

w i n t e r 2 0 0 3

Wharton

A L U M N I M A G A Z I N E



On the Education Frontier

Wharton alumni chart new territory

while changing young lives



The Wharton School
University of Pennsylvania

ON THE COVER: Eric Adler, WG'96, co-founder of the SEED School of Washington, DC

PHOTOGRAPH BY ROBERT BURKE



The Wharton Follies will perform again in February!
(See below for dates.) Call 215.898.8478 for details.

Save the Date

FEBRUARY 13-14, 2003

Wharton Follies
Philadelphia, PA

FEBRUARY 21, 2003

Wharton Follies
New York, NY

APRIL 3-4, 2003

Wharton International Cultural Show**
Philadelphia, PA

MAY 16-18, 2003

Wharton Alumni Reunion
Philadelphia, PA

MAY 22-23, 2003

Regional Alumni Meeting*
Berlin, Germany

JUNE 6-7, 2003

Regional Alumni Meeting*
Shanghai, China

JULY 10-11, 2003

Regional Alumni Meeting*
Miami, FL

* See back cover for details.

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TOMMY LEONARDI

HOCH AND BAKER, W'56

\$10-Million Gift To Promote Cross-Disciplinary Focus on Retailing

In November, the Wharton School announced the creation of the Jay H. Baker Retailing Initiative. Funded by a \$10-million gift from Patty and Jay H. Baker, W'56, the initiative will expand the School's curriculum and research activities in retailing, and promote faculty and student interaction with industry experts from around the world.

"We are grateful for the Bakers' support," said

Dean Patrick T. Harker. "With one of the best marketing faculties in the world, as well as experts in operations management and diverse but related fields, Wharton is uniquely positioned to explore the complex issues that make retailing such a dynamic field. The entrepreneurial spirit of the School parallels that of today's retailing industry."

In addition to a new undergraduate and MBA secondary concentration in retailing, the Baker Retailing Initiative involves several interdisciplinary components:

- An endowed faculty chair;

- New courses focusing on retailing and marketing;
- A multiyear, cross-disciplinary retailing research project, directed by Professor Stephen Hoch, John J. Pomerantz Professor of Marketing;
- A lecture series to provide opportunities for leaders in retailing and related industries to share expertise and insights with students and faculty;
- Endowed support for PhD fellowships to encourage future business faculty to study retailing;
- Internships to support undergraduate students as they gain first-hand experience in the retail industry; and
- An endowed fund to support the above-listed activities on a permanent basis.

"I am so excited about bringing together two areas that are deeply meaningful to me — the industry of retailing and the Wharton School," said Jay Baker. "Our goal is to develop future leaders of the retailing industry by exposing some of the brightest and most talented students to this very vital and dynamic field."

Jay Baker, who received his undergraduate degree in 1956 from the Wharton School, is a member of the Wharton School Board of Overseers, and a director of Kohl's Department Stores, Briggs & Stratton Corporation, and the Philharmonic Board of

Naples, Florida. He served as president of Kohl's Department Stores from 1986 to 1999. Patty Baker, who graduated summa cum laude from Hunter College in New York City, holds a degree in theatre and art history. The Bakers have been long-time supporters of the performing arts and New York's Fashion Institute of Technology, which awarded Jay an honorary doctorate degree.

The Bakers have now given \$21 million to the Wharton School and the University of Pennsylvania. In 1999, they gave \$11 million to support the construction of an undergraduate center in Wharton's new facility, Jon M. Huntsman Hall. The Patty and Jay H. Baker Forum is the largest single space in the facility and can accommodate an entire undergraduate class of nearly 500 students. That \$11-million gift also endowed The Baker Leadership Scholars Program, providing financial support to undergraduates throughout the University of Pennsylvania. It was among the largest gifts ever made to the University in support of undergraduate financial aid, a critical component in Penn's overall commitment to undergraduate education.

Please see page 81 of this issue for our Leadership Spotlight profile of Jay Baker.

New Degree for Biotechnology Management

The University of Pennsylvania has announced the creation of a new dual-degree program in business and biotechnology. Students will earn an MBA from the Wharton School and a Master's of Biotechnology. The Biotechnology Master's is jointly offered by Penn's School of Engineering and Applied Sciences and its School of Arts and Sciences.

"Now with Wharton's participation in our Biotechnology Program, we can serve business managers who seek in-depth biotechnology training. Such training is an increasing need in today's biotechnology business world in which smart business decisions are often driven by a fundamental grasp of modern molecular biology, from pharmacogenomics to drug discovery," says Scott L. Diamond, PhD, director of Penn's Biotechnology Program.

With the collaboration of its three sponsoring schools – Wharton, the School of Engineering, and the School of Arts and Sciences – the University of Pennsylvania's dual-degree Biotechnology Management Program is uniquely positioned to supply such training. Diamond explains, "Where else can an MBA

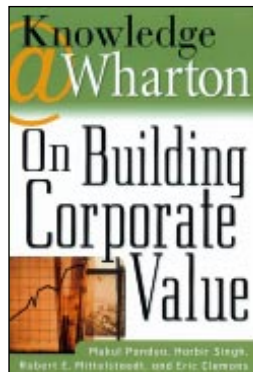
student look at DNA microarray data in the morning and learn about biotechnology licensing in the afternoon? – only at Penn and particularly at Wharton."

"With the growing interest in the business applications of biotechnology, this is a critical time to establish this multidisciplinary, dual-degree program," says Dean Patrick Harker. "Students will get a solid grounding in the core business disciplines to prepare them for leadership in emerging bioscience industries. The program will benefit from the work of Wharton's William and Phyllis Mack Center for Technological Innovation and our extensive entrepreneurial course offerings."

Knowledge@Wharton Publishes New Book

A new book from Knowledge@Wharton, the School's free biweekly online journal that offers the latest business insights and research from a variety of sources, is now available.

Knowledge@Wharton on Building Corporate Value explains how you can integrate the Internet into every aspect of your business as it reveals techniques for using Internet tools to create and manage endur-



ing brands, understanding and managing risks created by the Internet, and pursuing strategic alliances to support your company's goals. Authors of the book include Operations and Information Management Professor Eric Clemons, Vice Dean of Executive Education Robert E. Mittelstaedt, Knowledge@Wharton Editor Mukul Pandya, and Management Professor Harbir Singh. For more information, visit www.amazon.com/buildingcorporatevalue.

News Briefs

The *Financial Times* Business Survey ranked **Wharton's MBA for Executives** (WEMBA) as **number one** for the second year. Columbia Business School ranked second and NYU's Stern School ranked third.

Wharton Research Data Service (WRDS) has been awarded a **2003 CIO Magazine Enterprise Value Award**. Now in its

eleventh year, the award program is highly selective, honoring a small group of organizations for their IT systems that prove over time their ability to transform companies, industries, and society as a whole.

Siebel Systems, Inc., a provider of multichannel e-business applications software, announced the 2003 recipients of the **Siebel Scholars scholarship awards**. Winners from Wharton are MBA students **Nicholas Benedict, Laura Bennett, Angela Crossman, Douglas Fisher**, and



FLAHERTY

Alexander Moskovitz. The Siebel Scholars program was established to recognize outstanding graduate students at the world's most prestigious business and computer science schools.

The **new director of the Wharton Small Business Development**

Center (WSBDC), **M. Therese Flaherty**, is already well known to the Wharton community. Flaherty previously was director for Wharton's MBA Global Consulting Practicum and is an adjunct associate professor of marketing for the School. As WSBDC's new director, Flaherty will spearhead a re-design of the courses and consulting services offered to the Philadelphia area's community of business owners and managers.

West Coast WEMBA student **Dean Chang, WG'04**, was selected to be the inaugural **executive MBA journal writer for BusinessWeek Online**.

Chang is chief technology officer and vice president of technology adoption and partner services of Immersion Corporation in San Jose, CA.

Fred Lipman, a lecturer in the Wharton MBA Program and a partner in the law firm of Blank Rome Comisky and McCauley, LLP, was selected to be the **Chair of a National Teleconference on Audit Committees** sponsored by The Bureau of National Affairs, Inc., in October.

Lawrence Brown of the Statistics Department received the **Wilks Memorial Award from the American Statistical Association** in August. The award, given annually since 1964, is based "primarily on contributions to the advancement of scientific or technical knowledge, ingenious

application of existing knowledge, or successful activity in the fostering of cooperative scientific efforts that have been directly involved in matters of national defense or public interest."

