Selling?
CNN Money | May 19, 2010
Wharton professor David Mutso commented on "naked" short-selling. Said Musto: "Essentially, you're selling something you don't own."

ON THE WEB For more news visit http://www.wharton.upenn.edu/news.

WIMI Tackles the World Cup

The 2006 World Cup Final was among the most-watched sporting events in history, as an estimated 715 million viewers tuned in to see Italy knock off France, 5-3, in a penalty kick shootout.

The 2010 Cup Final, which was set to play in early July, was expected to draw even *more* viewers—and ESPN, which owns the broadcast rights to this year's tournament, seemed intent on learning as much as possible about the viewing habits of each and every one of them.

This spring ESPN announced the creation of ESPN XP, a new multi-partner research initiative through which the network will study consumer behavior tied to some of the biggest events in sports—the 2010 World Cup being the first. To study television viewership of the tournament, ESPN contracted with Nielsen Co., and to look at branding issues, it brought in marketing research firm the Keller Fay Group. But when it came to Internet and mobile technologies, "The Worldwide Leader in Sports" turned to a Wharton research initiative that may well be termed "The Worldwide Leader in Interactive Media."

As one of the major components of ESPN XP, ESPN turned all data gathered about its mobile and Internet viewers during the first round of the World Cup over to the Wharton Interactive Media Initiative (WIMI), which moved quickly to analyze that data and then report back to the network with a prediction of how (and how many of) those same viewers figure to consume the *later* rounds of the tournament.

"This is obviously crucial information for them," explains WIMI co-director **Eric Bradlow**, Wharton's K.P. Chao Professor. "This is how they make money—by selling to advertisers."

Glenn Enoch, Vice President of Integrated Media Research for ESPN, says the network is unique in that its brands cross basically every single media platform—television (through ESPN, ESPN2, ESPN U. and others), radio (via ESPN radio and a family of podcasts), Internet (through ESPN.com), mobile (through ESPN Mobile) and print (through *ESPN The Magazine*). As such, ESPN execs have long been interested in figuring out whether its television viewers, for example, are also heavy consumers of its other products.

The problem, he says, is the network hasn't been able to find a dataset that can give them those answers.

"When we started looking at cross-media data, we only had information about each platform as silos," Enoch explains. "What we lacked was the ability to see how sports fans were navigating from platform to platform. We want to understand and encourage that behavior. In other words, we want viewers of the television network to also be multi-platform users. It's important to be able to tell advertisers on each of these platforms, 'Here's why TV works, here's why radio works, and here's why being a multi-platform advertiser somehow adds up to being more than just the sum of its parts.'"

The World Cup, and the partnership with WIMI, presented ESPN with its first opportunity to be able to do just that.

Peter Fader, Wharton's Frances and Pei-Yuan Chia Professor and Bradlow's fellow co-director, notes that while other large media companies have launched similar initiatives in the past, the ESPN-WIMI partnership is unique in that its goals are proactive. Rather than gathering data about a past sporting event, Fader says, WIMI will prepare forecasts for a future event. The unique structure of the World Cup—which takes about a month to complete—helps make that aim possible.

ON THE WEB
For more infomation about WIMI and its various research initiatives, visit www.whartoninteractive.com

"NBC has looked back at the Olympics, trying to figure out how many people watched on television or via mobile or on cable," Fader says. "But NBC was looking backward there, saying 'Here's who watched the Olympics on our various platforms.' We wondered, 'Wouldn't it be better to say that before [the event] happens, so you could plan accordingly and inform your advertisers about it?' We told ESPN, 'Let's do this proactively.'"

Coverage of the World Cup on ESPN began on June 11, and the Cup final was set for July 11. But the conclusion of the tournament isn't likely to be the end of ESPN XP. Already, ESPN has said that it will expand the initiative to include its coverage of both professional and college football. And Enoch says he'd like to see cross-media research fully integrated into ESPN's daily research work by 2012.

"Instead of just being a special project, I'd like cross-media research to be something we can do every day—something that is part of our regular research initiatives," Enoch says. "We're just getting started with the World Cup."

Bradlow and Fader, for their part, hope the ESPN partnership—and the results of their World Cup work—will show other media companies how they stand to benefit from WIMI's methods as well.

"At the end of the day, we believe this will be a success if we can predict the last three weeks of the tournament based on the first two weeks," Bradlow explains. "If we can do that, we'll [be able] to go around to other businesses and media companies and tell them, 'We did this for the World Cup, and this is what we can do for your site.' It would be proof of concept that academic forecasting algorithms have practical value and can help answer real business questions." —*T.H.*

'Let's Start Writing Our Stories'

Uncertain Financial Times Remain, but Wharton's Newest Graduates Seem Set on Changing the World for the Better.

BY KELLY ANDREWS

Wharton observed its 126th graduation on May 16, conferring degrees to 606 undergraduates and 950 MBAs, including 150 graduates of the MBA Program for Executives.

It was a joyous event held during an uncertain time. As **Vice Dean Georgette Chapman Phillips** noted while greeting undergraduates during the morning ceremony at Franklin Field, this new generation of Wharton graduates will enter the business world at a time of great turmoil.

But with that turmoil, Phillips said, there also comes opportunity.

"Let's go back to 2006," said Phillips, the David B. Ford Professor of Real Estate. "Remember when the dollar was strong, the housing market peaked, and you began your time at Wharton? Now how we view business and business leaders is fundamentally different. The value system of corporate America continues to be reshaped. The great news is that with change comes opportunity."

Freed from the expectations of the past, Phillips said, Wharton students are increasingly choosing less traditional paths. They are starting their own businesses, teaching or working for government and nonprofits. "Focus on what you can contribute to society," Phillips said, "rather than the narrow lens of monetary gain."

The graduates seemed excited to do so, as the Franklin Field mood was celebratory. Besides, after four years of discussing the developing financial crisis, "today is not the day for that," said **Shannon Dwyer, W'10**, who was selected to speak on behalf of her class.

Dwyer, who had a concentration in finance and was named Wharton Woman of the Year for her involvement as Head Team Advisor for Management 100, among other activities, applied to speak at graduation at the urging of her friends. Her selection capped a remarkable four-year journey, Dwyer said. "When I decided to come to Wharton, I was told I was going from being a big fish in a little pond to a little fish in a big pond," she said. "I've been amazed at how quickly this pond got smaller."

As the first Wharton undergraduate class to be organized by cohort, the Class of 2010 displayed a strong sense of community throughout their time at Wharton. "We get each other," Dwyer said. "We work hard and we're passionate about something. That's what brings us swimming in this pond together."

In a new Commencement tradition, Wharton undergraduates honored a faculty member as speaker for the first time. **Philip Nichols**, Associate Professor of Legal Studies and Business Ethics, who got to know many students as faculty master of Stouffer College House, was chosen for the honor. Nichols repeatedly described the graduates before him as "amazing," pointing out that 10 applicants vied for the seat in which each graduate was sitting. Experiencing Wharton was a gift, he said. "Use your gift to be as amazing in the world as you've been at Penn. Lead where you live, in ways that really matter, even if no one notices."

Beth Kaplan, W'80, WG'81, a member of the Wharton Board of Overseers and the former Chair of the School's Undergraduate Executive Board, addressed the audience on behalf of alumni. Alumni marshal **Alvin Shoemaker, W'60, HON'95**, a Wharton Overseer and Emeritus Penn Trustee, passed the Wharton 2010 flag to Dwyer.

MARKING KEY MOMENTS

When the morning cloud-quilted skies cleared to a sunny blue, MBA students turned up the festivity; the 1 p.m. ceremony was energetic and celebratory. As the new graduates filed in, the sight was that of an expanse of black robes dotted with bright mylar balloons and flower leis.

Said **Dean Thomas S. Robertson**: "You've reached a key moment in life, and it's terribly important to get key moments right. What you end up facing will be a lot of routine, punctuated every so often by these key moments."

