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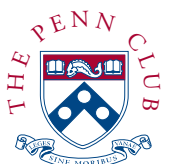
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Celebration!

Amidst pomp and ceremony, the Class of 2011 parades jubilantly past friends and family. Earning their degrees are 630 undergraduates and 1,000 MBAs.



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Your Path Will Not Be Predictable

As degrees were conferred on 1,000 MBAs and 630 undergraduates, Dean Thomas S. Robertson advised that the only certainty in their professional lives was that nothing was certain. **By Kelly Andrews**

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Connecting, Learning, Growing

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Commanding the Field

At the Marine Corps base in Quantico, Virginia, Wharton MBAs learn how to lose the battle in order to win the war via Wharton's Leadership Ventures. **By Ruth Waldman Schultz**





One of the highlights of my job as Dean is meeting and learning from our many impressive alumni around the world. Over the years the Wharton Global Alumni Forums have become the premier venue for these conversations. At each one—whether it is in Beijing, Bogota, Cape Town or Madrid—hundreds of alumni, faculty and staff come together for a series of spirited discussions about the state of global business.

For the first time this year we combined our three regional meetings into a single event, which was held June 23–24 in the innovation mecca of San Francisco. Although it was the first time we have hosted an Alumni Forum in the United States, it was a truly global affair with alumni from all over the world in attendance and presentations by Levin Zhu of China International Capital Corporation, Jacob Wallenberg of Investor AB and Carlos Pires Oliveira Dias of Camargo Corrêa.

We engaged in fascinating panel discussions on such topics as the rise of the CIVETS countries (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), the global private equity industry, and the new roads that are being paved in social media. We also toasted the 10th anniversary of Wharton | *San Francisco*, our West Coast campus that is home to a thriving MBA Program for Executives, a world-renowned menu of non-degree programs for executives and a pioneering entrepreneurial program.

It was an invigorating session, including the keynote speech from Craig Venter on his work with the human genome. It was especially heartwarming to award the Dean's medal to our alumna Connie Duckworth who has been such an impressive role model for women in business.

As always, I came away with a new perspective on the constantly evolving business landscape, heartened by the vision and knowledge of the worldwide Wharton community.

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

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WHARTON MAGAZINE ONLINE: Click and go. Check it out at WhartonMagazine.com

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ON
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The Dean's Blog

To read more thoughts from Dean Robertson, visit his blog at <http://www.wharton.upenn.edu/about/from-the-dean.cfm>.

Executive Director's Letter

As I go about my day to day on campus, through the classrooms and conference rooms of Huntsman Hall and Steinberg-Dietrich, and out to Wharton's always super-charged conferences, programs, and networking events, friendly faces ask, "How's your summer?" implying that the rules of R&R are in full swing.

Double-fisting it with BlackBerry and iPhone, glancing at days filled with back-to-back meetings, deadlines, and the ever-present juggling of my children's sports and social schedules, I respond with a cheerful, "Fine!"

Perhaps this sounds familiar.

But knowing the Wharton community as I do, I know you'll make the most of celebrating the season be it work or play. And when you do find time to relax, we bring you the latest edition of *Wharton Magazine* to help you unwind. Among Wharton's summer highlights:

- Commencement 2011 marked the first day of the rest of their lives for 630 undergraduates and 1,000 MBAs. They are entering a business world where the only constant is change. Dean Thomas S. Robertson promoted that message when he predicted that, in 20 years, they would be working in industries that do not now exist (page 18).
- What can for-profit businesses learn from non-profits? A lot, says Wharton Marketing Professor Peter Fader. For starters, non-profits are masters in assembling databases and they are open to academic collaboration (page 14).
- Renewal, Regalement, Remembrance. Wharton's three-day Reunion in May was...Remarkable. At Dean Robertson's Town Hall, he described plans for the reinvention of Wharton based on Innovation, Global Presence, and Social Impact (page 22).



- MBA students are gaining leadership skills by participating in Wharton's Leadership Ventures around the world. We focus on just one of 13 programs—the boot camp experience at the Officer Candidate School at the Marine Corps Base in Quantico, Virginia. Experience a day in the life of Wharton men and women who met the challenge with gusto (page 28).

And be sure to visit *Wharton Magazine* online at www.whartonmagazine.com and catch extras including amazing video clips from Wharton alumni and events on campus and around the globe (page 13), along with the award-winning Wharton Blog Network (www.WhartonMagazine.com/blog).

Happy summer, and happy reading.

Sherrie A. Madia, Ph.D.

Executive Director, Communications,
External Affairs

**ON
THE
WEB**

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WHARTON MAGAZINE

**Executive Director,
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External Affairs**
Sherrie A. Madia, Ph.D.

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Globalization of Business Ethics

Congratulations to Mr. Kurutz on his excel-
lent article. To me, the sadness is that it was
a subject that had to be addressed at all. Pro-
fessor Diana Robertson's quote that: "We're all
blaming the banks and financial services in-
dustry for overly risky behavior, but individ-
uals perpetrated this behavior. We can't just
blame institutions" is so true, but I would add
one further element—GREED—one of the sev-
en deadly sins. This was the driving element
behind the entire situation: greed for money
and/or greed for power. How would Wharton
handle this in the classroom?

David G. Barlow, WG'56

The Good Old/New Days

Wharton was, and I'm sure still is, a fabulous
school. I wish when I did the undergraduate
program from 1964 to 1968 that I'd been old-
er with more life experience so I could have
better availed myself of what they were try-
ing to teach me. Such is, I'm sure, the lament
through time of many former 18 to 22-year-
olds.

Having owned my own business and garner-
ing lots of experience, I often talk of the pos-
sibility of returning for courses. I'm an avid
follower of the current economic scene—how
it affects our politics and our lives—and I feel
that the seed of this interest was planted at
Wharton. It just took growing up a bit for the
seed to blossom. Thanks for the magazine. I
hope to see you in courses online or, if my
schedule would ever permit, in Philadelphia.

Dr. Marc T. Schoenfield, W'68

Wharton Rocks is Rocky

Just wanted to let you know that the photo cap-
tion for the 2-page photo by Tommy Leonar-
di on pages 2 and 3 of the spring 2011 issue
of *Wharton Magazine* incorrectly identifies the
name of the band and the band members play-
ing at this year's Wharton Battle of the Bands
at World Café Live.

The band in the photo is, in fact, a five-
member student group called "Buy Low." They
played second-to-last in the evening just before
the faculty band "Brand Equity" performed.

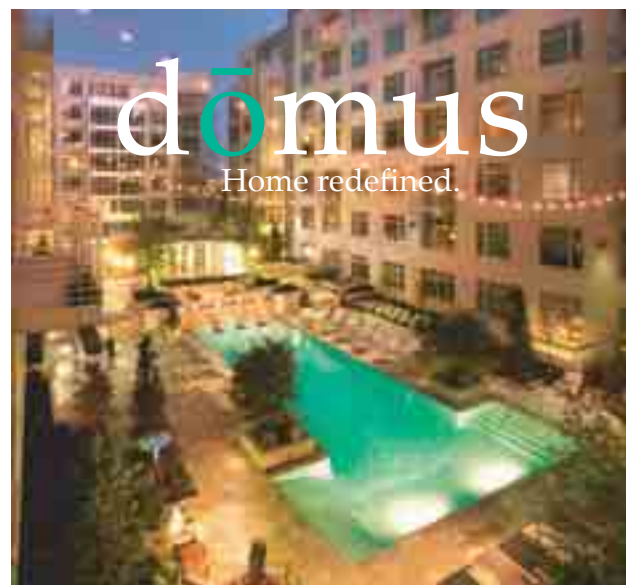
The Inbox

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.

The students in the photo are (left to right): **Bennett Aquino, WG'11** (drums), **Nadim Alameddine, WG'11** (gui-
tar), **Alexander Noether, WG'12** (bass), **Sabina Sequeira, WG'11** (vocals), and **Samir Patodia, WG'11** (vocals/guitar).

They didn't win the Battle, but they definitely rocked
hard and put on an awesome show!

John Zox, WG'11



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PROPERTY OF THE YEAR

‘The Leader’s Checklist’

Crisis can hit at any moment. The leaders who successfully navigate these crisis situations, says one Wharton expert, are the ones who have mastered a few mission-critical leadership principles.

By Michael Useem

William and Jacalyn Egan Professor of Management

Imagine yourself in this position: Less than five months ago, you were summoned from the private sector to join a newly formed national government. Your background is in retail; now you are heading up the nation’s mining industry. You are abroad on a state visit, still working to come up to speed, when word reaches you from your home office that there has been a mining disaster—a cave-in deep below, death toll unknown, nearly three dozen missing.

Or envision this: For decades, your financial services firm has sailed along. Not only have revenues soared, your company has also earned a treasured AAA credit rating while creating an extraordinary wealth engine: a little giant of a division that insures against debt defaults, including subprime mortgages. Continuing prosperity seems predictable, but suddenly the market implodes. Subprime mortgages turn noxious. Lehman Brothers goes under. Your AAA rating slips to AA, then A-. With the downgrades, you have to post billions of dollars in collateral that you simply do not have. This boat is sailing straight toward a roaring waterfall, and you are standing at the helm.