Alumni in the News

The Jamaica Observer (10/30/02) reports that MBA student **Deika Morrison, ENG'94, W'94**, has been appointed a senator and a minister of state for finance and planning in the Jamaican government.

According to *Business Wire* (10/23/02), **Yujiro Hata, WG'01**, has been appointed vice president of business development at Enanta Pharmaceuticals, Inc.; and **John Sudol, WG'93**, has been elected to the National Board of Directors at AeA, a high-tech trade association (10/15/02).

Lawrence Lessig, C'83, W'83, was featured in an article in *Newsweek* (10/14/02). He is scheduled to make his first appearance before the U.S. Supreme Court to argue a case regarding the length of copyrights for books, films, and music.

According to *PR Newswire* (10/08/02), **Isaac Palmer, WG'93**, has been promoted to senior vice president of corporate development at Viacom Entertainment Group.

Business Wire (10/07/02) reports that

Annette Franqui, W'84, has been appointed chief financial officer of Panamerican Beverages, Inc., one of the three largest bottlers of Coca Cola products in the world.

Gary M. Phillips, C'87, WG'91, M'92, RES'97, has been appointed corporate vice president at Bausch & Lomb, Global Pharmaceutical and Vitreoretinal products, as noted in *Business Wire* (10/07/02).

Risa Lavizzo-Mourey, WG'86, was featured in an article in *The New York Times* (10/06/02) entitled "In Person - Treating Health Care."

Tim Connolly, W'59, CEO of corporate strategies at Merchant Bankers, is co-hosting the nationally syndicated business talk radio program, "Not for Widows and Orphans," according to *CCN Matthews* (10/03/02).

The Star-Ledger, Newark, NJ (9/24/02) featured **Risa Lavizzo-Mourey, WG'86**, for her appointment as president and chief executive of the Robert Wood Johnson Foundation.

W. George Greig, WG'78, was profiled in *The Financial Post* (9/21/02) for his management of the William Blair International Growth Fund and GBC International Growth Fund.

Fortune (9/16/02) named **Elon Musk, W'94**, one of "America's 40 Richest Under 40." Musk (No. 23) was highlighted

as one of the "particularly interesting newcomers" to the list as the founder of PayPal.

The Wall Street Journal (9/16/02) noted **Ted Chung, W'99**, in an article about Calvin Broadus (Snoop Dogg) for his work handling Broadus' music label business. (Also in *The Wall Street Journal Europe*, 9/16/02, and *The Asian Wall Street Journal*, 9/17/02).

The Saint Paul Pioneer Press (9/15/02) profiled **Jay Fishman, W'74, WG'74**, regarding his first year as the chief executive of The St. Paul Companies. The article noted Fishman and his wife's support of the Wharton School.

CNNfn (9/11/02) interviewed **Robert Stovall, W'48**, a global strategist at Clemente Asset Management, about the impact of September 11 on how investors think about the market.

Barron's (9/9/02) featured **Eileen Rominger, WG'86**, in an article about her work as a Goldman Sachs fund manager who traveled cross country this past summer scouting for attractive stocks.

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

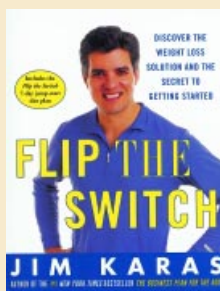
Recent Alumni Publications



The Silent Takeover: Global Capitalism and the Death of Democracy

By Noreena Hertz, WG'91
The Free Press (2001)

“Dr. Hertz has taken the debate into new territory. . . . She offers a more intriguing analysis of modern corporate methods than critics normally supply.” – *The Evening Standard*

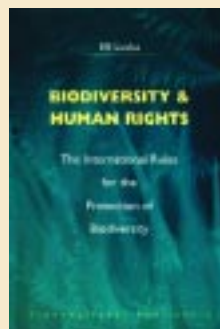


Flip the Switch: Discover the Weight Loss Solution and the Secret To Getting Started

By Jim Karas, W'83
Harmony Books (2002)

“The author of the number-one New York Times bestseller *The Business Plan for the Body* now gives dieters who've tried every-

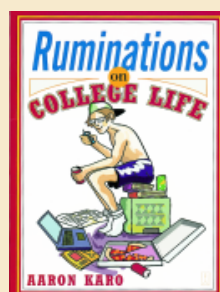
thing the most essential key to success: the ability to 'flip the switch' and turn their weight-loss desire into a reality.” – *Publisher*



Biodiversity and Human Rights: The International Rules for the Protection of Biodiversity

By Elli Louka, WG'99
Transnational Publishers (2002)

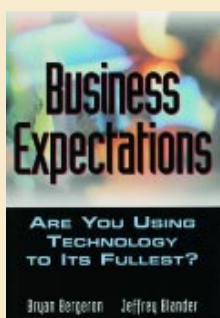
“The author of this study proposes a fundamental review of biodiversity protection policies. Instead of conservation/preservation, a shift to attention to ecosystem management with human rights and human dignity at the center is recommended. . . . Practitioners and scholars concerned with environmental issues, human rights, and sustainable development problems will find this work of great interest.” – *Publisher*



Ruminations on College Life

By Aaron Karo, W'01
Simon & Schuster (2002)

“Taken from Karo's popular website, aaronkaro.com, *Ruminations* perfectly captures the college experience of a fun-loving student.” – *Booklist*



Business Expectations: Are You Using Technology To Its Fullest?

By Bryan Bergeron and Jeffrey Blander, W'93
John Wiley & Sons (2002)

“In the wake of the New Economy hype, *Business Expectations* provides a cogent analysis of the practical challenges

involved in managing technology ventures.” – *Mary Tripsas, Professor, Harvard Business School*



Mean Spirits

By Roger Chiochi, WG'78
iUniverse (2002)

“Energetic and quickly paced, *Mean Spirits* proves to be a fascinating and haunting narrative that cleverly follows the legacy of a single American family.” – *Ghostsource.com* ♦

Elon Musk, W'94: Planning the Next (Giant) Step

BY ROBERT STRAUSS

Elon Musk, W'94, was a year from being born when Neil Armstrong took that first great leap for mankind onto the moon. But as Musk sees it, mankind needs a new goal for a greater leap, this time toward establishing human life on Mars.

"If we can go to Mars and beyond, that will be far more important in historical context than anything we do today," said the 31-year-old entrepreneur.

by Musk. In September, he was ranked number 23 in *Fortune* magazine's "America's 40 Richest Under 40," having sold two Internet companies he founded: PayPal, an online payment service bought by eBay in February, and Zip2, an online city guide service bought by Compaq in 1999.

Having reached inward into the Internet with those two companies, Musk has

toward Mars. SpaceX's primary product is the Falcon Explorer, a rocket able to launch a half-ton payload into low Earth orbit. It is the first step on the way to making launchers more cheaply – thus getting products and people in space more cheaply. That, in turn, Musk hopes, will get NASA, or some private concern, to think about a push toward getting human civilization on Mars.

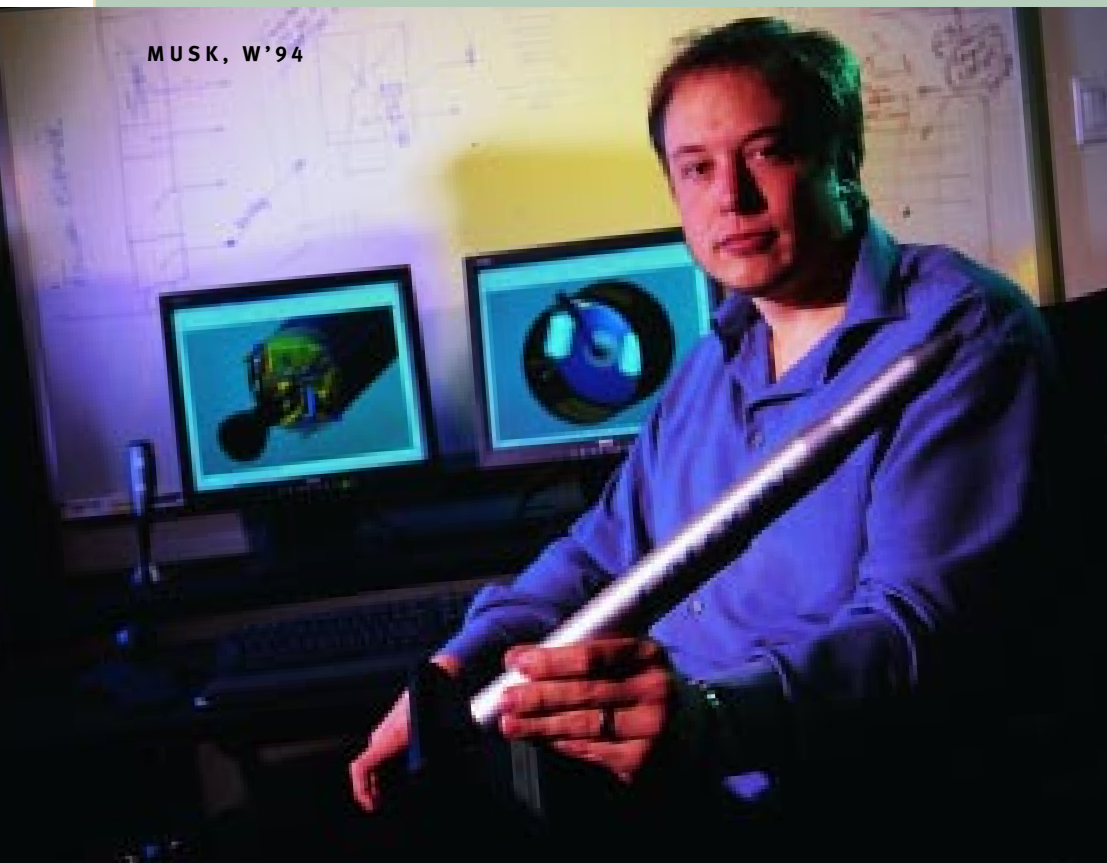
Musk by phone from his California office. "If we can do that, it is important for humanity to expand. So, for me, there is a commercial element to it. There is a philanthropic element. And, fundamentally, rockets are fun."