To make his point, Robertson recounted the story of Captain Chesley Sullenberger, who lived through 27,000 hours of mostly routine flight time before the six minutes that tested him—and ultimately defined his career—in 2009. Everything that could go wrong went wrong when US Airways Flight 1549 hit a flock of birds over New York, but Sullenberger and his crew did everything right to avert disaster. With both engines disabled, Sullenberger successfully ditched the plane in the Hudson River. All 155 passengers survived.

"The key to effective leadership is the ability to accurately assess the nature of a crisis—and then do something about it," Robertson said. "That's what key moments are about."

Robertson closed by recalling Joseph Whar-

ton's guiding exhortation to create "pillars of the state, whether in public or private life."

"Go forth and do great things," he said.

THE COIN OF THE REALM

Akihisa Shiozaki, WG'10, speaking as the 2009-2010 Wharton Graduate Association president, told the story of an early graduate who answered Wharton's call—Shiro Shiba, a displaced and defeated Japanese samurai who, at the age of 32, became a member of Wharton's first class back in 1884. Shiba went on to enjoy a career in Japanese parliament.

"When we walk out the gates at Franklin Field, let's remember that we're not the first to take the stony path," he said. "The world has been waiting for us long enough. Let's start writing our stories."

The keynote speech was given by **Robert S. Kapito, W'79**, co-founder, president and director of BlackRock, Inc. Robertson observed that BlackRock is one of the few companies in its sector to emerge from the financial cyclone bigger and stronger than ever. "That's what happens when you get the key moments right," Robertson said.

"You desire more than just a job," Kapito told the graduates. "That's why you came here from every state in America, from Asia, from Europe, from Latin America, and around the world. You want to create something meaningful, develop products and services, help create jobs, reinvent stagnant businesses, translate technology to manufacturing, create clean energy and focus on global needs. Most importantly, [you must] eliminate unethical practices."

Integrity, he said, "was the coin of the realm in the midst of unpredictability—a guiding principle."

"The secret ingredient in your career plan is to trust more than your brain," Kapito continued. "Trust your heart. Leading with your heart will make everything around you fall into place. The rest will become natural."

LESSONS IN SELFLESSNESS

Salim Kassam, WG'10, who spoke on behalf of the full-time MBAs, recounted how Wharton had taught them all valuable lessons in selflessness.

"We succeeded in these two years because we believed that someone else's success was just as important as our own," he said, noting that the all-for-one ethos reached far off campus.

"Think about how much we've accomplished in two years," Hassam continued. "After the earthquakes in Haiti and Chile, we did more than give money. We rallied students, alumni, faculty and administrators to create a course which not only deployed talented students to the disaster zone, but will shape the way the world will respond to disasters and crises in the future. We did this while we were starting families, finding jobs in an economic crisis, and handling the challenging coursework at the best business school in the world."

Todd Gensler, WG'10, representing the graduates of the MBA Program for Executives, touched on a similar theme. "The most valued aspects of our experience are also the least expected," he said. "We expected Wharton to make us better professionals. We didn't know it would make us better people."

Gensler, who also served as co-chair for the 2010 Class Gift, raised the issue of giving back. "The responsibility for the stewardship of the Wharton brand is now ours," he said. "We applied to the Wharton School because of its reputation for excellence. Now we have responsibility for that reputation."

Photos by Tommy Leonardi and Shira Yudkoff

Why Come Back?

It was a record-breaking year for the Wharton MBA Reunion Weekend. Nearly 1,700 alumni, family and friends returned to campus in mid-May, surpassing all previous attendance benchmarks for Wharton's biggest annual alumni event. ¶ For three days, and from West Philadelphia to Chester County, the 2010 Reunion attendees reconnected with old friends, listened to and learned from Wharton's esteemed faculty, made valuable business connections and, to put it simply, had a wonderful time reliving their days at Wharton.¶ As anyone who has returned for Reunion can attest, the event is well worth the trip. ¶ Here, in a photographic look back at our most recent Reunion event, we'll show you what makes the weekend so special—and why you should consider coming back for your next reunion.—*T.H.*

With so many accomplished Wharton alumni from so many different fields all back on campus at one time, Reunion Weekend provides a tremendous networking opportunity—an opportunity that alumni are encouraged to seize. As Wharton Alumni Association Chairman **Craig Enenstein, G'95, WG'95**, joked at the start of this year's event: "It is a business school, after all."

Access Your Network

Learn Something

2010 MBA REUNION

The Reunion Weekend experience is enriched by presentations from some of Wharton's most popular and respected professors. This year, alumni packed the Annenberg Center's Zellerbach Theater to hear Jeremy Siegel, the esteemed Russell E. Palmer Professor of Finance, offer his thoughts on the future of the world economy. And yes, Siegel (author of *Stocks for the Long Run*) still believes stocks are the answer.

Reunion Weekend is not just for grown-ups—future Wharton grads have their fun, too. From family picnics to entertainment just for the kids, the event is more family-friendly than ever. Besides, it's never too early to introduce your kids to Wharton, right?

Go Play

2010 MBA REUNION

Reconnect & Reunite

2010 MBA REUNION

It's ultimately what Reunion Weekend is all about—seeing dear friends, reuniting with classmates, rekindling old relationships. "Reunion is always a great opportunity," says **Marie Williams, G'95, WG'95**, who served as a Class Ambassador for her class (for more information on the Class Ambassador program, see page 41). "With those you knew well, you just pick up where you left off. And with those you didn't, you get to know them better."

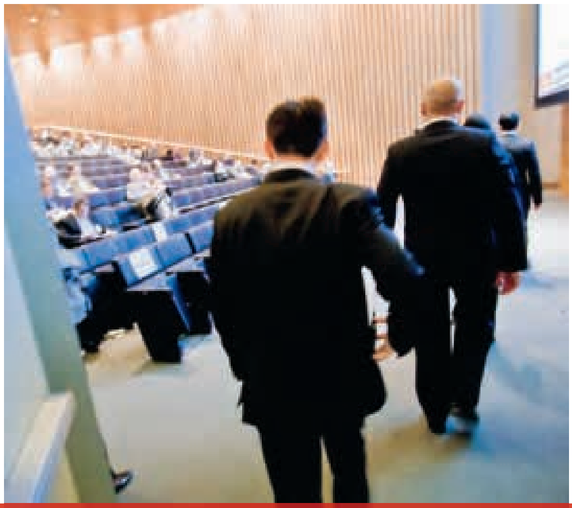
Reunion Weekend may be all about Wharton. But its events most certainly aren't limited to campus. In 2010, events and parties were held not only across the city (the all-alumni mixer was held at the beautiful National Constitution Center) but as far afield as bucolic Chester County, as well, as the Class of 1990 held their 'barn bash' at the farm of **Edward Cook, WG'90**.

ON THE WEB

The 2011 Wharton MBA Reunion Weekend is scheduled for May 13-15 for classes with years ending in 6 or 1. For more information, visit wharton.upenn.edu/reunion/2011/

Explore Philadelphia

2010 MBA REUNION


Moment of

Ever Wondered What It Takes to Compete—and Win—in the Wharton Business Plan Competition? We Sent a Writer to Huntsman Hall to Find Out.

BY SAKI KNAFO PHOTOGRAPHS BY TOMMY LEONARDI

In the weeks before delivering their presentations, **Ben Rhee, WG'10**, and his three teammates compiled a list of questions they expected the judges to ask them. They had been working on their plan for months—researching the intricacies of reimbursement strategies and the antibiotic market and discussing their ideas at weekly meetings in the makeshift restaurant they'd discovered in the back of an Indian grocery store on Chestnut Street. But they knew that there was no way they could anticipate every question the judges would throw at them. The judges, all of whom had been recruited from the highest ranks of some of the country's leading firms, had had plenty of time to pour over the team's 50-page business plan, and had no doubt scoured it for mistakes and omissions. There was a high probability that, as Rhee later put it, he and his teammates would be called upon to answer at least one question they had not anticipated.