Or this one: The enemy has surrendered after a four-year conflict that has left more than half a million dead, and your army commander has assigned you to arrange one of the war’s crowning moments, the formal surrender of the enemy’s most venerated army. The tone, the texture of the ceremony, the formalities of receiving the enemy—they are entirely for you to craft.

These are not, of course, hypothetical or anonymous events. Laurence Golborne, the new mining minister for the Republic of Chile, was visiting in Ecuador on the night of August 5, 2010, when his chief of staff back in Santiago sent him a simple but urgent text message: “Mine cave-in Copiapó; 33 victims.” Twenty-eight hours later, at 3:30 a.m. on August 7, Golborne arrived at the remote site of the mining disaster in the Atacama desert of northern Chile.



Soon, hundreds of millions of people around the globe would be witnessing one of the greatest mining rescues of all time.

Like the miners in Chile, American International Group (AIG)—the financial services giant heading for the cataract—was ultimately rescued through direct government intervention. The company was deemed “too big to fail,” though it proved almost too toxic to save. When the subprime mortgage market in which AIG was deeply invested began to collapse, top AIG executives had taken few defensive measures. Their tone-deaf response to the tumultuous events that unfolded left the company vulnerable to one of the greatest corporate collapses in business history.

How different the actions taken by Union officer Joshua Lawrence Chamberlain when General Ulysses S. Grant handed him the historic duty of arranging a follow-up ceremony to Confederate General Robert E. Lee’s surrender of his army at Appomattox. Instead of humiliating the Confederate force, as might have been expected

after four years of civil war, Chamberlain ordered a respectful salute and launched a healing process to help reunite a country.

Two of the leaders we have just met were well prepared when summoned to moments of decision. Others, recent history showed us, were obviously not. To be sure, few of us are likely to have our mettle tested in such trying circumstances. But all of us can and should prepare for less-public crises in our own spheres of serving, to be ready to act when it really counts.

That preparation comes down to mastery of a limited set of leadership principles. From development work with hundreds of managers and executives in leadership programs in Asia, Europe, North America, and South America; from research interviews with managers in the United States and abroad; and from witnessing managers facing a range of testing moments, I have concluded that their

Wharton Digital Press
Debuts First Publication:
Michael Useem's *The Leader's Checklist*



Wharton Digital Press recently announced its first ebook, *The Leader's Checklist*, from world-renowned leadership expert Michael Useem. In this fast-reading and illuminating book, the author provides 15 guiding principles that form the core of *The Leader's Checklist*.

The Leader's Checklist helps leaders develop their ability to make good and timely decisions in unpredictable and stressful environments. To inform the checklist, the author, Wharton Professor Michael Useem, conducted extensive research and leveraged years of working on leadership development with a wide array of companies and organizations worldwide. Through those examples, he helps leaders personalize their checklist to the unique needs and demands of their organizations.

"Through my years of research I have found that the absence of a checklist—similar to those used by pilots or surgeons—is one of most correctable lapses in leadership," said Michael Useem, Director of the Center for Leadership and Change Management and Professor of Management at The Wharton School. "In *The Leader's Checklist*, I offer 15 vital principles that can help eliminate unforced leadership errors."

"Wharton Digital Press is proud to introduce its first ebook, focused on leadership," said Stephen J. Kobrin, Publisher and Executive Director of the new press and Wharton's William H. Wurster Professor of Multinational Management. "*The Leader's Checklist* dovetails with our goal, which is to provide leaders with insightful content through innovative digital technologies."

For more about the book visit: <http://wdp.wharton.upenn.edu/book/the-leaders-checklist/>.

experiences for better or worse point to a core of mission-critical leadership principles—a Leader's Checklist—that varies surprisingly little among companies or countries.

I have also become convinced that with leadership, as with much else, brevity is the soul of wit. Albert Einstein once described the calling of modern physics as an effort to make the physical universe as simple as possible—but not simpler. *The Leader's Checklist* is likewise at its best when it is as bare-bones as possible—but not more so.

Would you have surgery performed by a doctor who routinely failed to confirm that the right patient was in the operating room and the correct procedure was about to be performed? Or willingly fly with a pilot who regularly failed to check wind speed, flight plan, and all the other essential ingredients for ensuring a successful takeoff? Obviously not, and yet those in leadership positions often fail to require the same of themselves.

Through the simple step of creating and consistently applying the equivalent of a pilot or surgeon's checklist, a leader is better prepared for whatever lies ahead. The absence of a complete checklist is one of the most serious but also most correctable lapses in leadership. And just fifteen mission-critical principles define its core for most leaders. Together they provide an action map for most leaders, in most endeavors, in most situations—whether retrieving mineworkers, saving a company, or reuniting a country. ■

Adapted from *The Leader's Checklist* by Michael Useem (© 2011), published by the Wharton Digital Press. Available through ebook retailers including Amazon, Barnes&Noble.com, and Apple iBookstore. For more information, visit <http://wdp.wharton.upenn.edu/book/the-leaders-checklist>.

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GEOGRAPHIC
EXPEDITIONS

Debris

Just a Stove? **Hardly.** BY ROBERT STRAUSS

As Executive Director of the Darfur Stoves Project, Andrée Sosler, WG'08, oversees an organization that delivers highly efficient cooking stoves—and a much-needed sense of security—to thousands of women in embattled Darfur.

The displacement of more than two million people in Darfur, in the Western Sudan, and subsequent deaths and rapes of hundreds of thousands there, has caused consternation and frustration by sympathizers all around the world about what to do.

The development and distribution of a new kind of stove may seem but a slight response, but **Andrée Sosler, WG'08**, executive director of the Darfur Stoves Project, is convinced it goes to the heart of several problems.

“This attacks the situation on so many levels that I feel we are on the right track,” said Sosler. “It is environmental, social, about health and security. It is surprising how a seemingly incidental item like an efficient stove can be so multi-faceted.”

Even in refugee camps, women in Darfur must cook for themselves and their families—and that requires firewood. In their native villages, that was not much of a problem, but wood supplies near the crowded refugee

camps—operating now for the better part of a decade—have become scarce. There are more people in such a small space than the land can support, so any forests nearby have become quite denuded.

Thus women and girls often have to spend the better part of a day, three to five times a week, looking for a tree that can provide that cooking wood. “That is when they are the most vulnerable to rape and assault,” said Sosler. “That threat was the original impetus for the Stoves Project.”

Ashok Gadgil, a professor of environmental technology at the University of California, Berkeley, where Sosler's Darfur Stoves Project is based, who formerly developed a water purification device popular in underdeveloped areas, devised a more efficient wood-burning stove that fit the traditional stone-based fire areas and cookware of the Darfuris.

“Because of his water purification work, he was well known to the world aid community, and he was happy to help out with the Stoves Project,” said Sosler. She said that Darfuris use round-bottomed pots and most stoves are designed for flat bottoms. Through trial and error, too, Gadgil and his engineering team were able to make the stoves easier to transport and more efficient, so the women needed



ef



Andrée Sosler (2nd from left) is thumbs up with her friends in Darfur, where a highly efficient cooking stove is making a difference in the quality of their lives.

far less wood—in some cases only a quarter of what they had used before.

In the places where her project has been able to distribute the stoves, said Sosler, as many as 80 percent of the Darfuri women now do not go out to forage for wood at all.

In addition, said Sosler, the new Darfur stoves provide an environmental and health boon. She said that as many as three billion people around the world cook meals, primarily indoors, with open fires using wood or coal or similar substances like in Darfur. As many as two million of them may die from exposure to that kind of smoke.

“The more that we can reduce that type of emission through more efficient stoves, the better that would be for the environment as well,” she said.

Currently, the project expects to be able to finance and make about 25,000 stoves in 2011. They each cost about \$20 for raw materials, manufacturing and assembly, most of which is

funded through donations, though Sosler said some small part of the cost is actually borne by the women themselves. The parts are primarily made in India and then assembled in Darfur, where about a dozen men are employed to do so, another small beneficial offshoot of the project.

Sosler came to Wharton after working for five years in New York-based non-government organizations—much of them doing work in Africa—following her international development degree from Brown University. After Wharton, she worked for a year doing consulting for a private development group in Rwanda, but said she wanted to get back into NGO work. She was attracted by the movement of “venture philanthropy” in Silicon Valley and purposely looked for a job on the West Coast that would feed on that.

“It is like venture capital in that the donors look for definite results—maybe not in monetary return, but in social return,” she said. “That appealed to me. One of the things business

school taught me is the inefficiencies in international development. The Darfur Stoves project gives it focus.”

She said that she feels there is an increased focus at Wharton in social entrepreneurial issues. “I am glad Wharton has taken an interest in the area,” said Sosler, who as a student was co-president of Wharton Social Impact and helped organize a national conference on those issues that happened last year, after she was already in Rwanda. She has recruited at least five Wharton graduates to be on her board, she said, and hopes more will be interested in the project as it proceeds.