Musk grew up in South Africa and came to Penn to study physics, eventually getting his Wharton degree. He went to Stanford to get a PhD in high-energy physics but dropped out after founding Zip2 in 1995. He used part of his eight-figure buyout from Zip2 to begin PayPal, which went public just before being bought out by eBay. Though seemingly different, Musk views all three of his start-ups through a similar lens.

"For me, in anything I do, there are three things that are essential," he said. "First, it has to be intrinsically interesting. It has to be fun to do, and all three of these companies were. Second, it has to be commercially viable. And third, if we are successful, it has to have a meaningfully positive effect on the world."

Musk is not the only scientist/entrepreneur who is pushing people toward thinking that Mars is an important cog in the evolutionary machine. He has been a supporter of The Mars Society, a group mostly of scientists who believe the space program is making a mistake by not

MUSK, W'94



MARK HARMEL

While some critics may dismiss the idea of colonizing Mars, it may not be wise to put down any idea

now decided to reach outward into space. His new company, SpaceX, is that first step he's looking for

"There is a long-term benefit to humanity if we can produce lower-cost launch vehicles," said

moving quickly to get man situated on Mars.

"I found Mr. Musk to be a sincere and interesting individual who believes that with the proper motivation, the funding can be raised to do a real Mars mission via the private sector," said Maggie Zubrin, a board member of the Mars Society. "We wish him all success with his venture."

Musk makes clear that there are certainly goals short of Mars for SpaceX.

"Basically, if our launcher were a car, it would be a compact," said Musk, noting that the best option NASA has today is a Pegasus, made by Orbital Sciences, a \$25 million rocket. He intends for SpaceX to make a launcher for \$7 million, which would then make it impossible for NASA to ignore. "It doesn't make sense to do something incremental – to make something, say, for \$22 million just to undercut Pegasus.

"We want to borrow a page from Henry Ford, who didn't invent the automobile but made every part of the process simpler and cheaper," he said. SpaceX is planning on subcontracting out most of the technology of the launchers but has hired engineering chiefs who have formerly worked for NASA or major space-program contractors.

"We want to borrow a page from Henry Ford, who didn't invent the automobile but made every part of the process simpler and cheaper."

Still, Musk admits, even the creation of a low-cost satellite launcher leaves him several steps away from his Mars dream.

"I think to some degree, we got lost along the way with the space program," he said. "There was this big push by President Kennedy. Back in the early 1960s, when he said our goal was to land a man on the moon in the decade, no one really knew how or if that could be accomplished. But the goal was there, so it happened.

"Then everything went sideways," he said. "But now, anyone who says we should go to Mars still says one of the major obstacles is cost. If we can

show them a lower-cost option, then I would hope a President can come out and give putting human civilization on Mars as a goal, like Kennedy did with the moon."

Musk said Mars is the more likely candidate than the other obvious alternative, the moon, to house human civilization for a number of reasons. There are more minerals on Mars, he said, and the atmosphere is richer. There is water in the permafrost of Mars' soil, but almost no water on the moon. Mars' orbit around the sun is similar to Earth's, as is its gravity.

"This is not about me going to Mars, like some play game," he said. "I believe there should be thought out there that expanding human civilization to places where it has not been is important. And I believe that getting it to Mars is an important goal for humanity.

"I am trying to do it in a practical way, to try to find the commercially viable technology to get us there," said Musk, who said that, in a way, a launch vehicle is easier than PayPal. We've known longer, he said, that space exploration works. The Internet as a commercial medium is a comparatively new phenomenon. "Now we just have to get to some next steps." ♦

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Introducing CareerConnect

Many Wharton alumni have experienced direct career benefits as a result of the Wharton alumni network. From acting as a source of career information to providing a solid job lead, many alumni have answered the call to assist their peers in their efforts to advance their careers.

However, while many “career connections” have naturally arisen in the Wharton alumni network, there is widespread agreement that the full potential of the network to serve as a career resource has not yet been tapped. Enter **Wharton CareerConnect**.

What is CareerConnect?

Managed by a multidisciplinary task force made up of Wharton administration, alumni, and students, **Wharton CareerConnect** is a program that will encompass initiatives and activities aimed towards the same goal—maximizing career connections among alumni and between alumni and students. Leslie Arbuthnot, director of Alumni Affairs and Annual Giving, and Peter Degnan, the newly appointed director of MBA Career Management, serve as the chairs of the **CareerConnect** Task Force.

During the coming months, please watch your mail for information on **CareerConnect** initiatives and tools designed to help alumni and students **learn** about available careers, **network** effectively, and **explore** new career opportunities. These initiatives include:

- The Wharton Alumni-Student Network, an initiative designed to enable alumni and students to identify career development resources within the alumni base
- Career-related discussion boards that will foster better networking among alumni
- A new and improved online job board to help alumni and students find career opportunities (note that the existing job board is still accessible at <http://mbacareers.wharton.upenn.edu/alumni>)

- Free access to a collection of business databases newly acquired for alumni use
- The Wharton AlumniConnect Speaker Series aimed at creating a forum for alumni to tell their career stories to students, either in person or via video teleconference.

Periodic **Wharton CareerConnect** update notices will be sent to alumni as these tools and initiatives become available.

How can alumni help with the CareerConnect effort?

Participate in the Wharton Alumni-Student Network, and talk to fellow alumni or current and prospective students about managing career strategies, your business or industry, your insights about the quality of life in the city or country where you work, or how the Wharton experience has impacted your life. Signing up will set an important example for others to follow and make a strong statement about your commitment to strengthening the Wharton community. To sign up online, visit wave.wharton.upenn.edu.

How can I find out more about CareerConnect?

For more information, e-mail Careerconnect@wharton.upenn.edu, or visit our website at <http://wave.wharton.upenn.edu/careerconnect>.

Wharton
[CareerConnect]

True Dedication

Wharton alumni built the School's new home, and on October 25 and 26 they came from around the world to celebrate it.



^ Matt Greene, WG'89, and Family Karen and Jon Huntsman, W'59, H'96, and Family
v



PHOTOGRAPHS: TOMMY LEONARDI & STUART WATSON

Two years ago, when Jon M. Huntsman Hall was just beginning to materialize as a mass of steel beams and newly poured concrete, the *Alumni Magazine* interviewed Matt Greene, WG'89, and Beth W. Nelson, WG'82, about their recent gifts to name rooms in the building. Both seemed excited to be a part of something so big in the School's history. Greene, who named The Greene Family Study Room, made certain that the names of his wife, Tita, and two sons – Matthew II and Kobi – would appear on the plaque. "Someday, if my kids go to Wharton, they'll see their names in the building," he said.

Although Matthew II and Kobi are nowhere near the age at which they would attend Wharton, they did indeed have the opportunity to see their classroom and experience Wharton's new home on October 25 and 26. That weekend, the new facility was officially dedicated, and the festivities drew more than 1,000 alumni and guests from around the globe. Most had been anxiously awaiting the opportunity to finally see the School's new home. And many, like Greene and Nelson, were looking forward to seeing first-hand what they had helped to build.