R2R Therapeutics—Resistance to Resistance—was one of eight teams that reached the finals of the Wharton Business Plan Competition this year, and Rhee, 27, was their leader. He spoke in soft, measured tones and blinked emphatically—qualities not normally associated with boardroom leadership. But, in his case, they suggested a quiet determination and seriousness that served him well. Born in Hong Kong, where his father was a self-employed trader of electronic parts, he knew from an early age what he most wanted was to be his own boss. The Wharton competition potentially represented a significant step toward that goal. At stake were $75,000 in cash and in-kind services for the three winning teams, and just as importantly, a shiny badge of prestige, all of which would go a long way toward helping the eventual winners separate potential investors from their money.

Of course, successful leadership depends not just on the leader's abilities but also on those of the people around him. So, even before he settled on a specific business idea, Rhee enlisted as a teammate fellow Wharton student **Vishwas Sheshadri, WG'10**. At 34, Sheshadri was the team elder, and he projected the sort of outward confidence one might have expected to see in Rhee. If Rhee was careful and compact, Sheshadri was excited and expansive. He sang lead in a traditional Indian music group, and moved around with the upright, chest-out gait of a peacock.

Sheshadri and Rhee met last year at Wharton, but they didn't really get to know each other until the summer, when they interned at the same pharmaceutical company in New Jersey. After work, they would hit the tennis courts ("We were both pretty bad," Rhee ad-

The R2R Therapeutics team (from left to right): Paymen Roghini, Christine Chen, Vishwas Sheshadri and Ben Rhee.

Truth

mitted) and then the local Taco Bell, where Sheshadri, a vegetarian, would order the cheese quesadilla and hold forth about molecular structures. It was a subject he knew a lot about: He had worked for years as a high-ranking manager at an Indian drug company, and he had a Ph.D. in microbiology and immunology.

Two other Wharton students, the auspiciously named **Payman Roghani, WG'10**, a physician from Iran, and **Christine Chen, WG'10**, a former marketing consultant from New Jersey, rounded out the group. Chen was the team's resident expert in pricing and reimbursement as well as its hype-person—the wisecracking extrovert who could be counted on to kick up the energy when it was flagging.

The morning of the competition, Rhee, Sheshadri, Chen and Roghani gathered in a classroom in Huntsman Hall, just down the hall from the auditorium where in a little over an hour they would stand and be judged. The men had on dark suits and red ties—they looked, as Chen pointed out, like a doo-wop group—and there was some discussion over whether they should wear their jackets buttoned or open (final verdict: buttoned). Occasionally, a member of another team would walk over from another part of the room and engage Rhee and his comrades in a bit of good-natured trash-talking. "Interim CEO?" said a guy named Greg, pointing to the label on Rhee's jacket. Greg's own label simply said CEO, and he seemed to be suggesting that Rhee's insistence on accuracy betrayed a lack of confidence.

"We have nothing to hide," Rhee replied.

"If you have nothing to show, you have nothing to hide," Greg fired back. But Rhee did have something to show, and a half-hour later, he and his teammates rose and made their way to the auditorium.

A TRAGEDY AVERTED

R2R Therapeutics was one of about 150 student teams who entered Wharton's business-plan competition this year. Only eight teams made it to the finals. By the time they got there, they had each spent up to a year on their plans. They had found a product, researched its market potential, built a case against the competition, and drawn up financial and operational blueprints for their proposed companies, all while shouldering the weight of a full course load. Over the past few years, business plan competitions have multiplied and matured, attracting attention from a growing number of venture capitalists, and as a result, the seriousness and professionalism of the entrants have increased as well. Wharton's competition is one of the most prestigious in the country. Sitting in the hall as the contestants paraded across the stage, you could almost forget that the Dow had fallen 213 points the day before, its biggest loss in nearly three months. If there was any hope for American businesses, chances were that some of it could be found here, in Huntsman Hall.

The product on which Rhee and his teammates had pinned their own hopes was a molecule—a pre-clinical drug that they believed to be capable of fighting the antibiotic-resistant "superbugs" that have swept through the country's hospital wards for almost a decade, killing tens of thousands each year. Unlike other antibacterial drugs, which target proteins, DNA and RNA—materials that mutate frequently, generating drug-resistant strains—this drug attacked a molecule on the cell membrane that had not changed in millions of years and thus seemed unlikely to change in the future. Rhee had learned about it almost a year before, when he volunteered to a help the Penn scientists who had invented it to apply for a grant. His belief in its potential, though, or at least his enthusiasm for finding an antibiotic that could overcome drug resistance, stemmed from an earlier "nearly tragic" experience.

In June 2008, one month before Rhee enrolled at Wharton, his wife, Lauren, woke up complaining of pain. She'd had her wisdom teeth removed the day before, but this wasn't the kind of pain you usually get from dental surgery. "I still remember that it was Friday, June 13," Rhee told me, with a terse, ironic laugh. "She was nauseous and she couldn't keep anything down. That night, we were about to go to sleep—lights out—and my wife turns to me and says, 'Ben, we've done so much, we've added all these medicines, but nothing's helping and I don't know what to do.'"

"My wife is a very tenacious woman," he continued, "she's finishing her Ph.D. in physics, and it sounded to me like she was giving up. I said, 'Lauren, we're going to the hospital right now,' and once we got to the ER the head nurse saw me dragging her in and said, 'Don't sit down, go straight to the back.'"

"My wife was crashing. Her head and throat were swollen. The staff did a great job of getting a ventilator tube into her throat, but she was in the ICU for three weeks and had multiple surgeries. She had to learn how to walk again because her muscles had atrophied. One of the nurses in the ER told me if I'd brought her in 10 to 20 minutes later she would have been dead."

Lauren had contracted necrotizing fasciitis, a rare "flesh-eating" disease, to use the common journalistic term. The disease gives off toxins that destroy soft tissues in the body, causing the skin and muscle to blister and decay. Unchecked, it can quickly spread into the blood, sending the body into septic shock. Many different kinds of bacteria can cause it. In Lauren's case, a deadly strain of streptococcus was responsible, which she'd presumably picked up at the dentist's office.

As her health improved, Rhee began thinking about "how to combat this thing," and it was at that the point that he learned of the huge demand for "superbug" drugs. This was not the first time, however, that he'd thought about starting a biotech business. At the Pennsylvania prep school he attended, he and three friends would sit around their dorm rooms talking about their dreams of rising to the top of the biotech industry the way other kids talk about becoming rock stars. (In the late '90s, as he pointed out to me, biotech was "pretty hot"—as it is today.) As an undergraduate at Swarthmore, he studied biology and economics, and after graduating he worked as a management consultant in the pharmaceutical industry. So Lauren's illness didn't set him on a new course so much as it sharpened his vision. And it provided him with a compelling narrative around which he and his team could build their case for victory.

THE PITCH

In the hallway outside the auditorium, while waiting for the cue to go on, Sheshadri cheerfully announced to his teammates that they had already won. He had decided several weeks earlier that R2R was destined for greatness, and now, with the critical moment looming, and everyone's nerves jangling, he simply wanted to assure them that the possibility of failure had already been ruled out.

Rhee, for his part, was feeling "a little more cautious"—not quite ready to join his teammate in declaring their mission accomplished.

A student volunteer ushered the team into the auditorium, and Rhee took the microphone and greeted the judges, students, spouses and parents, who were spread out in the stadium seating above them. How do you bring an early-phase biotech product to market? That, in essence, was the question that the team had set out to answer in their plan, and while Sheshadri, Chen and Roghani stood silently, hands by their sides, expressions serious, Rhee did his best to relate what they had learned.