Though Darfur will continue to be the focus of the Stoves Project, she and her board are looking at expanding the project to other areas—perhaps neighboring Chad, which harbors many Darfuri refugees.

“Technology can solve social ills,” said Sosler. “And sometimes that is how the overall situation can improve.”

Doing Their Part

When a massive earthquake rocked their homeland, Wharton's Japanese students and alumni ended up raising nearly \$100,000 for recovery efforts. BY MIKE UNGER

Ken Iwakura, WG '11, was somewhere in Virginia when his world was shaken. He and his wife, Minori, were driving back to Philadelphia from a spring break vacation in Orlando when he noticed an unusually high number of emails from Tokyo popping up on his phone.

The date was March 11, 2011, and one of the biggest earthquakes in history had just wrought massive death and destruction on the northeast part of Japan.

"I knew something big had happened," said Iwakura, who at the time was serving as president of Wharton's Japan Club. "One of the emails was from the Wharton office in Tokyo. The Wharton Japan trip was taking place, and 151 students were in Tokyo at that time. They wanted me to contact other people to tell them they were all safe and sound."

When they finally arrived at their Philadelphia apartment, the Iwakuras turned on CNN and sat shocked by the horrific images. The 9.0-magnitude quake and subsequent tsunami resulted in the death of more than 15,300 people. "It was so painful, we couldn't stop crying," Iwakura said. "You couldn't understand how large the number of casualties was."

After that initial period of mourning passed, Iwakura understood that he couldn't sit idle. Though he didn't know anyone directly affected by the disasters, he felt a keen sense of connection to his homeland. It was this yearning to help that led him and others to spearhead an effort that ultimately raised \$97,400 for relief efforts in Japan.

"It really made me proud to see my classmates devoting themselves to the cause with such motivation and determination," said **Pauline Wu, WG '11**, who pitched in as well.

A day after the quake, Iwakura convened a meeting in his apartment at 23rd and Walnut streets during which he, **You Nagami, WG '11**, and a handful of others hatched a fundraising plan.

"At the same time we wanted to spread the message that Wharton and the city of Philadelphia [were] trying to support Japan," he said. "We wanted to design a T-shirt that we could wear in school and in Philadelphia so we could raise awareness."

One of the people at the meeting asked a designer friend in Japan to sketch a few possibilities and send them to Philly. When one was selected the group leaned on Wharton contacts, one of whom introduced them to a T-shirt manufacturer and another of whom agreed to sell the shirts on the website, kembrel.com.



The orders and donations to the Red Cross on firstgiving.com began rolling in.

"The passion of the Wharton Japanese student community was incredibly motivating," Wu said. "They really gave up a lot of their time getting T-shirts and stickers made, selling them at countless events such as the Wharton International Cultural Show and the Sakura Sunday event held by the Japan America Society of Greater Philadelphia, working with other student clubs to get funds to the Red Cross, running bake sales, and promoting and holding fundraising events."

Assistance poured in from across the Penn community.

"So many people were cooperative and approached us and said they wanted to take part in the efforts," Iwakura said. "The executive MBA program, the design school, the vet school, the language program and the law school. I was very moved because people approached us. We didn't approach them."

Although the campaign is now complete, none of the participants consider their work to be finished. When Iwakura, who is employed by the Bank of Tokyo Mitsubishi, returned to Japan on May 20, he found a very different Tokyo from the one he once knew.

"Since the nuclear reactors in the northern part of Japan have stopped operating, electricity is not fully provided to Tokyo," he said. "The entire city is in a low-power mode. They want to operate more efficiently, so 40 percent of the light bulbs in the city are turned off. It's pretty dark. You can't notice if a store is operating because the lights are turned out. You have to go inside and then you know—oh, it's open."

Even despite the vastness of the damage, however, the Japanese people remain hesitant to raise their hands and ask for help, Iwakura said. This is something he'd like to change.

"The greatest thing is how cooperative American society is toward people who need help," he said. "I believe this is very different compared to the Japanese culture. In Japan you're not as aware of who really needs help. In the United States it's okay to say, 'I need help.' I would like to take this back to Japan."

Wu, for her part, says the tragedy—and the Wharton community's reaction to it—has in some ways strengthened her bond with the country. So much so, in fact, that she was planning on spending two weeks in June volunteering with a nonprofit organization dedicated to earthquake relief.

"Although I only lived there for a year, I was overwhelmed by the kindness and generosity that is a part of Japanese culture," she said. "I think my experience helping with the Wharton Japanese community influenced my decision to go [assist with recovery efforts]. Although the disaster was and is tragic, I think that the devotion shown by the Japanese students and those in the greater Wharton and Penn community provided some renewed hope in mankind."

News Briefs

Wharton-INSEAD Alliance Celebrates 10-Year Anniversary

Wharton and INSEAD, two of the world's leading business schools, marked the 10th anniversary of the Wharton-INSEAD Alliance. Launched in 2001, the Alliance combines the resources of the world's leaders in management education to deliver top-quality business research and education across five dedicated campuses: Wharton's U.S. campuses in Philadelphia and San Francisco, and those of INSEAD in Fontainebleau, Singapore, and Abu Dhabi.

The anniversary was marked by a gathering in London, and included remarks by economist **Jeremy Rifkin**, himself a Wharton alumnus.

The Alliance offers successful MBA and faculty exchanges between the two schools, connects the large and active alumni communities of both, and offers co-branded open enrollment Executive Education programs, as well as company-specific programs for leading multinational corporations.

Wharton School Launches Knowledge@Wharton High School

On March 21st, The Wharton School announced the launch of Knowledge@Wharton High School — a free, regularly updated web publication aimed at high school students to promote financial literacy and a deeper understanding of how business works. The site is the first of its kind to be offered by a major university and is the newest member of the Knowledge@Wharton network, a portfolio of online journals offering business analysis and research to a global audience in 189 countries.

Knowledge@Wharton High School will present articles on a wide variety of topics that are of interest to teenagers, a glossary of business terms defined by Wharton professors, learning simulations, interactive tools and games, social media components, and a Teachers' Room where high school teachers can share lesson plans, blogs, and other teaching resources. Thanks to the leadership of Boris Hirmas Said, chairman of Tres Mares Group and former member of the board of Lan Chile, KWHS will launch in both English and Spanish with plans for future language editions.

"We developed KWHS for teenagers seeking to learn more about business in a user-friendly web environment," says Robbie Shell, managing director of Knowledge@Wharton.

For more information about Knowledge@Wharton High School please visit <http://kwhs.wharton.upenn.edu>.

Debrief

WHARTON MAGAZINE ONLINE:

Must-See Videos



The 2011 Wharton Global Alumni Forum was held last June in San Francisco. This is the 40th year for the annual forum, which seeks creative solutions for global challenges. It's also the 10th anniversary of Wharton San Francisco.



Wharton Magazine takes you to the 2011 Wharton MBA Commencement at the Palestra on Penn's campus as several graduates and their families reflect on the meaning and value of their Wharton degrees.



The Wharton Latin America Conference returned to the Penn campus last April for the first time in six years. Look at some highlights from the event.



Eduardo Solorzano, President and CEO for Walmart Latin America, is interviewed during the 2011 Wharton Latin America Conference.



"How to Get Anyone to Do Anything You Want," was Penn professor Charles Dwyer's compelling topic during the 2011 Wharton Class Ambassador Conference at Huntsman Hall. Dwyer is an associate professor in the Educational Leadership Division of Penn's Graduate School of Education.



ON
THE
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These videos and more at www.whartonmagazine.com

Wharton Folly

Illustration by Brian Ajhar

Go Forth and Lead



BY PETER FADER

Frances and Pei-Yuan Chia Professor of Marketing

Learning from Non-Profits: Being Data Driven

Let's face it: non-profits are the ugly stepchildren of the corporate world.

They get scraps of advice and hand-me-down help from MBA do-gooders, but that's not where the action is when it comes to "real" business. It is rare for experts to point towards non-profits as "best practice" case studies for standard corporate operations. Yes, we put them on a pedestal for making the world a better place, but at the same time we question how effectively they do it. Think of how often we criticize non-profit entities for not "running their business" as efficiently as a for-profit business would be expected to do.

These criticisms might be true in general, and I'm not attempting to reshape your entire view of non-profits. But I do want to offer some genuine praise for one thing that many of them do quite well: use their data to better understand their "customer base." In this area, big companies with lots of resources really can learn from their cash-strapped non-profit cousins.

In my work as co-director of the Wharton Customer Analytics Initiative, I have the luxury of seeing how organizations in many different industries try to leverage their customer-level data. We have done projects (or, at least, have had deep conversations) with firms in sectors ranging from pharmaceutical to financial services, e-commerce to entertainment, fashion

to food, and telecom to travel. Along the way, we've bumped into a number of interesting non-profits.

In many cases, I've been very impressed with the size, cleanliness and usefulness of the individual-level databases that non-profits typically assemble. These datasets cover donation histories, member activities and other granular actions that are central to the organization's mission(s). Their ability to pull records from these databases, combine them together to draw deeper insights and take specific actions based on these historical records is on par with (if not better than) many for-profit companies that are (or should be) just as data-driven.