^ Beth W. Nelson, WG'82, and Gary Glynn, WG'70 Jon Burnham, W'59
v

Nelson, along with her husband, Gary Glynn, WG'70, named a classroom. "It's important to remember that you had a helping hand while achieving your success," said Nelson, who is a former principal of Neuberger Berman LLC. While attending the dedication of named spaces, both Nelson and Glynn were shown around their classroom – a tiered learning facility equipped with state-of-the-art audio/visual and teleconferencing equipment and a custom instructor's lectern incorporating a computer keyboard, laptop ports, a microphone, and a master control system, which adjusts audiovisual equipment, lights, and room settings. "The technology is incredible," Glynn said as a Wharton staff member demonstrated how the podium works.

Greene and his family actually had the opportunity to see their room in use: Dennis Tupper, W'03, and Sioban Nolan, W'03, were working on a project in the study room during the dedication and provided a demonstration of the room's "smart board" technology to Matthew II and Kobi. (A "smart board" is an electronic whiteboard, connected to the room's computer, to enable the information on the whiteboard to be stored, e-mailed, or posted to the Web.) "The room is fantastic," Nolan said. "It's been great to work on projects together like this. I've spent a lot of time in here already."

"I've never been exposed to the opportunity to make such a tangible difference," Greene said. "You can actually visit and see what you've helped to make happen. You can see that you're part of something."

That sentiment was echoed by many throughout the dedication



^ Ruth Blank, ED'37



^ Greene Family





ceremonies. Ruth Blank, ED'37, attended with her son, Robert Blank, L'65, and grandson, Matt Blank, C'03, to see the room her son named after her and her late husband, Samuel A. Blank, W'29, L'32. "I just had to see my classroom," Mrs. Blank said. "It's a lot different than when I had classes back in Bennett Hall!"

"I had seen just the shell of it before," said Jay Baker, W'56, who attended with his wife, Patty, to dedicate the Baker Forum, which is the focal point for student life in Huntsman Hall. "Now, it's mind boggling!"

Jon Burnham, W'59, like many others, took the dedication ceremony

as an opportunity to meet with the scholarship students he has sponsored as well. While exchanging thoughts about the building with Laura Kournihan, W'06, and Chris Murphy, W'03, Burnham said, "I get a great kick out of seeing you kids come through here. My involvement with Penn is one of the great joys I have in my life."

Perhaps that sense of joy was best expressed by Jon Huntsman himself during the weekend's proceedings. Huntsman, whose \$40-million contribution was the lead gift in the campaign to create the building, was joined throughout the festivities by his wife Karen and several generations

of his own family; he was also celebrated at a special ceremony attended by his personal friend Vice President Dick Cheney.

At Friday afternoon's public dedication, also attended by President Judith Rodin, Provost Robert Barchi, and Wharton's Dean Patrick Harker, Huntsman touched the audience with his message about what Wharton has meant to him in his personal, spiritual, family, and business success. In his dedicatory statement, he challenged and inspired his fellow alumni with a quote that he keeps over his desk: "No exercise is better for the human heart than reaching down and lifting another up."





^
Huntsman and Vice President Cheney

A Celebration – and Building – To Remember

In true Wharton style, the seriousness of dedicating the School's new home was met with serious celebrating. Friday's Open House featured a scavenger hunt, jugglers, and balloon sculptures for children; their parents were entertained by Professor Michael Useem's "Wharton Jeopardy" and performances from Penn singing groups and the Wharton Follies.

There was a networking breakfast on Saturday, and the weekend's events were concluded with a Harvest Party at the new building's C. F. Koo Plaza, made even more celebratory by the occasion of the sun shining for the first time all weekend.

In an amazing turnout, alumni from around the world – Asia, Europe, the Middle East, Latin America, and throughout the U.S. – came to campus, representing generations of the Wharton experience, from a member of the undergrad class of 1933 to the newest members of the alumni body, the Class of 2002. Current students were also a vibrant presence: the undergraduate Wharton Ambassadors gave tours of the building in which they are studying, and members of the WGA Alumni Affairs committee welcomed guests to their new home.

Fred Stafford, W'33, from Havertown, PA, and one of the oldest alumni present, expressed his amazement at the building's size. "It's fabulous, marvelous," he said, adding that the eighth floor had "a great view." Others felt that Huntsman Hall underscored the seriousness of a Wharton and Penn education. Albert Abehsera, WG'73, who traveled from London, noted that the building "feels like a temple inside," and Keisuke Muratsu, WG'75, agreed. "It raises the seriousness of



^
Fred Stafford, W'33, and friends



^
Mitchell Roth, W'48



Huntsman family and Dean Harker enjoy a cake provided by David Marshall, W'61 (not pictured)

∨

education,” he said. “It tells people that this is a place dedicated to learning.”

Mitchell E. Roth, W'48, from Broomall, PA, had similar thoughts. “It’s a cathedral of learning,” he said. “Students should feel lucky to be here, and it should motivate them to do their best.”

Franck Noiret, WG'95, who came from Paris, and Rogerio Tsukamoto, WG'88, from Brazil, were both impressed with the Huntsman Hall’s technology. Tsukamoto noted that the multimedia and broadband audio and video conferencing, which links Wharton’s main campus in Philadelphia with Wharton West in San Francisco as well as INSEAD in Fontainebleau, France and Singapore, “truly facilitates a global connection.” Noiret specifically remembers spending time as a student at bars, apartments, and other off-campus locations to study and meet, and said he felt the technology-enhanced group study rooms are a “huge improvement.”

Katarina Stefanovic, WG'00, from New York City, agreed. “We used to sit around in Sun Lounge with our laptops,” she said. “Now there’s no running around. And with the cafes, there’s a place to socialize – the most important aspect of the Wharton experience.”

Miguel Rozensztroch, WG'00, also from New York, noticed how much the current classes seemed to be utilizing the building. “I’m glad they’re enjoying it,” he said. “This is great for future generations.”

For more images from the dedication and celebration, visit <wave.wharton.upenn.edu>. ♦



Katarina Stefanovic, WG'00, and Miguel Rozensztroch, WG'00

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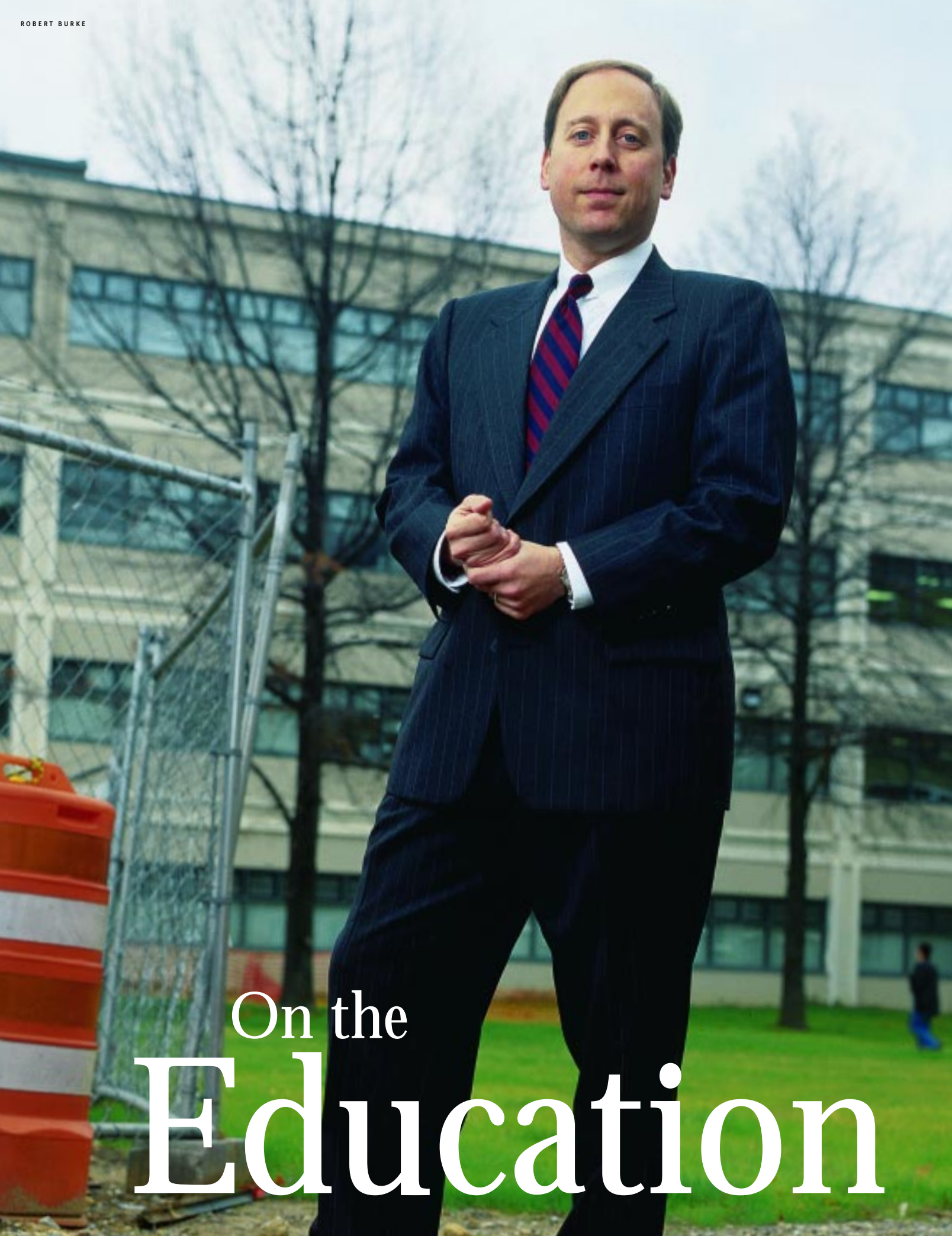
(Below) Albert Abehsera, WG'73, and Keisuke Muratsu, WG'75