In short, they would first raise $2 million for in vitro tests, followed by an additional $3.5 million for animal studies. Then they'd apply for the FDA certification that would allow them to test the drug on humans. Those tests would cost another $13.5 million. If at that point the drug achieved "proof of concept," they would attempt "to be acquired" by a major pharmaceutical company, whose scientists would complete the remaining human trials necessary for getting the drug approved. Through their research, they had determined that their drug had the potential "to be priced at parity or with a modest premium to the newest antibacterials," and so they estimated that "big pharma" would buy them out for between $75 and $120 million.

But was that enough? Even if they hit the $120 million mark, only about half the proceeds would go back to the investors, which meant that late backers of the project could hope to triple their bets at most—not nearly enough considering the inherent risks of gambling on a drug that had yet to be tested on people. In the question-and-answer period, one of the judges asked them what they planned to do about this problem. This, as it turns out, was the inevitable question for which they had not prepared.

Days before, they had agreed that Chen, the marketing expert, would answer all questions about financial projections, and so Sheshadri, who was holding the microphone, made a move in her direction, but Rhee stopped him. "I'll take it," he said. Later, when asked what was running through his mind at that moment, he said, "If we don't answer this correctly, we're done." It had occurred to him

Cortical Concepts Takes Top Prize

Doctors may soon have another weapon to use in their battle against osteoporosis.

The Cortical Concepts team—**Stephanie Huang, M'13, Jason Hsu, Christopher Komanski, Evan Luxon** and **Nicolas Martinez**—won the $20,000 Michelson Grand Prize at the Wharton Business Plan Competition for their "Cortical Anchor," a new device, similar to a drywall anchor, that can be used to anchor bone screws in spinal surgery. The team says the Cortical Anchor will increase the long-term health and well being of the nearly 10 million people battling osteoporosis.

In the months leading up to the competition, the Cortical Concepts team completed a small-scale pre-clinical trial with human cadaveric spine, did mechanical testing and finished four rounds of beta prototyping. The team also filed for a provisional patent and raised $40,000 in grant funding.

The other winners in the 2010 Wharton Business Plan Competition were:

- Second Prize ($10,000) went to **NanoLab**, a calculator-sized device that can perform accurate diagnostic tests at point of care.
- Third Prize ($5,000) went to **R2R Therapeutics.**
- The Gloeckner Undergraduate Award ($5,000), awarded to the highest ranking Wharton undergraduate team, went to **PowerFlower Solar,** which aims to design and manufacture solar devices for deployment on agricultural land.
- The People's Choice Award: ($3,000) to **Kembrel.com**, a private sales club for students that offers discounted brand-name products.
- The Committee Prize (Social Category) went to **Ecoclutch**, a retailer of eco-friendly and reusable products.
- The Committee Prize (Global Category) went to **Hector**, a nutrient rich "PowerWater" drink in an innovative pouch designed for emerging markets.
- The Committee Prize (Committee's Choice Category) went to **PowerFlower Solar.**

that he was the only person on the team with any inkling of how to do that, and as it turns out, he was right. Looking up at the judges, he explained that even after the company was sold, investors would continue to receive payments totaling up to $300 million as the product made its way through further rounds of testing. Of course, there was no guarantee that the drug would reach those "milestones," let alone pass them, which was why Rhee had decided against mentioning them in his speech, but now was clearly not the time for caution.

As they left the stage, a professor congratulated them, specifically commending them on their decision not to use "the picture." "The picture" was a photograph Lauren's mother had taken of Lauren the day she arrived in the ER. It was a horrifying image—her head swollen almost to the size of a basketball—and the team had wrestled with the question of whether to include it in the presentation right up until the night before. "Our friends liked the idea," Sheshadri told me later. "However, when we ran it past our communications professors, they said it could work against you because it could attack the emotional jugular. Finally, we decided to play it safe."

THE WINNER IS …

For an outsider, a business plan competition is a strange thing to contemplate—its logic is closed, its form cyclical. Contestants are awarded money for demonstrating that they can make money. He who proves himself most likely to win, wins.

R2R didn't win. Or maybe they did. It depends on your perspective. They placed third, behind the runners-up from team NanoLab and the Michelson Grand Prize Winners from team Cortical Concepts (see sidebar). For their third-place finish, R2R received a plaque, $10,000 in in-kind services, and $5,000 in cash—more than enough money, as Chen observed, for massages in Vegas. Roghani, who had joined Sheshadri earlier in guaranteeing victory, noted that he hadn't specified first place. And Sheshadri immediately found a way to spin the ambiguous outcome as a historical achievement. "We are the first team ever to win in the Wharton B-plan competition for a health care molecule," he told me.

Rhee was clearly disappointed, and admitted as much over the phone a few days later. Yet the experience, he said, had been "one of, if not the highlight, of our Wharton careers. While I would say we were acquaintances before, this experience has made us very solid friends. And the learning that we gained from each other was incredible."

It also looked like they might get an important meeting out of it.

A group of venture capitalists, he said, had expressed interest in R2R after learning about them through a competition brochure that a Wharton student had sent them. They had emailed the team a list of questions, including one that was very close to the question that had caught them by surprise at the contest. Rhee wasn't about to email back an answer. The goal was to get in the room with them.

But if the question comes up in conversation, he'll be prepared.

Saki Knafo is a regular contributor to the New York Times. *This is his first piece for* Wharton Magazine.

Denis Benchimol Minev, WG'03

Denis Benchimol Minev, WG'03, was one of the few people who actually got what he wanted at the Copenhagen Climate Conference last December.

Minev attended the event as Secretary of Planning and Economic Development for the Brazilian state of Amazonas, where he recently spent three years seeking a sustainable balance between economic growth and forest preservation. His attendance was one of his last official acts before leaving public service to rejoin his family's retail and energy businesses. (His family owns Sociedade Fogás and Lojas Bemol in Manaus)

Hopes ran high for the conference. With the Kyoto Protocol set to expire in 2012, time was running out for world leaders to begin implementing a new international agreement on reducing carbon emissions.

Two weeks of divisive talks ended with little accomplished ... except one thing. Participants acknowledged that developed countries should provide financial incentives to developing tropical countries to reduce deforestation—a policy that delegates from Brazil and Amazonas had been advocating since the Bali climate conference in 2007. The Copenhagen event marked the first time there was global agreement to finance forest preservation as a strategy to combat climate change.

"Despite global failure of negotiations, forests and REDD [Reductions in Emissions from Deforestation and forest Degradation] took a primary role and became the only point of agreement," said Minev, 33. "Copenhagen was bad, in that nobody committed to anything, but for us, it was good."

True to their word, developed nations in May pledged $4 billion to launch a new program—REDD Plus.

During his time in government, Minev presided over a major philosophical shift in how the state stewards its land, which is 98 percent virgin rainforest.

Major arteries of the Amazon River flow through the sparsely populated region twice the size of Texas, feeding a dense ecosystem that represents 20 percent of the world's tropical rainforests. Scientists have estimated that ending deforestation will do more to limit carbon in the atmosphere than eliminating all of the world's cars, planes and ships put together.

Minev and Eduardo Braga, the governor of Amazonas who invited Minev into government in 2007, worked to bring the state's rate of deforestation to virtually zero. Since 2002, annual deforestation has declined 75 percent. During a speech at Copenhagen, Governor Braga announced that now just 0.03 percent of the state's land, or 400 square kilometers, is lost to farming each year. The bottom line? New industries seeking to clear land are no longer welcome in Amazonas.

"We made it the formal policy that unless it's on already deforested land—which is two percent of the state—that's not something we want in Amazonas," said Minev.

Of course, remaking Amazonas into a green brand meant learning to say no, he said.

"This goes straight back to Wharton," said Minev, who finished his MBA at Wharton in 2003. "I remember from strategy class that the heart of strategy is being able to tell what you're not going to do. Telling what you're going to do is easy but telling what you're not going to do—like when you're going to say no to your customer—is much harder. There has historically been a lot of cattle breeding in the state, but if a new investor came in today and said 'I want to bring my cattle into Amazonas', the answer is, 'If you can find a place that has already been deforested, fine, but if you want to take them to a new place we won't grant your license.'"