Why the difference? I see two principal reasons.

First, non-profits are often better at acknowledging the differences across their donors/customers. To use a common term from the classes I teach, they "celebrate heterogeneity" much more readily than most other firms. They know when a donor "graduates" to the next level of engagement, and how to change the tactical aspects of the ongoing relationship. Unlike most for-profit companies, they don't lean on the crutch of a loyalty program and an arbitrary rewards schedule to understand and accentuate the differences among their customers.

Second, they tend to be "old-school" direct marketers—and that's a good thing. They have a deep appreciation for the ageless rubric of RFM ("recency, frequency, monetary value") and other time-tested tactics that direct marketers popularized decades ago. In contrast, for-profit firms are often out chasing fantastical new ways of attempting to draw insights from their customers, ranging from anthropological studies, sophisticated (but shaky) real-time behavioral targeting schemes and the latest magic potion, neuro-marketing. Don't get me wrong: these techniques might offer some value, but at the same time, the use of these (and other) techniques often lead firms to take their eye off the ball and lose sight of some of the tremendous value lurking in their internal databases.

Another distinct advantage of working with non-profits is that they are very open to academic collaboration. They know that they can learn a lot from us, and are quite willing to share data and have candid conversations about what works and what doesn't when it comes to their customer outreach efforts. Too many for-profit firms are too guarded about their CRM systems and therefore miss many opportunities to collaborate and learn. The Wharton Customer Analytics Initiative is doing a good job of getting these fearful firms to open up a lot more than before, but we often see non-profits as very juicy "low hanging fruit"—terrific opportunities to make a quick and significant difference with the statistical methods that we bring to the party.

So let's hear it for the data-driven non-profits! And let's all learn from them as well.

"Non-profits are often better at acknowledging the differences across their donors/customers."

Bottom
Line

Wharton prepares students for a lifetime of leadership—not only in business, but also in families, communities, non-profit organizations and government. The School's renowned Undergraduate Leadership Program, Graduate Leadership Program and Center for Leadership and Change Management deliver a distinctive blend of courses, experiential learning opportunities, leading-edge research, and high-impact programming to help students at all levels develop their full leadership potential.

Read on to discover the many ways in which, when it comes to leadership, Wharton leads:

4

summer Leadership Programs offered at Wharton for high school students: Leadership, Education, and Development (LEAD), Leadership in the Business World (LBW), Management & Technology Summer Institute (M&TSI) and the Wharton Sports Business Academy

60

undergraduate teams planning and executing community-service projects for Philadelphia non-profits MGMT 100, the immersive first-year course on leadership and teamwork

From The Vault



Skimmer Day

Created by three economics majors in 1949, the long-lost Penn tradition known as “Skimmer Day” was initially conceived as a means of increasing sagging support for the crew team. It did exactly that—and a lot more. Scheduled to coincide with the Blackwell Cup crew competition, the first Skimmer was a massive success, drawing thousands to the banks of the Schuylkill in late April. After that first year, it didn’t take long for Skimmer to take on a legendary reputation. By the 1950s, the event expanded to include concerts, parties and more, and began attracting students from other East Coast universities as well. It was a hallmark event—and a massive party (pictured here in 1956). Alas, the good times would not last. After increasing concerns about student behavior and worries about safety down at the Schuylkill, the University stepped in to scrap the event in 1973. It was replaced with Spring Fling, which continues to entertain students to this day. Safely.

500+

Wharton MBA students and alumni participating in Leadership Ventures in 2010-2011

180.94

miles traveled by 90 Wharton students and faculty from Philadelphia’s Huntsman Hall to the Marine Corps Base in Quantico, VA (for more on this popular Leadership Venture, see page 28.)

15

leadership development classes offered by Wharton’s Executive Education program

32

MBA and Undergraduate Leadership Ventures in 2010-11, to sites including the Appalachian Trail, the U.S. Naval Academy, Red Rocks Desert, Iceland, Quebec, Adirondacks, Alaska, Antarctica, Atacama Desert, Mt. Kilimanjaro, and more

18,000

subscribers to Wharton Leadership Digest, the Center for Leadership and Change Management’s e-newsletter

'Your Path Will Not Be

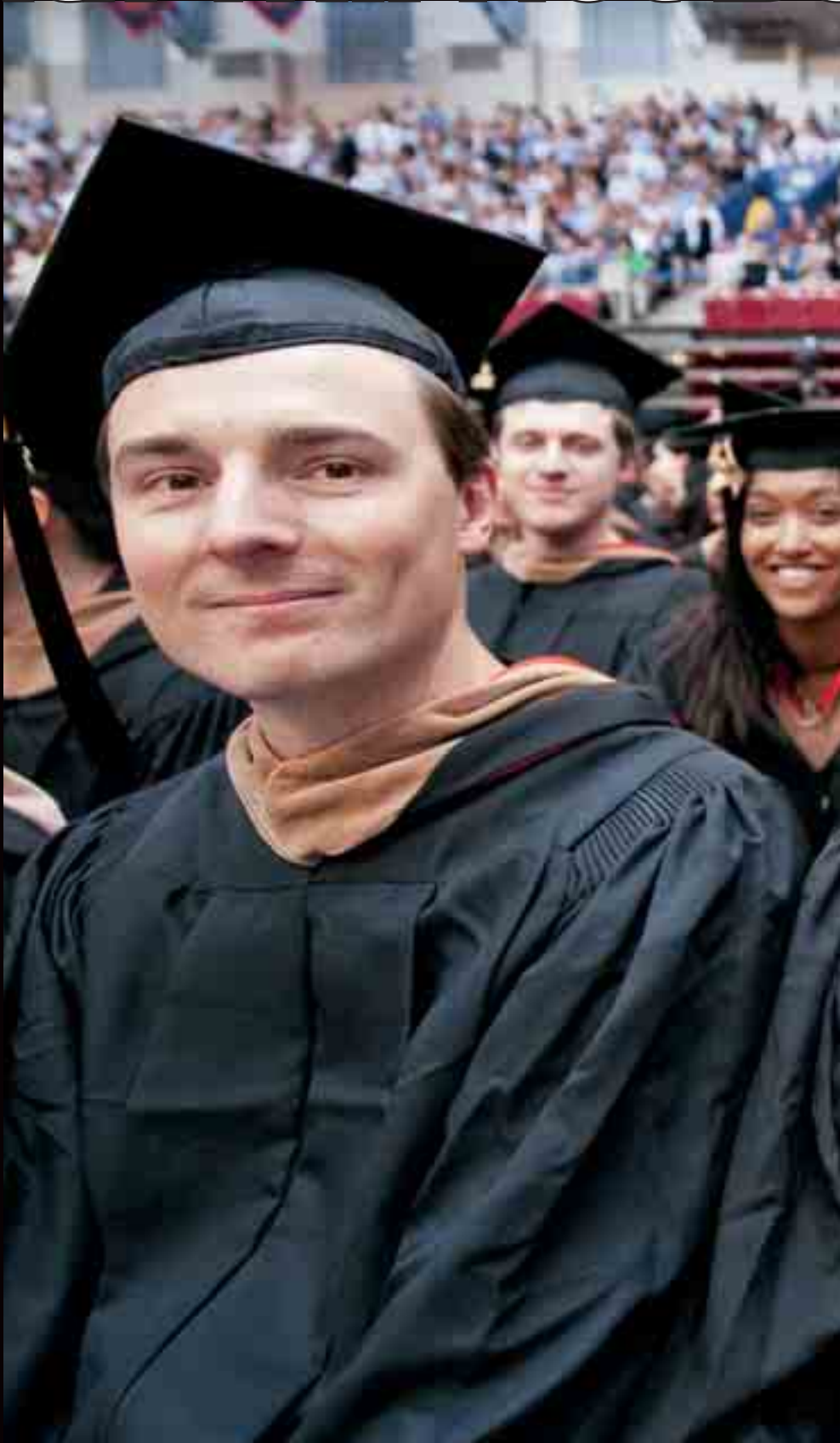
At Wharton's 127th Commencement, Dean Thomas Robertson encouraged graduates to constantly 'seek new directions' in order to thrive in a fast-changing world.

By Kelly Andrews
Photos by Kamila Dyjas
and Phil Flynn

Graduation days seem to come in two flavors: blazing hot and damp dishrag.

This year's event—Wharton's 127th, which sent 630 undergraduates and 1,000 MBAs into the real world—was a huddle-under-upper-decks-just-in-case-it-pours day. But the weather, while threatening, held off throughout the morning undergraduate ceremony at Franklin Field, where Georgette Chapman sounded a sentimental note as she addressed the students that were freshmen when she began her stint as Vice Dean and Director of the Wharton Undergraduate Division four years earlier.

Undergraduate speaker **Eric Mogil, W'11**, one of the students tutored by Chapman during his time at Wharton, remarked that, upon arrival on campus, the minds of him and his classmates "were fires yet



Predictable'



to be kindled. Then the flame was sparked. The resulting journey has been robust.”