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Franck Noiret, WG'95

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On the
Education

Wharton alumni chart new territory while changing young lives

BY SHARON L. CRENSON

Eric Adler, WG'96, was a high school physics teacher with eight years of experience when he traded life in front of a classroom for a student's seat at Wharton.

Within two years of graduation, he was back before a room of expectant preteens, this time under entirely different circumstances.

Rather than introducing affluent prep schoolers to inertia and velocity, Adler faced potential street gang members, many of whom – at age 12 – were already badly behind in school. Each looked to Adler for a second chance. Each hoped they'd find it at the nation's first inner-city public boarding school, the brain child of Adler and business partner Rajiv Vinnakota.

Both men fled well-paid consulting jobs to give the kids a radically different educational opportunity.

"Management consulting didn't have the entrepreneurial feeling I was looking for, and I didn't feel I was doing important work," Adler says now. "It's not quite the same thing as standing in front of a physics class and watching a kid go 'Oh my God, I get that!'"

So Adler joined a small coterie of Wharton alums who have used their degrees in the service of education. Among them: George Weiss, W'65, who has spent \$20 million of the money he earns in investment management to send poor kids to college; and Ed Marcum, WG'01, who recently took the reins of a nonprofit that supports education in Kenya, Tanzania, Indonesia, and Guatemala, as well as San Francisco.

Frontier

Adler snapped his teaching experience and his MBA together with the idea of starting a foundation to open inner-city schools. "Eventually, the entrepreneurial bug got the better of me," he says. >

There are others as well. Jason Green, WG'02, is co-founder and senior vice president of development of BEST Education Partners, a private company that partners with charter school boards and public school districts to enhance learning and increase academic performance. Helen Frame Peters, PhD'79, serves the other end of the educational spectrum as dean of Boston College's Carroll School of Business.

And more and more Wharton MBA students are tutoring Upward Bound kids, a group of students from low-income families or from households in which neither parent holds a bachelor's degree.

Susan Cespuglio, a second-year MBA student and co-president of the Wharton Tutoring Club, says more than 70 MBA students expressed an interest this year, more than double last year's number. The upturn allowed the club to pair high schoolers with tutors who have expertise in particular areas the younger students have trouble with, rather than simply assigning tutors randomly.

"It feels really good," Cespuglio says. "Maybe it's just because of the way I was raised. I know how lucky I am, and it feels really good to help."

But Adler, Weiss, and Marcum are unique in their reach, having dedicated themselves to the very poorest, most disadvantaged children they can find.

According to the 2000 census, approximately 1.56 million U.S. residents ages 16 to 19 were not high school graduates and not enrolled in school. That's about 10 percent. Underdeveloped countries are far worse off. The World Bank reports that only 67 percent of Tanzanian children have access to primary education, a number down from 93 percent in 1980.

Adler, Weiss, and Marcum are out to change those numbers for the better.

Eric Adler, WG'96

For Eric Adler, being the best teacher he could be just wasn't enough, even with tutoring students on the side to prepare them for the Scholastic Aptitude Test and serving as dean of students at a prestigious private school. Adler drove himself hard, but he was always bothered by the feeling that if he hadn't, maybe nobody would have noticed.

He longed for a career with what he calls the "perfectly delightful" symmetry of success that reflects effort.

"There was something about teaching that just wasn't like that," he says. "Eventually, the entrepreneurial bug got the better of me."

He dreamed of developing residential real estate but hadn't the faintest idea how to pursue it. Investment management seemed a more realistic goal, so Adler spent the summer between his first and second years in the MBA program working for a firm specializing in bond management for individual investors. His work researching the potential impact of a flat tax was interesting, but nothing like what he saw the investment managers doing. He came away from the experience thinking such a career would be a nice way to earn a six-figure salary but not enough to really engage him.

He turned instead to management consulting, another popular choice for Wharton grads. He lasted about a year at Dean & Co. in suburban Washington, DC. Something was still missing.

How could he make his experience teaching and his MBA work together?

Adler snapped his experience and his MBA together with the idea of starting a foundation to open inner-city schools. A mutual acquaintance introduced him to Rajiv Vinnakota, a fellow management consulting refugee who was tinkering with the same idea.

The two men met for a Roy Rogers' dinner and talked for three hours. Vinnakota had already spent several months researching the possibilities, so in February of 1997, he and Adler arranged a weekend meeting with a handful of interested parties.

On Saturday, they brainstormed ideas for a prototype, a public boarding school in the inner



ROBERT BURKE

city. They imagined a place where students would escape the streets to find safety, three square meals a day, a warm bed, and a hot shower, all designed to better prepare them for small classes where teachers would offer the kind of individual attention rarely available in America's overcrowded, underfunded city schools.

On Sunday of that same weekend, the group drafted a business plan. Their goal was to open a school within 18 months.

By five p.m., Adler and Vinnakota were left alone, staring at a white board full of ideas.

Could it be done?

Yeah, but it would take somebody full time. Maybe two people.

They looked at one another. "You in?" one of the men asked. "Yeah, I'm in," came the reply.

They raised \$2 million in private money in a little more than a year. They renovated a building in less time than they were told it would take to get a permit. They talked to absolutely anyone in the Washington area who would listen. They secured a public charter that entitled the school to taxpayer funding, plus an amendment to the charter law that would allow additional funding for schools keeping students overnight. With extra federal dollars for students qualified for free or reduced-price breakfast and lunch, the school Adler and Vinnakota were putting together had about \$23,000 a year per pupil.

They opened the doors to 40 seventh-graders in July of 1998. A lottery determined the lucky few.

Today, 230 students grades seven through 11 call the SEED Public Charter School in Washington, DC, home. About 60 faculty and staff, including psychologists and a librarian, work with students ten months of the year. Kids who have relatively stable homes are allowed weekend visits with family, while those from more troubled environments spend those weekends with friends.

The most talented students can help tutor their peers or take on extra assignments, while those who are struggling may take an extra math or English class each day. All of them face something called the "ninth-grade gate." Nobody is allowed into high school classes without first proving their abilities in every skill necessary for academic success. About half make it by the time their age says it's time for high school.

"If you think staying back a grade is tough, try being 22 years old and unable to read," Adler says. "Let's get over ourselves and disappoint some kids now, when they still have time."

The school also brings in celebrities to speak to students. Another component program sponsors trips to places like New York, all in the name of broadening student experience.

"It teaches you about self discipline, how to handle yourself when you're away from home, how to handle yourself in different situations," says 11th-grader Thomas Anderson.

Running it all is complicated. The SEED Foundation has raised \$20 million for capital projects like the school's soon-to-be-completed four-building, 170,000-square-foot campus. The school

MARCUM, WG'01



“One of the things that really excites me is the clear need for the services < we provide,” says Marcum about Global Education Partnership.

itself receives and manages public funding, and Adler and Vinnakota have also arranged more than \$14 million in tax-free bond finance through Bank of America.

It’s a job Adler says he never could have managed without a Wharton degree.