The state also pays households and communities "forest conservation grants" to discourage them from clearing more of their land.

"We want to be the best preserved state in Brazil," said Minev.

Now the focus is on attracting industries that leave the rainforest intact. Amazonas eliminated all taxes on cosmetics that use forest-produced products and subsidized the startup of a rubber industry to make tires for automobile companies. It made bidding documents and state payments public for transparency.

Minev also took steps to improve government efficiency, using more lessons from Wharton. Within his office, he dramatically reduced the amount of time it takes to open a new business and automated the system of awarding incentives by implementing ISO 9000 quality management standards borrowed from business. These standards were also put in place in five other state institutions, with 15 more to come. For the first time, the government was able to track 5,000 points of data relating to efficiency in areas like public safety, law enforcement and hospital care. "You can only manage something you can measure," Minev said. "You learn that in pretty much every class in Wharton—you need to know the numbers and be quantitative. This was part of the culture I tried to bring into the government."

Still up in the air, however, is how Amazonas will fund its conservation efforts.

Norway pledged $1 billion over ten years to Brazil for forest conservation. Other countries have promised a few billion more, though the actual money has yet to be seen. Amazonas created a foundation, Fundação Amazonas Sustentável, that has raised about $30 million from sources such as Coca-Cola, Banco Bradesco and Marriott.

It's a start, says Minev, but it's not nearly enough.

"McKinsey estimated it would take $30 billion per year to eliminate deforestation in the world," he said. "I think that number is about right."

Though state economic growth has been a healthy seven percent during Minev's tenure, he said growth could have been higher had the state ignored conservation.

"I can tell you with certainty that we could have achieved short-term higher rates of growth had we opened up the forest to palm oil," he said. "We see there's an international value in preserving the forest, but we expect the world to share in the cost, which is significant in terms of opportunity cost."

—Sonja Sherwood

KIM: ‘There is much to be done’

Two of Wharton’s most esteemed alumni—**Bong-Suh Lee, W’59,** and **James Joo-Jin Kim, W’59, G’61, Gr’63**—were awarded the Dean’s Medal, Wharton’s highest honor, during the Wharton Global Alumni Forum in Seoul in May.

Kim is Executive Chairman of Amkor Technology, Inc., one of the world’s largest suppliers of semiconductor assembly and test services, and has served on the Wharton Executive Board for Asia since 1997. He is also an emeritus trustee of Penn.

Lee has held various positions in the South Korean government, including Secretary to the Prime Minister (1973-1978), Vice Minister of Energy and Resources (1983-1988) and Minister of Trade and Industry (1990-1991). He has also served as Vice President at Asian Development Bank (1991-1998) and in 1998 was appointed Chairman of the Danam Corporation. He formerly served as a member of the Wharton Executive Board for Asia.

Wharton’s Global Alumni Forums are now in their 17th year, and the Seoul event was another success: It drew nearly 400 attendees from around the world to South Korea’s beautiful capital city.

During his acceptance speech, Kim marveled at how far his native country had come. Excerpted here is some of what Kim had to say. — *T.H.*

Bong-Suh Lee, W’59, and James Joo-Jin Kim, W’59, G’61, Gr’63, with Dean Thomas S. Robertson.

A WHOLE NEW WORLD

WHERE DO WE GO FROM HERE?
SEOUL 2010

“[When I came to Wharton] both parts of the Korean peninsula had been ravaged by the war, and you cannot begin to imagine how grim the outlook was for all Koreans. We were desperately poor, and our nation was in shambles. We survived, we persevered and then we prospered. Now Korea is a developed, wealthy society. How did we go from a poor, under-developed society to a modern, high-tech nation? Part of the answer lies at the intersection of Korea with my other great passion—namely, the University of Pennsylvania. Penn has educated many Koreans in business, in medicine, in architecture and other disciplines. These Penn-educated Koreans, like myself, started their careers in the United States, but have increasingly returned home to help build the foundation of a prosperous and stable democracy.

“Koreans today represent the third-largest source of foreign students in the Wharton MBA program, trailing only China and India. Penn has played a pivotal role in the development of Korea over the 51 years in which I have had the privilege of being an alumnus of this great institution. While Penn has been training so many of Korea’s past, present and future leaders, the University has also been building its infrastructure to train others about Korea, especially the Korean language. I think this is critically important, because it is quite difficult for a nation to be recognized and appreciated unless people from other countries know about it. In addition, with so many Americans being of Korean descent, there is a need for Korean language and history programs to allow the diaspora to retain an interest and respect for the country of their ancestry. Where do we go from here? Well, there is certainly much to be done. With so many Koreans training every year at Wharton, Penn is educating a generation—much larger than the few who joined me in the 1950s—of corporate executives with the linguistic, cultural and business skills to expand the breadth and depth of Korean business worldwide. I fully support this new generation, and invite them to do better … to learn from our mistakes and to [make] the world a more peaceful and prosperous place. Just as Wharton assisted me and others… it is time for us to ensure that others can have the same opportunity that we had. I urge you, especially those who have become leaders in your profession, to participate in the efforts of Wharton to educate the leaders of the next generation.”

Next year, Wharton will convene top academic, civic, business and nonprofit leaders—and our outstanding international alumni network—at a single Global Alumni Forum, to be held in San Francisco.

The 2011 Global Alumni Forum, set for June 23–24, will coincide with the 10th Anniversary of Wharton | *San Francisco*, our West Coast campus and home to a thriving MBA Program for Executives. We are delighted to bring the Forum to this truly global city, one of the United States’ most exciting hubs of innovation, and we hope that you will join in the celebration.

Thuy Dam, WG'96

During Vietnam's long transition from a planned economy to a burgeoning market economy, **Thuy Dam, WG'96**, has often found herself at the leading edge of change in the country.

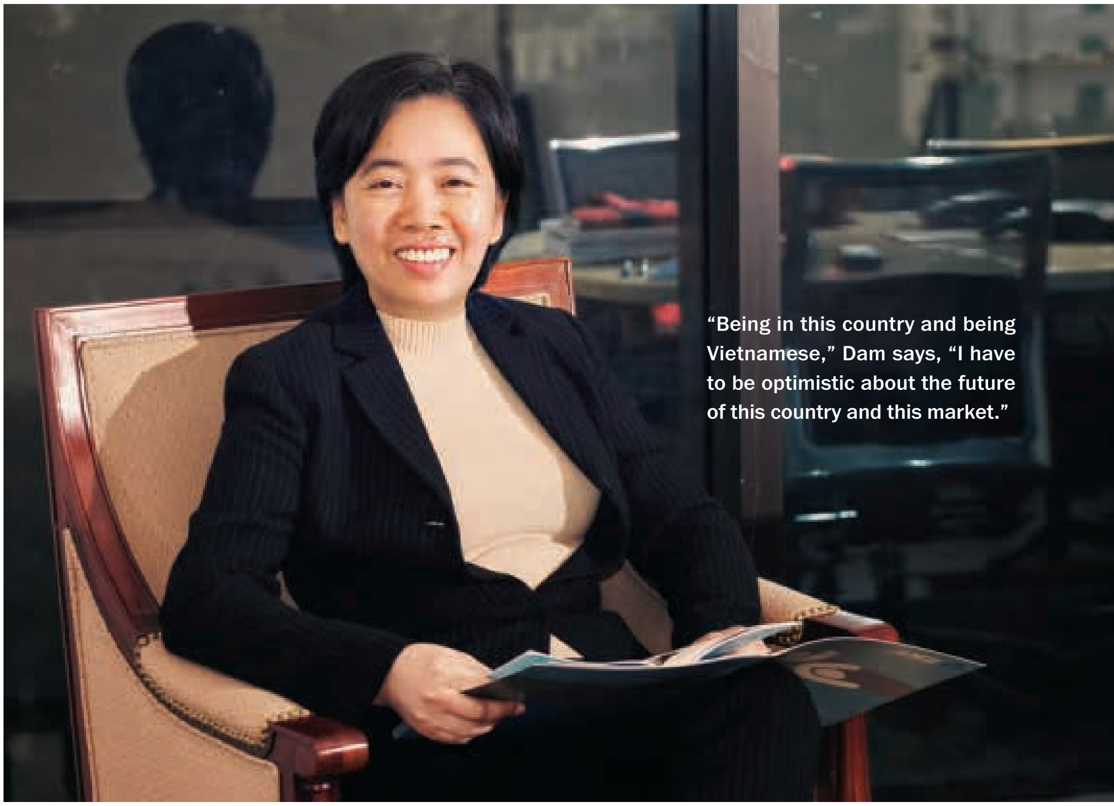
A few years after graduating from the University of Hanoi in 1985, Dam and four friends launched a consulting firm to advise foreign companies on entering the Vietnamese market. The country had just decided to allow foreign investment, and the new firm, InvestConsult, was Vietnam's first privately-owned company. It would provide crucial help to some of the world's largest companies, which were trying to gain a foothold in the country.