Robertson emphasized that the journey would take place within a rapidly changing landscape. He noted that on the Dow Jones Industrial Index, only one company—General Electric—of the original lineup remains, while 72 companies have fallen off the Fortune 500 in the past two years.

“In 20 years, at least half of you will work in industries that do not exist today,” he said. “As the world changes, those who endure are those who seek new directions.”

He added: “No matter how carefully you plan, your path will not be predictable.”

When the skies still threatened, the afternoon MBA ceremonies moved into the drier, more intimate confines of the Palestra next door, where well-dressed masses fanned themselves with programs under the banners of Ivy League champions and Big Five rivals.

Wharton Graduate Association President **Daniel Kim, WG ’11**, said, “When we came to Wharton two years ago, we set aside our accomplishments to join 800 of our peers in a foreign city called Philadelphia. I can say confidently that the last two years have been the best two years of my life.”

Keynote speaker Vikram Pandit, CEO of Citigroup since 2007, had a slightly different perspective based on his experience of the economic crisis.

“These past two years were probably the two best years to be in school,” he said. “The only better way to learn more about the crisis would have been to live it, which I can assure you wasn’t enjoyable. As you were being educated, so was I.”

Now, he said, through reform and retrenching, the financial industry today looks more like the industry of 1983 when he joined it. “It’s more focused on core business and on serving clients. It’s closer to the culture that excited me when I started. When I began, the domestic market was everything. Today we live in a networked world. All roads no longer lead to Wall Street. Roads lead everywhere. Your careers will be defined by emerging markets, increased digitization, things that few of us were thinking about in 1983. There’s more complexity and more opportunities.”

When grads were announced, the Palestra rocked like Penn and Princeton were playing for the Ivy League championship. About 860 new MBAs completed the traditional MBA



program, along with 113 in the MBA Program for Executives in Philadelphia and 91 in San Francisco. Sam Lundquist, Associate Dean of External Affairs, welcomed them to the worlds’ largest and most influential alumni network and community. “You’ll be leaving the Wharton campus but your relationship with the School and each other will be for a lifetime.”

Each year, an alumni marshall passes a class flag to a representative of the graduating class, signifying the passage into the alumni body. **Ashaf Rizvi, W’86**, served the honor for the undergraduates. Later, **George Hongchoy, WG’91**, handed the MBA flag to **Daniel Kim**, who held the banner high and ran a final lap around the Palestra to cheers and high fives. The transition was complete.



Before You Go ...

Wharton's Commencement speakers offered the following advice, encouragement, and words of wisdom to the School's newest graduates as they prepared to move on to their next challenges.

DEAN THOMAS S. ROBERTSON

No matter how carefully you plan, your path will not be predictable. At times, it won't seem like a path, but like you've entered a looking glass where the landscape and rules are always changing. You as Wharton graduates will be leading the change. You won't be reflecting the world to come, but shaping it. First you must shape yourselves. Your ability to develop and evolve in a changing world is your greatest asset.

ADAM GRANT, ASSOCIATE PROFESSOR OF MANAGEMENT, FACULTY SPEAKER

Don't make the right decision. Make the decision right. You'll face plenty of decisions in your life, and the quality will be determined not by picking the right one, but the actions you take to make the most of your decisions.

VIKRAM PANDIT, CEO OF CITIGROUP, MBA KEYNOTE SPEAKER

Here are lessons from my own experiences. They're very simple, almost truisms. Find your passion and follow it. Choose the right company and culture. Don't fear leaving your comfort zone. Have the courage of your convictions. Stay on the course when you find the right one.

DANIEL KIM, WG'11, WGA PRESIDENT

Starting over gives us a chance to do great things. Tomorrow you all start over again but I want you to understand that your experiences have taught you to take over. Live every day as if you are starting over.

GEORGETTE CHAPMAN PHILLIPS, VICE DEAN AND DIRECTOR OF THE UNDERGRADUATE DIVISION

Don't let go when you leave campus. When you follow your passions you will not only find life more satisfying, but have the energy to go after them. Challenge yourself more. It's much easier to succeed and be happy if you're doing something you love.

RACHEL CERVANTES, WG'11, MBA PROGRAM FOR EXECUTIVES STUDENT SPEAKER

We learned to challenge ourselves, and we didn't do it alone. What was so wonderful was that the brilliance of our professors was often matched by that of our classmates. We learned to listen to all our teachers, even if they're not the ones at the front of the class.

ERIC M. MOGIL, W'11, UNDERGRADUATE SPEAKER

Wharton has always been about the people, about you, about us, and it will always be about the people. While we are all vastly different, the sense of initiative unites us as Wharton. We believe in each other and that's important, and as the leaders of our respective fields, we'll continue to believe in each other and our Wharton gumption. I hope you find what you love and never ever lose your gumption.

ALEX STEIN, WG'11, MBA STUDENT SPEAKER

The world looks to us. The innovations we develop and the ventures we start have the potential to touch every human life. We need only look at the past decade with history's successes and failings. Who is more capable to lead other than this graduating class?



BY KELLY ANDREWS, CAROL QUINN, AND LAUREN ANDERSON // PHOTOS BY PHIL FLYNN AND KAMILA DYJAS

Connecting, Learning

Were you there? More than 1,860 alumni, family, and friends returned to campus in mid-May for the Wharton MBA Reunion Weekend. For three days, attendees re-connected with friends, heard valuable lectures from some of Wharton's esteemed faculty, and exchanged contact information with fellow alums. Take a look at what makes these reunions so special.



Growing



Curricular Innovation and Ethical Values Dominate Dean's Town Hall

On Friday, May 13, more than 100 alumni gathered in the Dhirubhai Ambani Auditorium for a Town Hall meeting with Dean Thomas S. Robertson.

"Our vision is to enhance our reputation as the best business school in the world and *for* the world," Dean Robertson said. He described the three strategic pillars for the school—Innovation, Global Presence, Social Impact—each institutionalized through the creation of the new vice dean position.

"The idea is that we have to reinvent Wharton," he said. "Twenty years from now, half of our graduates will work in industries that don't exist today. We have to educate students to have an innovative mindset so that they will be able to lead."

Part of that adaptation means global presence. Said Robertson, "We're proud to be in Philadelphia but we're not a Philadelphia business school. We're a global business school."

He cited the new curricular innovation of Modular Global Courses—full-credit, intense four-day courses offered in ten international locations with coursework germane to the host country, often with the participation of local business faculty. For example, one course was offered in the UK about the European financial system, and another in Israel on technological development.

When alumni took the microphone to ask questions, the conversation turned towards recent high-profile ethical violations among several Wharton alumni.

"It's devastating when it happens," Robertson said. "We have been teaching ethics for 35 years, but some people don't get it. We have a strong department of ethics and legal studies. It's one of the hardest topics to teach because 75 percent of the people in the room don't think they need it."

The new MBA curriculum will continue to emphasize ethics, but there are limitations. "If you have 86,000 people, every now and then someone will do something wrong," he said. "You can't teach



Good food, good music, and good friends were in evidence at Reunion Weekend 2011.



Dean Thomas S. Robertson poses with an alumna.

someone to behave ethically, but you can only teach them to understand ethical sensitivities they'll encounter."

Other alumni asked about how Wharton's new MBA curriculum would continue to enhance the School's reputation for rigor.

"There's a continuum," he said. "Now we have eight required courses in our curriculum instead of ten. We're still teaching a defined body of knowledge that we expect graduates to have. We're also saying that within a specific subject area, such as accounting, there should be at least two ways of getting a well-specified body of knowledge. We're confident that our students will graduate with a solid body of knowledge."

At the same time, there will be more emphasis on leadership skills through written and oral communication, self-analysis, and reflection, Robertson explained. "If you can't understand yourself, how are you going to lead other people? There will be more self analytics and 360-degree feedback over the two years that people are here, and we think that building self-understanding is key to leadership." —*Kelly Andrews*



Left to Right: Enrique Alvarez, WG'06; Cordelia Ortiz, guest; Lucia Martin, WG'06, and Rafael Fonseca, WG'06

Presidential Update on Penn's Highest Priorities



University of Pennsylvania President **Amy Gutmann** presented an update on "Penn's Highest Priorities" to an enthusiastic crowd on Saturday of Reunion Weekend, packing Huntsman Hall's 300-seat Ambani Auditorium and two overflow rooms with eager alumni.

Before a sea of red and blue—including two members of the undergraduate class of 1936, returning to campus to celebrate

their 75th Reunion—President Gutmann noted that our school reunions are "as close as most of us would ever get to the fountain of youth." "The memories flood back," she continued, "but this time around, no one has to take finals."

Read on to learn President Gutmann's goals for the University. And don't worry—there won't be a final exam.

- To recruit the most talented and diverse class by ensuring Penn's affordability and accessibility. "Nothing," says Gutmann, "makes us prouder than Penn's commitment to meeting full financial need for undergraduates."