“When I started, I didn’t know the difference between the word ‘marketing’ and the word ‘advertising,’” he says. “Wharton has been everything, and you can quote me on that.”

Now 38, Adler has finally found the career he yearned for, and the recognition that goes with it. Both Oprah Winfrey and Nightline have featured the SEED School. Winfrey’s “Angel Network” donated \$100,000 and arranged donations of new dormitory furniture and 300 Gateway computers.

Adler hopes it’s just the beginning.

“We hope that someday we will have more than just this one school,” he says. “We hope that we will have many, many students either in this city or in cities across the country.”

Ed Marcum, WG’01

Nestled in a cluster of African shade trees in Luandai, Tanzania, a new rectangular mud and brick building has become the most celebrated structure of the Ndekai Primary School.

It houses not a classroom, but a latrine.

Global Education Partnership, a Washington, DC-based nonprofit now run by Ed Marcum, WG’01, worked with Luandai families to build the structure. A first for the village, the latrine was what locals said they needed most to improve their school. After all, learning to read comes after basic survival, and unsanitary conditions can spawn many infectious diseases still rampant in parts of Africa.

GEP programs are not gifts or loans to the communities they serve, and they are not wholly run by aid workers. Rather, the organization partners with local communities. Residents themselves decide what their schools need—whether it be textbooks, or chalkboards, or a bathroom. GEP helps organize things and provides 50 percent of the funding through international donations. The rest of the money and labor comes from the communities themselves.

“We as development workers . . . should be able to pack up our tents at some point and go,” says GEP founder Tony Silard. “True development occurs when the development worker leaves, and the people say, ‘We did this ourselves.’”

Marcum met Silard, a former Peace Corps teacher, when Marcum worked for the Council on Foreign Relations helping local officials formulate strategies to promote international trade.

Marcum already had a pretty varied professional life, having spent a couple of years traveling the world on the minor league tennis circuit. It didn’t take much for him to join GEP, filling a position in development which he now says he knew little about. Soon, he started thinking about public policy school to flesh out his skills. Wharton quickly emerged as an even better fit.

But Silard didn’t let the educational detour interfere with his own ideas for Marcum’s future. Soon after the MBA was finished, he offered Marcum a short-term consulting job, then used the window to woo his protege into taking over GEP full-time.

The two men seem to share a certain outsized optimism about changing the world, bit by bit. Global Education Partnership is their vehicle.

STUDENTS IN TANZANIA RECEIVE TEXTBOOKS WITH HELP FROM GEP.



PHOTOGRAPH COURTESY OF GEP

Weiss founded "Say Yes to Education" in 1987, promising 112 underprivileged sixth-graders from one of Philadelphia's toughest neighborhoods that, if they could make it through high school, he would pay for college. >

The organization works with communities to provide low-income youth with all kinds of educational resources and skills to bolster their employment potential. Not only does GEP work on primary school projects, it also runs young adult programs on how to manage small businesses, look for work, and use computers. "One of the things that really excites me is the clear need for the services we provide," Marcum says.

The programs include:

- Entrepreneurship and Employment Training, which teaches income statements and balance sheets, business development plans, and profit management to low-income youths. GEP partners with other nongovernmental organizations and with microfinanciers to help students find startup capital.
- Educational Resource Development and Capacity Building. This 50-50 partnership program assists primary and secondary schools with their most pressing needs, such as the latrine building project in Tanzania. Capacity building workshops help community residents create multiyear school development plans.
- Curriculum Development and Teacher Training. GEP developed a five-volume series of lesson plans, reading materials, and entrepreneurial exercises for distribution to schools and community organizations worldwide.

Also in the works is a plan to organize East African safaris in which travelers who want to sponsor community projects can time their trips to include dedication ceremonies for the finished product. Donations for these matching projects can be a little as \$1,000 and give the donors a chance to see up-close the good their money does. (For information, see our sidebar "How To Get Involved" on page 22.)

The partnership element is key. Aid recipients must contribute their own money and time to the projects.

"GEP is acting as a catalyst for development," says Maria Msemo, a local GEP director in East Africa. "[The communities] can do another project by using the methodology of GEP."

Marcum's MBA is helping ensure the model thrives. Already he has taken the tough step of letting some staff go to reduce costs. He also retooled the floundering curriculum project, which got off the ground while Marcum was at Wharton but then failed to meet revenue projections.

More recently, Marcum clinched the kind of corporate sponsorship deal he was never able to land before attending Wharton. Peet's Coffee agreed to introduce a line of holiday gift packages featuring coffees from some of the countries GEP is active in, such as Kenya and Indonesia. Sales proceeds will go to fund projects in those countries. Marcum pitched the deal as a new product line for Peet's, rather than as a straight act of corporate philanthropy.

"Wharton definitely provided me with a way of thinking that was more marketing oriented," he says. It also gave him the confidence he needed to supervise 18 employees scattered from the San Francisco Bay area to Kenya, Tanzania, Indonesia, and Guatemala.

Marcum, himself just 33 years old, is also working with a group of first-year Wharton MBA students on a consulting project for GEP. Perhaps the experience will even lure someone into the non-profit sector, though Marcum admits it's a tough choice for someone coming from a peer group where so many are headed for more lucrative careers.

But if Marcum's enthusiasm is any gauge, it can be a rewarding choice.

"Knowing that you are coming into work each morning to tackle really serious problems, to me, makes the job worthwhile."

George Weiss, W'65

While Marcum gave up the high pay a Wharton education can deliver in favor of spending his days helping the poor, George Weiss, W'65, fulfilled his own drive to make a difference by earning the big money and giving away lots of it, along with much of his spare time.



TOMMY LEONARDI

Weiss has sent 148 underprivileged students from three different East Coast cities to college.

“Businessmen like to see results,” he says. “My goal is to have ten cities . . . to help lots and lots of kids.”

Weiss is a money manager whose eyes first opened to the power of taking an interest while he was a Wharton undergraduate. His fraternity hosted a Christmas party for 12 inner-city kids, a gang called the 12 Apostles. They struck up a friendship with Weiss, who played basketball and pool with them while he finished school. He also looked them up when he came back to Philadelphia for homecoming.

Somewhat surprisingly, all 12 graduated from high school. Weiss remembers clearly what one of them told him: “George, we couldn’t have dropped out and looked you straight in the eye.”

Weiss says he was so moved, he vowed then and there to do something big if he ever had the money. Now, he does. Though he’s shy about disclosing the figure, Weiss estimates he has spent more than \$20 million of his own money putting kids through college.

He founded “Say Yes to Education” in 1987, promising 112 underprivileged sixth-graders from

one of Philadelphia’s toughest neighborhoods that, if they could make it through high school, he would pay for college. Weiss also did more than promise the money. His gift included tutoring, counseling, SAT preparation, and summer programs. He has since branched out to help kids in Hartford, CT, and Cambridge, MA, as well as Philadelphia. He even has a toll-free number kids can call to talk to him directly about their problems.

Penn has been an enormous help as well. The University has provided medical and dental care, tutoring services, and other support.

Weiss himself intervenes when he sees Say Yes kids going astray.

One year, after a student from the original Say Yes group was stabbed, coordinator Randall Sims did some investigating and figured out that at least 17 of the kids Weiss was sponsoring were dealing drugs. Weiss came to Philadelphia one weekend and visited each of the teenagers at home. In many cases, their absentee fathers even showed up. Weiss estimates that 14 of the teens quit dealing.

“I don’t think just throwing money at them really works, it’s the emotional tie,” he says. “You have to get in their face. I don’t necessarily mean in a bad way, but you’ve got to be there.”

Of the 112 children Weiss originally sponsored, 62 percent graduated from high school, compared to 43 percent from the same census tract in 1990. Weiss figures the group could have done better if he had interceded earlier. Today, he makes the Say Yes promise as early as the kindergarten.

“What we have learned is that by starting them younger and younger, we have reduced teen pregnancies from 50 percent down to just one pregnancy,” he says.

Also, Say Yes has added some restrictions to help hold down the academic dilly-dallying of changing majors and going to summer school to make up for lazy work during the school year.

His efforts have cost Weiss more than money. They’ve brought plenty of emotional pain, too. A handful of kids have died violently. One loss in particular—a young man named Walter Brown—hit Weiss particularly hard. Brown lived in a group home after being severely abused by his mother. He died in a car accident.

But Weiss also sees positive results. Recently, while visiting the Say Yes office in Hartford, one of his college graduates stopped by with her three-week-old son. She and Weiss chatted about her and her husband preparing to buy a new home.

Weiss started to cry.