Two decades later, after getting her Wharton MBA and becoming established as an international banking executive, Dam returned to Vietnam to head the Australia-New Zealand (ANZ) Banking Group's Vietnam operation. Under Dam's leadership, ANZ won a government license to operate as a local bank and launched a dramatic expansion, growing from two branches to 12, boosting staff from 100 to 700, and quadrupling revenue. ANZ brought change to Vietnam's financial sector, introducing Internet banking, credit cards and new financing options for local businesses.

"I like building things," says Dam, 49. "I'm probably not very good at being a caretaker. I get bored very quickly."

Dam has been with ANZ, the third largest bank in Australia and one of the leading banks in Asia, since leaving Wharton, which she attended as a Fulbright Scholar. Like many of her classmates in the mid-1990s, Dam planned to work on Wall Street, but her scholarship required her to work outside of the United States for two years after graduation. Melbourne-based ANZ hired her to help guide the investment bank's expansion in Asia from a recently-opened office in Singapore.

"I always had an intention of staying for two years and then going back to the States to work," she recalls. "But I can say now that one should never plan anything in life. I ended up spending 10 years in Singapore and really enjoyed it."



"Being in this country and being Vietnamese," Dam says, "I have to be optimistic about the future of this country and this market."

In 2005, ANZ assigned Dam, a native of Hanoi, to head the Vietnam headquarters in the city. In Vietnam and other countries without a well-established banking sector, foreign banks usually bring in executives from the home office to run local banks. Dam was one of the first Vietnamese to head any foreign bank in the country. And when she arrived, she didn't know what to expect.

"Being away for a long time, I thought going back in a new job would be difficult," she recalls. "But I landed in Hanoi around lunchtime, and by late afternoon, I didn't feel like I was starting anything new. It all seemed so familiar."

A young child in the 1960s, Dam was living in Hanoi during the difficult times of the Vietnam War. Her father was a college professor in chemistry and physics; her mother, a biologist at the Pasteur Institute. To protect children, the North Vietnamese government split up families, sending children to the countryside where they would be less vulnerable to attacks. Adults also were separated so that families would not be wiped out in a single raid.

"My father was in one province. My mother was in another," Dam recalls. "My grandparents stayed in Hanoi because they were very old and didn't want to move. My brother and I were together in another province."

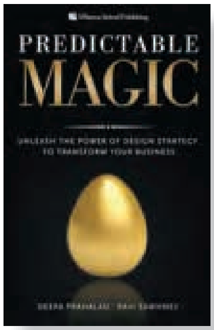
She says the experience instilled a sense of independence. She remembers living among 30 or 40 children, cared for by a couple of adults. "They cooked for us, and we just looked after ourselves. I don't know how we did it, but we managed."

After college, she worked for nearly two years for Vietnam's patent office before deciding she needed a change. This was the mid-1980s, and the war had been over for a decade. East-West relations were thaw-

continued on page 36

What's New At . . .

Wharton School Publishing



The Difference in (Great) Design

When it Comes to Super-successful Products, Design Matters—But Only When Paired With Sound Strategy

New isn't always better.

After all, it is said that up to 80 percent of all new products fail.

Which begs the question: What is it specifically about the design, strategy and utility of those other products—the ones that do succeed? What sets the 20 percent apart from the 80 percent?

According to award-winning industrial designer Ravi Sawhney and business strategist Deepa Prahalad, the answer isn't just design, but rather design combined with strategy.

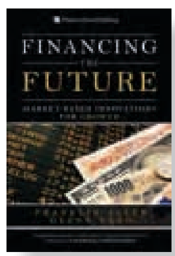
In *Predictable Magic: Unleash the Power of Design Strategy to Transform Your Business,* Sawhney and Prahalad make the case that the creators of super-successful products often find a way to seamlessly integrate corporate strategy with design.

In other words, they don't deliver utilitarian objects: They craft rewarding, empowering experiences.

To outsiders, this looks like magic: incomprehensible and impossible to reproduce. But it isn't, the authors say, and in *Predictable Magic* they present the complete design process for making the "magic" happen—over and over again. Sawhney and Prahalad introduce "Psycho-Aesthetics," a breakthrough approach for systematically creating deep emotional connections between consumers and brands.

Step by step, *Predictable Magic* will teach you everything you need to know to make Psycho-Aesthetics work, from research to strategy, implementation to consumer experience. You'll also see it at work in case studies from some of the world's top companies, including Medtronic and Amana, as well as innovative start-ups.

Financing the Future: Market-Based Innovations for Growth



By Franklin Allen and Glenn Yago

Financial innovation has done a lot of good for the world.

Starting with the use of credit in Assyria and Babylon over 3,000 years ago and development of the bill of exchange in the 14th century, financial innovation has driven social, economic and environmental change worldwide, transforming ideas into new technologies, industries and jobs.

Yet when financial resources are misunderstood or mismanaged—as they were most recently during the events leading up to the current financial crisis—the consequences can be severe.

In *Financing the Future: Market-Based Innovations for Growth,* two leading experts—**Franklin Allen**, Wharton's Nippon Life Professor of Finance and Professor of Economics, and Glenn Yago, Director of Capital Studies at the Milken Institute—explain how sophisticated capital structures can enable companies and individuals to raise funding in larger amounts for longer terms and at lower cost, thereby accomplishing tasks that would otherwise be impossible.

The authors recount the history and basic principles of financial innovation, showing how new instruments have evolved—as well as how they have been both used and misused. In this important and highly readable book, Allen and Yago thoroughly demystify complex capital structures, offering a practical toolbox for entrepreneurs, corporate executives and policymakers.

Financing the Future presents clear, thorough discussions of the current role of financial innovation in capitalizing businesses, industries, breakthrough technologies, housing solutions, medical treatments and environmental projects. It also presents a full chapter of lessons learned: essential insights for stabilizing the economy and avoiding pitfalls.

Remembering C.K. Prahalad

The business world lost a prophetic and creative thinker with the death of C.K. Prahalad on April 16.

Prahalad was an internationally respected consultant and professor at the University of Michigan's Ross School of Business, where he was known for his writings on corporate strategy. In 2004, Prahalad garnered widespread acclaim for his groundbreaking book *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits,* which was one of the first books ever printed by the then-brand new Wharton School Publishing house.

The Fortune at the Bottom of the Pyramid made the case that private investment, not charity, would lead to expanding opportunities in struggling markets around the world. It was named the best business book of 2004 by the editors of Amazon.com and remains one of Wharton's best sellers, with approximately 200,000 copies sold worldwide. *The Fortune at the Bottom of the Pyramid* is widely credited with helping jumpstart the "social impact" movement. Wharton School Publishing released a fifth-anniversary edition of the book last year.