The Panel on Entrepreneurship

On Friday, May 15, Wharton Entrepreneurial Programs hosted a panel of alumni entrepreneurs: **Madi Ferencz, WG'71**, who introduced Magic Sliders and is currently running two enterprises, Dr. Mauskop's Migralex and a bioethanol fireplace company; **Krish Krishnan, WG'96**, CEO of Pinnacle Pharmaceuticals; and **Steve Woda, WG'01**, founder of BuySafe and now Kid Safe, which offers tools for parents to keep kids safer online.

Moderator **Jeffrey Babin, C'91, G'95**, fielded questions from alumni in the audience, and conversation never flagged. Despite the diversity of the panel, several themes emerged.

Go all in, and then hang on.

Ferencz: "You have to love what it takes to be a successful entrepreneur. It's a 24/7 effort and requires dedication



and lots of energy. You can't take your company to the 'next level' without it."

Krishnan: "A lot of people who have good jobs think they can launch a business in the evening and weekends, but you have to be in a job all the way."

Woda: "A startup is never boring. Up or down, the swings are massive. It can seem like the end of the world, and then you think you're going to be the next Bill Gates. At the end of the day, I try to stay in the middle."

Make the right hires at the right time.

Woda: "If you have experience doing something for 20 years that's great, but the patterns that worked in your success might not work in overturning an industry. The wrong hires are very expensive because everyone else learns from them."

Ferencz: "I look for people who can 'think,' not specific experience. You need people who are willing to do everything, from packing a product to carrying a shipment to analysis."

Krishnan: "My first company had 18 employees. Now I know it's better to outsource first because the skills you need when starting out are different than what you need later. This time we have six employees."

Avoid VC money as long as you can.

Ferencz: "I looked for VC in the 1980s, and it turned out that they gave me money I might not have needed. I ended up giving the company away, and I was rushing to meet their timetables even though it wasn't necessarily the right way."

Krishnan: "I don't believe the venture model works in pharmaceuticals; your share gets very diluted because the cycle is so long. We went to really patient high-net-worth individuals. When we took the company public, they got paid."

Woda: "My first company raised \$30 million and I learned not to raise too much—you give too much away. One answer to keep the value yourself is to do everything as if you have no money. Before you spend money or raise money, figure out what you're doing. Get the formula right and you'll own a lot more at the end of the day." —*Kelly Andrews*

- To become the model university for interdisciplinary research and education. The Penn Integrates Knowledge (PIK) Professors—renowned faculty scholars who hold a joint appointment in two of Penn's schools—represent an exciting step forward for this priority.
- To expand and strengthen undergraduate research opportunities across the University. (At Wharton, undergraduates can take advantage of the Joseph Wharton Scholars (JWS), Wharton Research Scholars (WRS) and University Scholars Programs, as well as the Wharton Summer Program for Undergraduate Research (SPUR) and the Wharton Social Impact Research Experience (SIRE).
- To increase Penn's resources and bring the University from "Excellence to Eminence" by successfully concluding the \$3.5 billion Making History campaign. As of press time, The Campaign for Wharton has reached \$450.2 million of its \$550 million goal.
- To improve campus facilities, allowing the University's world-class faculty and students to access world-class resources.
- To increase green space for the entire neighborhood of West Philadelphia, and to enable growth in the next half century by expanding campus eastward, toward Center City.
- To engage with Penn's local community by improving local education, healthcare and economic opportunity, strengthening the local economy, and contributing academically based service.
- To deepen the University's global relationships through institutional partnerships, student study abroad, and the promotion of international faculty collaboration. —*Carol Quinn*



Former CEO of Apple and Pepsi-Cola, John Sculley offers words of wisdom.

John Sculley: “Mentorship”

At the Luncheon Celebration for the 30th, 35th, 40th, 45th and 50th Reunion Classes and the Emeritus Society, marketing guru **John Sculley, WG’63**, extolled the virtues of looking back and looking ahead. While many among his audience had not returned to campus for 30 years or more, Sculley himself showed no signs of slowing down. He said, “I’m [still] driven by curiosity. I have no interest in retiring.”

The former CEO of Apple and Pepsi-Cola Co., Sculley made a name for himself by transforming both companies into two of the world’s best-known brands. During his time at Pepsi (1978-1983), he was behind

Michael Useem: “Leadership”

Michael Useem, Wharton’s William and Jacalyn Egan Professor of Management, doesn’t just know leadership. He’s made a career of it.

As Director of Wharton’s Center for Leadership and Change Management, editor of the *Wharton Leadership Digest*, and author, co-author or co-editor of more than a dozen books on the subject—including *The Leadership Moment*, *Investor Capitalism*, *The Go Point: When It’s Time to Decide*, *Learning from Catastrophes*, and *The India Way: How India’s Top Business Leaders Are Revolutionizing Management*—Useem is widely acknowledged as one of the world’s leading experts in the study and practice of effective leadership, teamwork, governance, and decision-making.

So when he set out to determine the most important element for a would-be leader to keep stashed in her toolkit, many people were very interested in his answer. As his new book, *The Leader’s Checklist: 15 Mission-Critical Principles*, explains, and as Useem outlined for a packed Ambani Auditorium on Friday afternoon of Wharton Reunion Weekend, that one critical element isn’t mastery of the latest social media trend, or a naturally inspiring presence and flair for oratory, or even in-depth knowledge of the most intricate aspects of a chosen field. Rather, the single most valuable tool for a leader—and one that he says everyone should have on hand, at the ready—is a simple “leadership checklist.”

Useem’s checklist is both “complete” and “mission critical.” Drawing comparisons to surgeons and airline pilots—both high stress, high skill, high-consequence professions that utilize checklists to help ensure practitioner success—Useem recommended that every member of his audience develop their own internal

checklist and keep it ready for those crucial leadership moments.

Each person’s leadership checklist can—and should—be customized for specific situations, challenges, and cultures. But the basic template, says Useem, stays the same for everyone. To be effective, that template must include such essentials as articulating a compelling vision, thinking and acting strategically, communicating persuasively, deciding “decisively,” managing relations and emotions, taking charge, and building leadership in others.

With their leadership checklist at the ready, Useem assured his audience, they would be sure to rise to any leadership occasion.

—Carol Quinn



Professor Michael Useem promotes a “Leadership Checklist”

the famous 'Pepsi Challenge' and 'Pepsi Generation' marketing campaigns. Recruited to Apple in 1983, he helped to propel its Macintosh to become the number-one selling personal computer in the world.

But he didn't spend his time addressing brands, marketing, or what it's like to be a global CEO. Instead, he encouraged his fellow alumni to become what he termed "the best title I've ever had in business: a mentor."

After leaving Apple in 1993, Sculley engaged his business acumen in a new endeavor—as a venture capitalist, through his family office of Sculley Brothers, and as a venture partner at Rho Capital Partners. In these roles, he's had the opportunity to work closely with serial entrepreneurs, helping them to ease the transition through "transformational moments" and serving as a mentor.

He explained: "There is a thin line between success and failure. In the U.S., we have permission to fail—that is what distinguishes us from other cultures. And that's why we [as Americans] have created Google, Twitter, LinkedIn, and others have not... The most valuable thing that you do as a mentor is to share your failures; the failures are where we really learn."

Sculley sees mentoring as more than an opportunity to share one's insights with others; it's an engine to fuel a lagging economy. Speaking to a shared obligation as Wharton alumni, he said: "How lucky are we that we went to a school this good that provided us with a terrific education and a remarkable network? While we're approaching our final years, we can transfer our knowledge and experience to the talented young people at the other end, who

are just getting started." And, by creating these cross-generational partnerships, Sculley believes that we have a chance to "really get the U.S. economy back in the game"—through an investment in innovation, curiosity, creativity and the private sector.

Looking back to the start of his career at Apple, and to where Apple is now, Sculley noted the increasing speed at which their products were adopted. While it took eight years for the Mac platform to become accepted after its 1984 launch, the iPad was pervasive in less than a year, approximately 25 years later.

À la Mr. McGuire in *The Graduate*, Sculley had one word for the audience looking ahead: Mobility. —Lauren Anderson

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CONFERENCES



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JOINT SESSIONS

- Presentations by key administrators, including **Dean Thomas S. Robertson**
- Leadership Workshop with **Mike Useem**, William and Jacalyn Egan Professor of Management

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COMMANDING

Wharton MBA students learn leadership skills while getting down and dirty at the Officer Candidate School at the Marine Corps Base in Quantico, Virginia

BY RUTH WALDMAN SCHULTZ :: PHOTOS BY TOMMY LEONARDI

Do Wharton MBA students have true grit? The answer was demonstrated in mid-April when 90 students volunteered to participate in a 24-hour, specially designed Marine Corps boot camp program. Their objective was to strengthen their leadership mettle—physically, emotionally, and intellectually.

Leadership training cannot be dispensed solely from a textbook. Wharton's Leadership Ventures, of which Quantico is but one of 13 destinations around the world, offer an array of challenging,



Two buses carrying 90 students left Philadelphia at 5 pm and arrived in Quantico at 9. The welcome wasn't exactly friendly.



the FIELD



"Candidates" as they are called, form up in ranks and march through the night to their barracks.

"You call this a neat bed? Do you?
Answer me when I talk to you."