“That’s what it’s all about, leveling the playing field,” he says. ♦



Doing Well _____ and Doing Good:

Social Impact Management

Eileen Stephens, WG’03, is one of many students continuing the Wharton traditions of leadership and innovation through her work encouraging MBAs to become more involved in the area of nonprofit management. Before coming to Wharton, Stephens worked for a private-sector medical supply company. It was through that experience that she began to understand the needs of the rapidly aging population, and how nonprofits will play an ever-increasing role in addressing these challenges.

During her first year at Wharton, she became active in Net Impact, a network of emerging business leaders dedicated to using the power of business to create a better world. Since then, Stephens has worked with her classmates and faculty to promote greater discussion of nonprofit management issues in the curriculum. Now the Net Impact group is working with dozens of other student leaders and clubs to establish the Social Impact Management Initiative (SIM), which seeks to improve the ethical leadership, social impact, and strategic partnerships of nonprofit and for-profit organizations alike.

SIM involves research, curricular initiatives, volunteer opportunities, and partnerships across Penn and the local community. On October 3, 2002, SIM was officially launched with a symposium that included keynote speakers Stephanie Bell-Rose, president, Goldman Sachs Foundation; Wayne Silby, founder of Calvert Social Investment Fund; and Ira Jackson, director of Harvard Kennedy School’s Center for Business & Government and current president of the Arthur M. Black Foundation. An alumni panel included Eric Adler, WG’96, founder and executive director of the SEED Foundation; Vanessa Lowe, WG’98, a financial and programs analyst for the CDFI Fund, an arm of the US Treasury that invests capital in financial institutions operating in, or for the benefit of, underserved communities; and Wendi Teleki, WG’98, a program officer for the International Finance Corporation (IFC), the private-sector lending arm of the International Bank for Reconstruction and Development.

SIM’s director of alumni relations, Bernadette Ryan, WG’04, notes that the initiative aims to influence both the student population as well as the alumni network. “SIM offers the opportunity to have a long-lasting impact on the MBA culture and, by extension, the alumni network by incorporating social objectives into the curriculum,” she says. “Ultimately, we’ll be alumni, too.”

SIM participant David Levin, C’03, W’03, WG’04, agrees. “Students who help develop the SIM initiative during its early stages will make a powerful contribution to society through the conduit of business education,” he says. “These efforts epitomize the entrepreneurship, creativity, and impact of social innovation.” ♦

How To Get Involved

The SEED Foundation

1712 Eye Street, NW, Suite 300
Washington, DC 20006
Phone: 202.785.4123
www.seedfoundation.com

Global Education Partnership

1411 K Street, NW, Suite 602
Washington, DC 20005
Phone: 202.347.0130
Email: info@geponline.org
www.geponline.org

Say Yes To Education

University of Pennsylvania
3700 Walnut Street
Philadelphia, PA 19104
Phone: 215.898.1819
www.gse.upenn.edu/sayyes/



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TEACHING EXCELLENCE

Wharton's World-Class Faculty

Mike Useem knows that nothing brings a case study to life like people who've been there – literally. So last fall, when Sherron Watkins, the “Enron whistleblower,” phoned to talk about one of his chief research interests, corporate governance, Useem didn't hesitate. He invited her to campus – and right into the classroom. The result was an in-depth examination of what went wrong at Enron. For those lucky enough to have enrolled in Useem's class, it was rare access to the inner workings of a major event in business history.

“Bringing in people from outside adds another dimension. Students learn more,” explains Useem, William and Jaclyn Egan Professor and Professor of Management, whose third book, *Upward Bound: Mountaineering as Metaphor for Management*, is nearing completion. And learn more they did: In true Wharton style, they asked questions, made comments, and gave arguments. They came away knowing more about the case than many of them ever dreamed possible.

It is this kind of immediacy and excitement, what he calls “the fabulous engagement of the Wharton classroom,” that keeps Useem at Wharton when he could go almost anywhere in academia or the corporate world.

Wharton

THE CAMPAIGN for

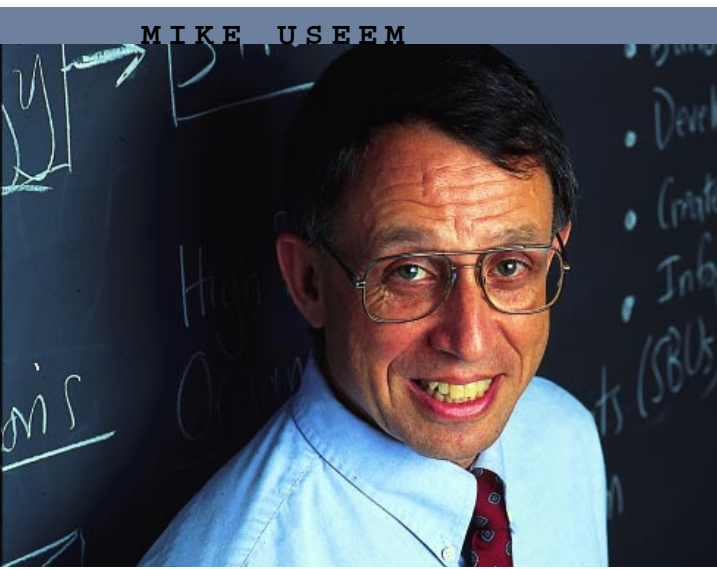
SUSTAINED

Leadership

Useem's energy and commitment to learning, not to mention his research accomplishments, are just one example of why Wharton's faculty is held in awe around the globe for innovation, productivity, and intellectual capital. Together, these 220 men and women are among the most influential and highly quoted group of people in the world. From CNN to *BusinessWeek*, from National Public Radio to the *New York Times*, and on websites and bookshelves everywhere, their voices are shaping our culture. At any given time, the faculty is exploring hundreds of research topics, synthesizing their results into usable information that is changing the way we do business.

Each year, the faculty at Wharton gains an average of 10 to 12 new members. Like Useem, they are drawn to Wharton by the intelligence and spirit of the students, the impressive accomplishments of the faculty, and an administration that supports their research in every way possible. There is, of course, a flip side: each year, eight to ten Wharton faculty members leave Wharton, many drawn to other schools by the promise of endowed chairs, higher salaries, or more research funding. Likewise, the high-paying corporate world can recruit top faculty members quite aggressively.

It's no secret that Wharton has a significantly smaller endowment than its top competitors, which has led to



fewer endowed chairs. (Currently, Wharton is ranked eighth in endowment dollars per faculty member.) Yet most Wharton professors don't measure the school's assets in dollars.

Franklin Allen, Nippon Life Professor of Finance and Professor of Economics, has had offers to go elsewhere. "I'm staying here," he says emphatically. "It's such an interesting mix of the applied and the theoretical. A significant portion of the faculty have spent most of their careers here."

"I am thrilled to be here," says Jeremy Siegel, Russell E. Palmer Professor of Finance, *BusinessWeek's* Best Business School Professor for 1994 and well-known author of *Stocks for the Long Run* and *Revolution on Wall Street*. "I've had offers to go to Wall Street, but I could never give up teaching. I just can't imagine being in a better place."

For Tom Donaldson, Mark O. Winkelman Professor and Professor of Legal Studies, and one of the foremost researchers on business ethics, being here has something to do with Wharton's place in the world. "Wharton has always set the pace for other business schools," he explains. "It's the school that is always mentioned at faculty meetings. When other schools are tinkering with their curricula, they ask, 'What are they doing at Wharton?' We set the standard. To me, it's the obvious place to want to be."

A Meeting of Minds

What exactly keeps highly sought-after faculty members here, year after year? Many agree that foremost is the dynamic interaction with their colleagues. Collaboration with other professors, inside the department and out, often results in some of their best research.

Whenever the Wharton faculty hold a "brown-bag lunch," Jeremy Siegel will most likely be in attendance. At these casual gatherings, faculty take time out to talk about their most recent work, bounce ideas off their colleagues, and share stories of the classroom. With so many great minds in a relaxed atmosphere, the result is bound to be interesting.

"If I have an idea I am wrestling with, I bring it up at one of the lunches," says Siegel, who is widely respected for his research on productivity and long-term portfolios. He will be published in the near future. "The level of resource is so deep here, I rarely need to go anywhere else," he explains.

"At Wharton, I have more intense, productive interaction with faculty members outside my department than I have ever had anywhere else," says Donaldson. "For example, I recently heard a paper presented by my colleagues in Operations and Information Management. The paper dealt with trust and how lies can be empirically correlated with a breakdown in a company. Here were colleagues applying statistical skills to an ethical topic and asking, what are the practical implications of lying? It turned out to be fascinating and starkly relevant for today's climate."