Earlier this spring, **Dean Thomas S. Robertson** called Prahalad's ideas "masterful and influential."

"When we bring business solutions to social problems we are following his advice," Robertson wrote. "When we resolve to 'do well by doing good' we are echoing his call. Now it is up to us to carry on his ideas."

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Knowledge@Wharton

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Passion vs. Profits: Microfinance's Talent Wars

JON REINFURT

Employment in the microfinance industry is at a crossroads. When microfinance began, its scope was simple: Charitable, donor-driven organizations with a mission to eliminate poverty gave out very small business loans to help the world's poor. Big banks—deeming the double- and triple-digit loans too small to be profitable—didn't get involved.

Today, after three decades of rapid growth, the microfinance industry has become both more crowded and more complex. The Microfinance Information eXchange reports 1,200 microfinance institutions (MFIs) with 64 million borrowers and 33.5 million savers, and those numbers are growing at 25% a year. Big banks, realizing there is money to be made at the bottom of the pyramid, are now entering microfinance markets that were once solely the territory of philanthropies. Commercial investors, too, are seeing profits. And microfinance institutions are scrambling not to lose ground.

"I feel like we're seeing a lot of polarization as this industry grows up," said Elizabeth Lynch, manager of the Center for Microfinance Leadership at Women's World Banking. "Now it's the NGO [non-governmental organization] versus the bank, the social investor versus the commercial investor. Microfinance encompasses so much that there naturally seems to be a tug of war."

The tug of war is most recently playing out in microfinance's human resources departments. As a greater number of for-profit microfinance institutions enter the market, more established MFIs worry that banks are poaching their best employees. At the same time, traditional MFIs need to attract banking talent at the managerial level to tackle the more sophisticated financial services they must offer to survive.

"Field officers are probably the most valued commodity in microfinance," Lynch noted. "So if banks are looking to go into retail microfinance, there is the issue of banks poaching loan officers and branch managers because they bring the on-the-ground expertise that these banks desperately need." The flow goes in the other direction at the managerial level when microfinance institutions seek to expand their portfolio of services, Lynch added. "A lot of activities such as treasury management, risk management, financial management—they wouldn't have necessarily had these skills in-house as an NGO."

Industry veterans worry that the new influx of banking talent and the increasing focus on banking services could jeopardize microfinance's original mission to help the poor.

"It's causing tension in the field," stated **Monica McGrath**, adjunct assistant professor at Wharton's Aresty Institute of Executive Education, who recently wrote a needs assessment for the microfinance industry with colleague Dana Kaminstein. In many countries, microfinance institutions are transitioning from their status as non-governmental organizations to regulated financial institutions in order to make their business model more sustainable, she added. By becoming regulated, an MFI can take deposits, reducing its dependence on donations and increasing its access to capital. "The talent and succession issue is important because as these institutions offer new services, they have to increase the level of professionalism in their organizations. There is a very strong case to be made that if we over-commercialize, we're going to be serving the wrong people or emphasizing the wrong result."

The talent discussion heated up recently at the Aresty Institute of Executive Education, where about two dozen microfinance leaders from around the world gathered for the Women's World Banking Advanced Leadership Workshop. Some participants lamented the loss of well-groomed talent to big banks, while others maintained that the microfinance industry would continue to attract talent because it offered benefits that banks cannot. A number of participants told stories of leaving banks to work at microfinance institutions, while others talked about moving in the opposite direction.

The program was offered by the Center for Microfinance Leadership, which Women's World Banking launched last year in part as a response to the 2008 "Microfinance Banana Skins Report." The annual survey of the microfinance industry found that management quality topped the list of concerns among microfinance institutions. "Many recognized the need to develop leadership and management capacity in the industry," Lynch said. Studies show that only about one-fifth of the developing world population has access to formal financial services, and the need continues to grow. "There is such an enormous potential market for these financial services, and the concern was that the institutions are growing so rapidly that the development of this talent is not taking place."

Increasing managerial skills and talent in the microfinance industry has become even more important in the global economic recession. The most recent 2009 Banana Skins report, written by David Lascelles and Sam Mendelson at The Centre for the Study of Financial Innovation, found that management quality fell to No. 4 as more financial worries, such as credit risk and liquidity, moved up. "The emergence of credit risk as the top [concern] in this survey is the clearest indicator of the dramatic new challenges that face the microfinance industry in these turbulent times," the report read. "In the past, credit risk (the risk of loss when loans are not repaid) was seen as a minor problem in a business whose typical customers had an excellent repayment record. (In our 2008 survey it was ranked No. 10.) But not any more. A combination of stressful economic conditions and structural change within the microfinance industry has greatly increased concern about default and loan loss."

Such economic turmoil has brought the need for financial know-how into even sharper focus. "The big question, though, is whether MFI managements are up to leading their institutions through these testing times," the report continued. "Respondents saw a need for more skills in the areas of risk management, cost control and strategy as MFIs face tougher competition and difficult market conditions."

A Double Whammy

In the end, it boils down to survival. Microfinance institutions risk losing customers unless they provide a wider range of services—such as convenient banking through ATMs, branches and other outlets, said Maria Angelica Hoyos, marketing manager for Women's World Banking Colombia. "We need a full portfolio—not just loans. As a bank, we can have a higher level of clients."

Growing more sophisticated allows MFIs to keep serving customers who have become successful in business and now have financial needs beyond the micro-loan. For example, some microfinance institutions are branching into housing loans and other types of credit. Others are looking into crop and health insurance. Many microfinance institutions also see savings accounts as a vital component of the services they must offer. The expanded portfolio is not just good for the clients: By offering more banking services, the MFI also brings in more capital, creating a more sustainable operation that feeds into the growth of the MFI and makes it better able to pursue its mission.

Despite the perks, bankers and microfinance institutions make strange bedfellows. Annet Nakawunde, head of operations at Uganda Finance Trust, Ltd. in Kampala, Uganda, can see the need to provide more banking services, but she chafes at the flow of labor away from microfinance institutions. "We have a challenge in that the big banks are downscaling, but they don't have the capacity to take care of the microfinance customer, so they are looking to the microfinance institutions to find their employees," said Nakawunde, who has watched several employees leave to go to financial institutions. "The microfinance industry has turned out to be a training ground for the big banks. We take the ... people and train them, and then the banks come and poach the talent." The exodus becomes a double-whammy for the microfinance institution, because MFI customers often follow the employee to the new bank. "When you lose that talent, you also lose customers, because [the bank employees] also have targets."

On the managerial level, attracting banking talent to the microfinance sector is a challenge in part because of pay and benefits that are comparatively low. "I'm not sure that we're in a position to poach top executives from banks," said Karim Fanous, executive director of The Lead Foundation in Egypt. "We will be unable to compete on attractive salaries and financial remuneration. But we have a lot of other things to offer. We need to make sure people know that these things are there."

Lynch agrees that microfinance "can't compete in terms of salaries" but believes that microfinance's social mission and "double bottom line" is "a significant draw for those who are susceptible." Women's World Banking frequently gets calls from women on Wall Street who want to use their skills for a social purpose. "Microfinance offers something to people in financial services who want to contribute to the greater good," she says.

Career development also draws some people to banks from microfinance, pointed out Maros Parreno Apostol, who works as general manager of South Pacific Business Development (SPBD) in Samoa. Before moving to Samoa, she was based in Cambodia for nine years with two other microfinance institutions. In both Samoa and Cambodia, "MFI staff transfer to banks because of the organizational nature of the MFI," she said. "MFIs have a flat organizational set-up compared to banks," where there are different functions and specializations. "We can train people, manage their talent and send them to international conferences. However, the job level/function is the same."

> "The trigger for me to shift to microfinance was not monetary gain or career growth. I thought that if I am going to work so hard, I might as well do it [for] those who are disadvantaged."