There they are barked at in ear-splitting decibels and herded into lines to pick up their equipment: canteen, helmet, and a prop for a gun which is the same weight as the real thing.

In the women's barracks, beds are made, ripped apart and remade five times.





Candidates are formed into groups of four or five called fireteams. They will face a series of challenges, which are timed missions that will call on teamwork and strong leadership. Sweet dreams aren't possible until 1:30 am. Unfortunately, wake-up is at 5. Bleary-eyed but resolute after enduring a night of deliberate chaos, they are ready to meet the challenges of the day.

“Walking into Quantico I really had no idea what to expect. I am by no means “in shape” and I thought going to a Marine training camp meant that I’d be running laps and doing pushups the entire time. I was completely wrong. The program is designed to test your mental strength more so than your physical capabilities. It is about learning that things really are “mind over matter and, if you believe, you can achieve.” The program gives students exposure to a completely different kind of leadership, and demonstrates how this style of leadership can be effective—in the right environment—especially during times of crisis.” —JACLYN UYHAM



Hanging on to steel cables gets you to the other side. Maybe.

experiential situations. Now in its 10th year, Preston B. Cline, senior associate director of Wharton’s Leadership Ventures, explains: “Cutting-age companies which have adopted a team-based approach have proved to be the most successful and are believed to be the paradigms of the future. The business community is proving to be very dynamic and our graduates are required to be team oriented, quickly adaptive to changes in the business climate, and highly resilient when plans go awry.” He continues, “One of the unique things about some of the Wharton students is that they have faced a lot of academic success and so are, therefore, less equipped at recovering from failure. So to counteract those life experiences, opportunities for failure are built into the programs.”

At Quantico, the students are placed in a fireteam (a group of four or five), one of whom is designated the leader. The leadership role is rotated in each of the challenges.

The mission is timed. In some instances it might be to transport a wounded comrade across a hazardous route and over a barrier, or to transport a heavy box of ammunition across a series of platforms. The leader has to make quick decisions under adverse conditions and develop new strategies when necessary.

Bryan McCoy, one of the Wharton students, recalls, “We had a series of very difficult challenges. The designated leader of the fireteam of each challenge quickly assessed the problem, devised a plan making use of a limited supply of boards and rope, and gave orders to the team. Inevitably, we failed. We would lose one of our boards in the water and a team member would fall in and was eliminated. Afterwards, we had a debriefing by a Marine observer who analyzed our leadership execution and team performance.” He continues, “I was comfortable being a team member, but I prefer to be a leader.” ■

The team leader devises a plan to traverse a series of platforms with wooden planks.

But time's up too soon and the mission inevitably fails. No sweat. Failing bravely and constructively is what it's all about.



Sh-sh-shivering in the cold, wet and muddy obstacle course that has more mud than water.



Shimmying over a gorge on a rope bridge to complete a mission takes some gumption and encouragement from your teammates.



Semper Fidelis

Wharton student **Robert Seo** traveled down to Quantico in April with his classmates but did not endure the hazing or the leadership challenges. That's because he is a Marine. He enlisted in the Marine Reserve in 2000, while he was an undergraduate at the University of Maryland. He was deployed to Iraq in 2003, returned and earned his degree and then trained for and competed in a triathlon in Brazil. Following a stint in investment banking he enrolled in Wharton's MBA program, where he became a Fellow in Wharton's Leadership Ventures. It was his job to coordinate the trip to Quantico and act as a facilitator on site. What did the students learn in the program? He says, "I hope they learned how to react when things aren't going well. Do you freeze? Shut down? No, you readjust quickly and carry on. In the Marines we teach that a 70 percent solution now is better than a 100 percent solution later." Semper Fidelis —always faithful.

The combat course leads through the woods as the sun goes down.



Day is finally done. And everyone is exhausted but triumphant. It will take a gauntlet of showers to remove the mud. But nothing will erase the experience.



Knowledge@Wharton

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Should Performance Reviews Be Fired?

“Performance reviews.” The words strike fear and dread in the hearts of employees everywhere.

Their angst is understandable. Performance reviews typically are not done often enough and all too often are done poorly. A good performance review gives employees constructive, unbiased feedback on their work. A bad one demonstrates supervisor bias and undermines employee confidence and motivation.

The balance does not seem to have tipped yet in favor of the good ones. David Insler, a senior vice president at New York-based Sibson Consulting, estimates that only about 35% to 40% of companies do performance reviews well.

Frequency is clearly one of the issues. At most places, says Peter Cappelli, head of Wharton’s Center for Human Resources, reviews occur annually. “If you wait a year to tell employees how they are doing, they are almost always surprised and unhappy if the results are not positive. Humans are hard-wired to focus on the negative,” Cappelli notes. “So ‘balanced’ feedback always leaves us concen-

trating on the bad parts” of the reviews.

But he and others point to rapid changes in both the workplace and the workforce that are altering how performance is evaluated. For example, because more and more companies—from software and engineering to advertising, accounting and consulting—are heavily project-oriented, reviews are often done when projects are completed or at set points along the way. The annual review then becomes a no-surprises summary at the end of the year used primarily to share information about raises, bonuses and other compensation.

As for the workforce, the latest influx of employees includes a generation of millennials (those born between the late 1970s and early 1990s) who are accustomed to constant and instant feedback—from parents, text messaging friends or social media sites. They want the same from their employers. As Daniel Pink, a workplace expert and author, noted in a recent article in *The Telegraph* titled “Think Tank: Fix the Workplace, Not the Workers,” millen-

nials have “lived [their] whole lives on a landscape lush with feedback.” Yet when they enter the workforce, they find themselves “in a veritable feedback desert.... It’s hard to get better at something if you receive feedback on your performance just once a year.”

Competing Agendas

Cappelli cites studies showing that 97.2% of U.S. companies have performance appraisals, as do 91% of companies worldwide. Given their ubiquity, why do performance reviews have such a bad reputation?

Wharton Management Professor Matthew Bidwell suggests that reviews tend to have competing goals: Employees, for their part, are looking for frank, honest and helpful feedback, but know that if they don’t use the review time to pump up their performance, they might not get the top bonus or best raise.

Meanwhile, organizations “want to allocate rewards according to performance and merit, and they want to provide developmental feedback so that employees can improve,” says Wharton Management Professor John Paul MacDuffie. “But organizations also have to make tough decisions about who ranks higher and what kinds of bonuses people get. If the organization—in trying to make everybody feel good—doesn’t allocate rewards according to performance, then it will be seen as an unfair process.”

Also skewing the performance review process are biases that may be subtle or overt. For example, some managers tend to give better reviews to employees they themselves have hired. Other managers—and there is “overwhelming evidence” of this, according to Bidwell—show bias against women and African Americans, although there are indications “that those biases disappear over time.” Still other managers can be motivated by organizational politics or influenced by manipulative employees.

Finally, some performance reviews under the auspices of human resources departments focus only on getting reviews completed—“100 percent compliance”—not on their quality. A Sibson Consulting/WorldatWork survey found that 58% of HR executives give their performance management systems a “C” or below, in part because managers don’t receive the training they need to deliver effective appraisals.

Samuel Culbert, a professor in the Anderson School of Management at UCLA, is an outspoken critic of performance reviews. “They destroy the trust between the boss and the employee, and cost the company enormous amounts of money in terms of time and wasted effort. The people being reviewed worry about pleasing their boss before they concern themselves with delivering results to the company,” states Culbert, author of *Get Rid of the Performance Review! How Companies Can Stop Intimidating, Start Managing—and Focus on What Really Matters*. In addition, reviews encourage employees not to speak out about problems they observe because it could adversely affect their career paths and compensation, Culbert states. As examples, he points to “employees at Toyota, BP and the nuclear reactor site in Japan who knew about defects” in their companies’ products, but failed to report them because of a lack of trust between employees and management.

Others are equally dismissive. Performance reviews “are rarely authentic conversations,” writes Daniel Pink in “Think Tank.” More often, “they are the West’s form of Kabuki theatre—highly stylized rituals in which people recite predictable lines in a formulaic way and hope the experience ends quickly.”

Insler points to another problem with the traditional review. “Companies are concerned that if it isn’t a quantifiable, very objective measure, then it’s not a good measure.” But in recent years, with the explosion of knowledge-based companies, “the ability to assess performance in a subjective and qualitative way” requires a process that looks at “first, what are the key performance criteria that are important, and second, how do you measure them when they are qualitative.” He suggests asking employees during the assessment process “how they do their job, what [competencies] they have developed and whether they are continuously improving their knowledge skills.”

At Sibson Consulting, a division of The Segal Company, performance reviews are done at the end of each project—which typically runs from six weeks to six months, according to Insler. The company also has a semi-annual process—“focused on the developmental side of performance by noting employees’ key strengths and working on how to leverage them”—and then the more formal year-end review.

The company also recommends ongoing monthly or quarterly dialogue with employees in addition to the mid-year and year-end reviews. “Some supervisors in our client companies scoff at the idea of monthly or quarterly feedback,” Insler notes. “They say that if they aren’t talking to their employees every day, then they are missing something. We suggest at least a monthly conversation where you do a catch-up review and offer the individual the opportunity to give feedback.”