David Mukaru pointed out that career advancement was one reason he moved from a non-profit microfinance institution to Equity Bank, a for-profit microfinance institution in Kenya. He also saw a greater opportunity to offer a broader range of services to the people he wanted to help. "Why did I move? Probably I needed to scale up, to get wider and deeper into the market. Sometimes officers need to grow their skills" in order to better help their constituents, he said.

When banking executives do decide to go into microfinance, it's not always easy to find a good fit. Glynis Rankin, a workforce consultant at London-based Creative Metier, said a recent study she did of 15 microfinance CEOs found that the institutions struggled to integrate banking talent into their culture. "Sometimes people would come into microfinance from banks and try to make it work like a bank," she said. This caused problems in an industry that is highly mission-driven. The concern she often heard from CEOs was, "'How do you re-orient people to understand that this is microfinance, that this is something very different?' I think there's a real issue there."

Faisal Malik, head of information technology at the Kashf Foundation in Pakistan, said that, when recruiting banking executives, he always asks, "Do you have an ability to unlearn? That's a very important aspect." Banking executives might have talent, but there is a lot more to microfinance, he added. "It's a whole different level of gratification when you see something grow; when you're able to touch the grass roots-level poverty and see how you're having an influence. In the end, life is a lot more than just benefits and compensation."

Some employees who leave microfinance institutions do come back, according to Erdenechimeg Dorjgotov, director of the operations management division of XacBank, part of the Tenger Financial Group, in Ulaanbaatar, Mongolia. In her experience, about 40% of employees who leave her MFI for a traditional bank return after a few years. "They miss the culture," she said.

Those non-tangible benefits are what drew Lorisa Canillas away from a bank to become general manager of South Pacific Business Development in Nuku'alofa, Tonga. "The trigger for me to shift to microfinance was not monetary gain or career growth," Canillas said. "I was looking for meaning from my work and I just could not get it from the corporate and commercial banking world. I thought that if I am going to work so hard, I might as well do it [for] those who are disadvantaged."

The advantage of transitioning from being a banker to becoming a microfinance practitioner "is that you can bring a strong business approach to your program, which helps ensure sustainability rather than just being benevolent," Canillas noted, adding that "there are aspects in microfinance work that you cannot apply your banker's mindset to. For example, you cannot expect to do thorough financial analysis on loans as low as $100 for clients who do not even have records of their income and expenses; or lend to start-up micro-businesses, which is unthinkable in the banking world. More importantly, having the commitment—or sharing the same values and mission of helping the poor—is a very important factor for a talent to be effective. MFIs must guard against the flow of talent that has no passion for the double bottom line."

ON THE WEB
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Thuy Dam
continued from page 32

ing, and Vietnam was opening to the outside world. She and her cofounders of InvestConsult saw an opportunity. "Vietnam had been closed to the world for such a long time," she says. "When you open up, there is always a huge gap between what the foreigner looks for and what the government wants. We believed there needed to be a bridge between the two parties."

She says that she and her partners ran the business largely on intuition and their own first-hand knowledge. Realizing she needed a broader understanding of business, she decided to apply to Wharton. She remembers having a difficult time applying for admission and the scholarship. The United States had only just lifted its trade embargo, and relations between the two countries were still tense.

"Everything was so new. It was hard to get information. Trying to find a place to sit for exams was challenging," she recalls.

She describes her two years at Wharton as an intellectual awakening.

"What Wharton taught me most was not technical skills. It was the things I learned from my friends and classmates [that stood out]. There was this entrepreneurial spirit there," she says. "People tossed around ideas, and professors were ready to entertain ideas. I had come from a society where ideas and thought were shaped by somebody else."

While she is reluctant to make any predictions about her career, she expects to be in Vietnam for some time. Last year, ANZ gave her responsibility for the bank's operations in Laos and Cambodia, as well as Vietnam.

Although the world financial crisis hurt Vietnam, the country has fared better than many others, according to Dam. Vietnam relies heavily on exports, and while the global recession did weaken demand for the country's products, Vietnam's emerging banking industry never got entangled in the disastrous investments that brought down banks elsewhere.

"There are still quite a few challenges the country will have to deal with, and there will be bumps in the road," she says. "But being in this country and being Vietnamese, I have to be optimistic about the future of this country and this market." *—Robert Preer*


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Final Exam

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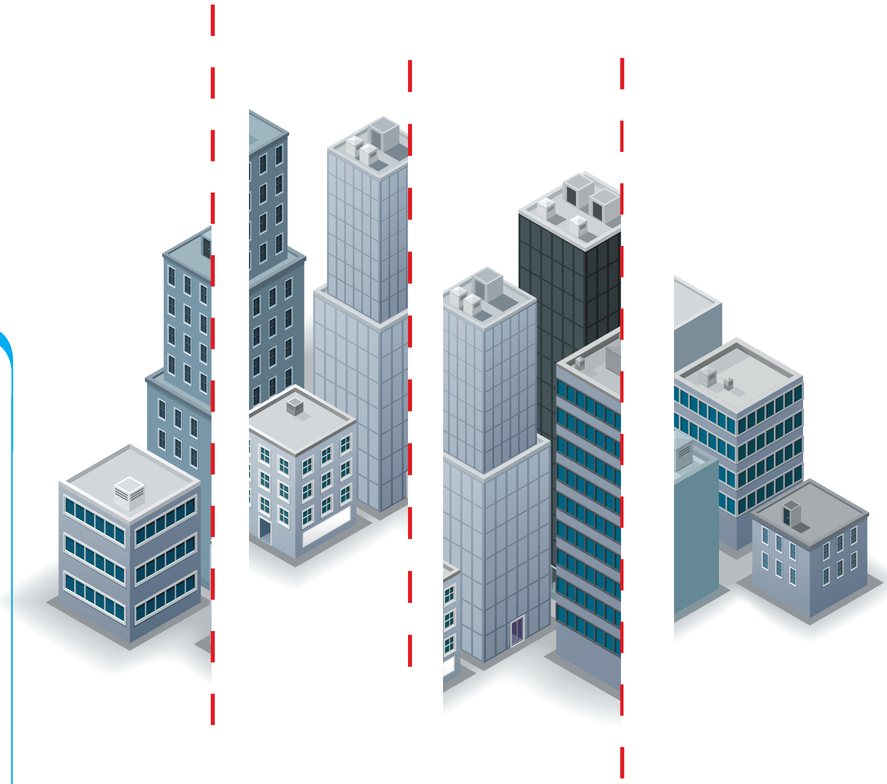
This issue's Final Exam question comes from **Todd Sinai**, Associate Professor of Real Estate and Business and Public Policy. Professor Sinai sent along a question about everyone's favorite topic: Mortgage-backed securities. Good luck—and remember ... real estate is all about location, location, location.



The Basics

Commercial Mortgage-Backed Securities (CMBS) are created by pooling commercial loans varying in size, property type and location, and then transferring those pools to a trust. The trust then slices the pool of mortgages into tranches, which are underwritten and issued as a series of bonds. (Note: A tranche is a single issue of a security released at different times. The originator is the entity that made the original loans.)

Sales of CMBS averaged approximately $75 billion a year from 2000 to 2004. Sales were $179 billion in 2005, $221 billion in 2006 and $248 billion in 2007. But according to Bloomberg.com, sales of CMBS dropped to $11.15 billion in 2008.

Question:

Is the following statement true, false or uncertain?

Bond purchasers should be willing to pay more for a CMBS tranche if the originator of the underlying mortgages buys all of the most subordinate tranche.

ON THE WEB

Think you know the answer? Submit your response to *finalexam@whartonmagazine.com* or *magazine@wharton.upenn.edu* by Sept. 1. Professor Sinai will post the correct answer on Sept. 2. One winner will be selected to attend, tuition-free, one Executive Education, 3- to 5-day open enrollment program.

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