Feedback Loops and Other Innovations

Indeed, the importance of frequent feedback crops up in almost every discussion of how to improve performance reviews. Daniel Debow is Co-CEO of Rypple, a Toronto-based social software company that creates products designed to help people share continuous real-time feedback and provide coaching. Rypple’s target market is the 50- to 1,000-person knowledge worker firm focused on creative collaboration “where the model of a social network describes what is going on.”

The target employees are millennials because “they grew up in an age where feedback was how you learn,” says Debow, expanding on Pink’s earlier comments. “The idea of getting feedback to help you improve is natural. Millennials are clear on what they want their career to be about. They don’t expect to be in one company forever, but rather to develop a reputation and skill set that will carry them from job to job and help them establish their personal brand.”

According to Debow, senior level executives benefit from feedback as well. “CEOs, for example, want to know where they stand, want to be able to ask questions about their strategy, their presentations, and what they need to work on.” The single most important determinant of whether people improve during coaching

Instead of annual acknowledgements from bosses “who may not remember your heroic deeds, these modest bonuses allow colleagues to recognize good work instantly.”

intervention “is whether they repeatedly ask for feedback from the people around them,” says Debow, citing research by leadership coach/author Marshall Goldsmith.

The Rypple system is built to allow an employee to ask for anonymous feedback—shown only to the employee and not to his or her manager or HR department. In addition, notes Debow, feedback is done in “small continuous loops” in real time so that employees can act on that feedback immediately. “It may be that someone says, ‘Let me give you a constructive tip: You need to stop interrupting customers when they talk because it bothers them.’”

The system also includes the concept of recognition—thanking and rewarding a team member for good work (with badges, for example), “which directly links to an employee’s increased motivation,” says Debow. The third part of the system is coaching. “Being a good manager means being a good coach. That involves setting goals and helping people achieve them through collaborative, one-on-one meetings.”

Joe Cruz, senior IT project leader at Wharton, has been using Rypple since October. “It is not a formal review process,” he says. “It is more like, ‘You did something cool with this software implementation—kudos.’ The kudos are the public posts. If I had a negative comment, that would be private; it keeps the feedback cycle going.... Rypple is not a replacement for the program we have,” adds Cruz, “but a supplement to helping us maintain our high quality of execution.”

Cruz and others in his division “set up teams on the Rypple site with relationships built in. So I am directly connected to three people on my team. We can provide to-do lists, goals and feedback about each other’s performance. We use Rypple to drive our biweekly, one-on-one discussions and monthly group meetings. Because Rypple’s communication system is separate from all the emails we get, there isn’t as much noise in the experience. It can help filter out unnecessary information and keep us on track.”

Other companies have come up with approaches to performance reviews that get away from the more traditional methods.

Culbert suggests performance previews rather than reviews, and he defines them as “discussions that take place when there is still time to get good results.” He suggests that companies “change the politics by putting the bosses’ skin in the game.... Their job is to make sure every direct report succeeds; to ensure this, their evaluations should be the same as their direct reports.” And he advises setting up conversations between employees and bosses “to make sure they [find out] what they need from each other to get good results.” In an article in *The New York Times* last month, Culbert elaborated: “No longer will only the subordinate be held accountable for the often arbitrary metrics that the boss creates. Instead, bosses are taught how to truly manage....”

In a different take on management involvement, MacDuffie points to a senior executive at Merrill Lynch who holds regular conversations with key supervisors about up-and-coming talent within the company. “He wants to keep an eye out for opportunities for these people,” says MacDuffie. “He thought it was a good thing for employees to feel like there were managers at a higher level who were thinking about their advancement on a regular basis. It was a sign of being appreciated.”

Pink in “Think Tank” suggests that performance reviews be done by peers. He tells of a large American engineering firm that allows employees at any time to award a \$50 bonus to a colleague. Instead of annual acknowledgements from bosses “who may not remember your heroic deeds, these modest bonuses allow colleagues to recognize good work instantly.” The result is a workplace where feedback “more regularly bursts through the dry sands of office life.” In 2010, Pink reports, employees in the engineering firm gave each other close to 2,000 bonuses.

Other advocates of non-traditional performance reviews suggest 360-degree feedback—a process whereby individuals are reviewed not just by their bosses, but by their subordinates, peers and, if appropriate, their customers and suppliers. The feedback is often anonymous and the idea is to have more than one evaluator.

Another approach is forced rankings. “If you look at complaints that people have about performance appraisals, it is that you always want to give everyone an A-plus,” says Bidwell. Forced rankings don’t allow that to happen. But the problem is “they foster a lot of competition among peers. Also, to the extent they are done across a large group of individuals, they are seen as political.”

Jeffrey Pfeffer, a professor at Stanford University’s Graduate School of Business, would agree. In a *Businessweek* article, Pfeffer notes that “peer comparisons invariably create competition and discourage collaboration—a big problem [when it is time to] transfer knowledge in the workplace.” In addition, he writes, “many of us believe we are above average and resist being told that we aren’t.... Since performance assessments often require half the staff to be rated below average, they can pose a threat to people’s self-esteem. As a result, employees often discount them.”

Besides feedback, a key theme in discussions about performance reviews is the need to “better train and educate supervisors and managers around how to conduct these discussions,” says Insler. “We have all experienced good managers and bad managers. Good managers provide feedback and direction that will help individuals achieve success. Bad managers don’t. They worry about who is at fault and who can get blamed if something goes wrong.”

Case Study

SAS is the world’s largest privately held software company, with 11,800 employees and worldwide revenues last year of \$2.43 billion. Headquartered in Cary, N.C., SAS has more than 400 offices globally. In 2010 and again this year, it was ranked number one on *Fortune*’s “100 Best Companies to Work For” list. The company is a leader in business analytics, software and services.

MacDuffie teaches a case study on SAS in his courses at Wharton, and over the years has invited senior executives from the company to be guest lecturers. Until the last decade, says MacDuffie, the company did not have a performance review process.

That changed, however, when the vice president of human re-

sources saw that new employees hired from universities (often PhD or faculty-level statisticians) “were accustomed to feedback in the university setting” and felt the company would benefit from a formal appraisal process, MacDuffie says. SAS was certainly in favor of feedback, he adds, “but the belief was that good managers should be providing informal feedback all year rather than saving it for a formal annual review. And in fact, good managers were doing that. But those supervisors who were not good managers were not offering feedback at all. Their employees would get their merit increase and not have any idea where it came from or what it was for.”

The company decided to pilot an appraisal process in one division and eventually instituted the process throughout the company. The system, based on a product bought from an outside vendor and then customized by SAS, “is systematically tied to a performance and merit reward cycle and therefore to promotions,” says MacDuffie. “It does have a 360-degree feedback feature but that is only used for developing employees’ competencies; it has no influence on pay and promotion decisions.”

Because SAS’s revenues hinge on customers choosing to annually renew updated licenses for SAS products, notes MacDuffie, “the company is very customer responsive, and innovation is driven by customer requests.” Given that orientation, many of the managers also do programming, “actually sitting next to or near their employees and writing code. These interactions end up facilitating the feedback process.”

That, in turn, has led to another innovation in the performance appraisal system. “While teaching managers how to do reviews, the company was able to identify those individuals who are brilliant technical people but do not have very good managing skills,” says MacDuffie. “The company then created a separate advancement track based on technical competency, and called the people on that track ‘SAS Fellows.’ The SAS Fellows can now advance and get recognition and status without having to play a management role as well.

A Critical Need

Despite criticism of performance reviews from all sides, very few experts would suggest throwing them out. According to the Sibson Consulting/WorldatWork survey, “an overall performance management process—one that focuses on goal setting, feedback, coaching, and clear statements of the company’s performance expectations—is absolutely critical” and indeed, is found in the highest-performing companies, says Insler.

And while some companies have tried to do away with performance reviews, the bottom line seems to be that, in some form or another, these reviews play a necessary role in company culture. “I don’t really see how you run an HR system, how you reward people, without some form of performance review,” says Bidwell. “It’s not clear to me what the alternative is.”

No matter how you run a performance review system, adds MacDuffie, “it’s unlikely everyone will enjoy it. But if you neglect it or write it off, it can be incredibly destructive, create perceptions of bias and politics, and lead to [an atmosphere] of cynicism in the workplace. That corrodes the idea that there is any notion of performance that matters and is rewarded.” ■

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Jet Philly, a new startup airline, leased some flight equipment on January 1, 2011.

The lease was structured as a four-year capital lease with four annual payments of \$3 million to be made on January 1 each year, beginning in January 2012. The interest rate embedded in the capital lease is 10 percent, and the capital lease assets are to be amortized on a straight-line basis over a four-year period with no salvage value.

Jet Philly reported \$10 million in income before taxes in 2011.



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This Final Exam challenge comes from **Wayne Guay**, Wharton Yageo Professor of Accounting. Good luck!

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The Question:

How much greater or lesser would 2011 income before taxes have been if Jet Philly had been able to classify this lease as an operating lease instead of a capital lease?

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