"Professors here don't walk in lockstep," he continues. "They are individuals. Wharton hires the brightest people and gives them the freedom to do what they want to ... and what they are best at. Every day, there is some kind of academic or intellectual event where people are presenting information I haven't seen anywhere else. Wharton is an intellectual smorgasbord so large that it's impossible to sample everything!"

Intellectual Capital

Just as Wharton professors value their relationships with other faculty, they jump at the chance to teach the best and brightest business students in the world.

“Wharton is a magnet for interesting people,” says Donaldson. “Our students defy the image of a male with a calculator tied to his belt and his eyes straight ahead, fixed on making a billion as quickly as possible. Instead, they are diverse, well-rounded, and ethically interested. They are individuals with an intellectual eagerness and brilliant flashes of insight.”

Wharton has never embraced the model of business education in which an untouchable professor holds court in front of a class of subservient students.

Instead, Wharton students and professors collaborate inside the classroom and out, with some incredible results. “My students have drawn my attention to topics I would not otherwise have thought about,” says Mike Useem. “It’s a two-way exchange. While I am teaching, I am also learning.”

A good example, Useem says, is a recent experience in his Leadership Teamwork course.

“There were several veterans of military service in the class,” he remembers. “We got to talking about how leadership works in the military, and we were so interested in the topic that soon afterwards we jumped in the car and headed to West Point for the day. We talked to people there about how they develop leadership.” The impromptu team followed up with similar road trips to the Naval Academy in Annapolis and the Marine Corps. Their findings led to a program in which students experienced leadership training, Marine style.

For Olivia Mitchell, International Foundation of Employment Benefit Plans Professor and Professor of Insurance and Risk Management, interaction with her students may have influenced the development of an entire country. “Manish Sabharwal, WG’96, took my course on pensions,” she recalls. “He took careful and copious notes, then e-mailed them to friends in India who were starting a pension system.”

Sometimes student-faculty collaborations can be quite high profile, says Siegel, “My book, *Stocks for the Long Run*, could not have been written without my students’ research assistance,” he explains. “They also

helped dramatically with the construction of my website. And these are mostly undergraduates! One undergrad, Sean Smith, had an incredible ability to collate and process material. He was invaluable.”

Siegel is also impressed with Wharton students’ capacity for old-fashioned hard work: “At the end of my classes, I send an e-mail to students asking for TA applicants. I get 40 to 50 applicants every time! It’s a lot of work, and the pay is not great, but I still get such a positive response.”

Balancing the Seesaw

Olivia Mitchell is catching a late flight to Brazil. The new Brazilian government has just announced that it will be making a national pension system their top priority. A better project couldn’t be found for Mitchell: her research on retirement, pensions, longevity, and annuities has taken her around the globe. She will be speaking at a convention and meeting with key players in the new system.

“At Wharton, we are all citizens of the world – our research agenda encompasses the world. That is one of the things that has made it such a good fit for me,” she says. Through Wharton, she has traveled to Singapore, Malaysia, and Australia, among other countries. “There is a huge amount of encouragement on the part of the administration and fellow faculty to pursue things to the end. They will help you with whatever you need. They will literally take you wherever you want to go.”

With the ability and the support to follow the call of research opportunities just about anywhere, however, comes the need to balance research with teaching on campus.

“How do I balance research and teaching? I give up sleep!” she jokes. But in reality, it is not an issue, she says, because she loves to teach. “At a top-notch university, people are excited about their research, and they carry over that excitement into the classroom, and vice versa,” she explains. “Most people who enjoy teaching are a little bit of a ham, and that holds true for me. I enjoy getting students to think in new ways about preconceived notions. In a long-term way,

Financial Times, 10/29/02 – **Jeremy Siegel, Russell E. Palmer** Professor of Finance, published an editorial entitled,

“The great technology bubble has been purged.” / *Dow Jones News Service*, 10/29/02 – **Eric Orts**, Professor of Legal Studies and Management, was featured in an article on how business schools are teaching corporate governance. /

BusinessWeek, 10/28/02 – **Jeremy Siegel, Russell E. Palmer** Professor of Finance, was mentioned in an article about



MAURICE RAMIREZ

I am teaching students who will go on to teach the next generation.”

Siegel agrees: “I love teaching, and I love working on real, bottom-line research issues. I take that research right into my classroom.”

Donaldson describes the balancing act as a seesaw. “I’ve been at schools where faculty only talk about what goes on in the classroom. At other places, the assumption is that if you teach in an engaging manner, you won’t have time for research. Wharton has managed to get the seesaw pretty horizontal. And I’ve never been at a place that gives so many awards for teaching. Here, teachers are respected by their colleagues for teaching well – not just for their research.”

JEREMY SIEGEL

Failure to clean up scandal-ridden accounting practices could also prove fatal to solid stock returns. Unless businesses consistently report earnings that can be compared against past performance and peers, stocks won’t be worth 20 times earnings, Siegel concedes. Nor will equities do as well as he expects if terrorists attack again in the U.S. Says Siegel, “If what happened in Bali happens in the U.S., then the bets are off.”

BusinessWeek, 10/28/02

investing in equities. / *Seattle Times*, 10/27/02 – **Thomas Donaldson**, **Mark O. Winkelman** Professor, Professor of Legal

Studies, was interviewed for an article about teaching ethics in business schools. / *South China Morning Post*,

10/20/02 – **Andrew Metrick**, Assistant Professor of Finance, was interviewed in an article about online investing. /

Dow Jones News Service, 10/15/02 – **Jeremy Siegel**, **Russell E. Palmer** Professor of Finance, was mentioned in an article

The Role of Wharton Today

Given the volatile nature of financial markets and the ethical considerations brought to light in recent years, Wharton faculty are reminded more than ever of their influence on the future of the business community. It is a responsibility they take very seriously.

"In the end," says Donaldson, "a lot of the problems in businesses come down to what the people who run them do when no one's looking. This issue of integrity is shaped by the culture of business, and business schools are partly responsible for that culture." It may be this sense of responsibility that has led to Donaldson's research focus: business ethics, values, and leadership. A founding member and past president

of the Society for Business Ethics, and a Senior Fellow of the Olsson Center for Ethics at the Darden School, he has authored several books on the subject, including *Ethics in International Business* and *Corporations and Morality*.

"People don't come into business schools as fully settled ethical minds," he continues. "There's a lot that changes ethically as a person grows older. Business schools provide the tools to create wealth, so they are also responsible for teaching the duties that go along with being a responsible citizen in a market economy."

Siegel feels the role of Wharton has become more critical in light of recent ethical and economic challenges. "Here, we look at how everything affects everything else – politically, ethically, financially," he

TOMMY LEONARDI

OLIVIA MITCHELL

"I think in planning for retirement, most people have either explicitly or implicitly been told, 'There, there, don't worry, somebody else will take care of you' – be it the government through Social Security and Medicare, or your employer through your pension and retiree health insurance if you're lucky enough to have that.

And that's a very different message than people are being given right now. Much more responsibility is being shifted onto the individual's shoulders, and it takes a lot of work. It's like what Oscar Wilde called the problem with socialism: it takes too many nights and weekends."

The Wall Street Journal, 6/24/02



about new editions of investment guides. / *South China Morning Post*, 10/13/02 – **Richard Marston**, **James R.F. Guy**

Professor of Finance, Professor of Economics, was quoted in an article about Americans being urged to broaden their

investing horizons. / *Financial Times*, 10/8/02 – **Michael Useem**, The **William and Jacalyn Egan** Professor, Professor of

Management, was noted for his consulting relationship with Tyco. He was hired to strengthen the group's corporate

TOM DONALDSON

Wharton ethics guru and professor Thomas Donaldson says the two current [MBA] classes are asking him to “help them see what they need to see in a grey situation.” You can’t necessarily teach morality, he admits, but its possible to point out behavior that’s over the line. Notes Donaldson, “Your mother didn’t teach you about off-balance-sheet entities and how to grapple with them.”

BusinessWeek Online, 9/6/02

says. “Nothing is in a container by itself. More than ever, students need an understanding of how it all fits together, and that is what we teach.”

To Mitchell, Wharton’s role is a more practical one, and one that will serve students their entire lives. “We are teaching an understanding of how to learn. This is a lifelong objective – how to be successful at things that are challenging. At Wharton, you learn not only material, but confidence. I always tell students, ‘Pursue subjects that are hard for you. It’s a lot easier to learn in a nurturing environment.’”

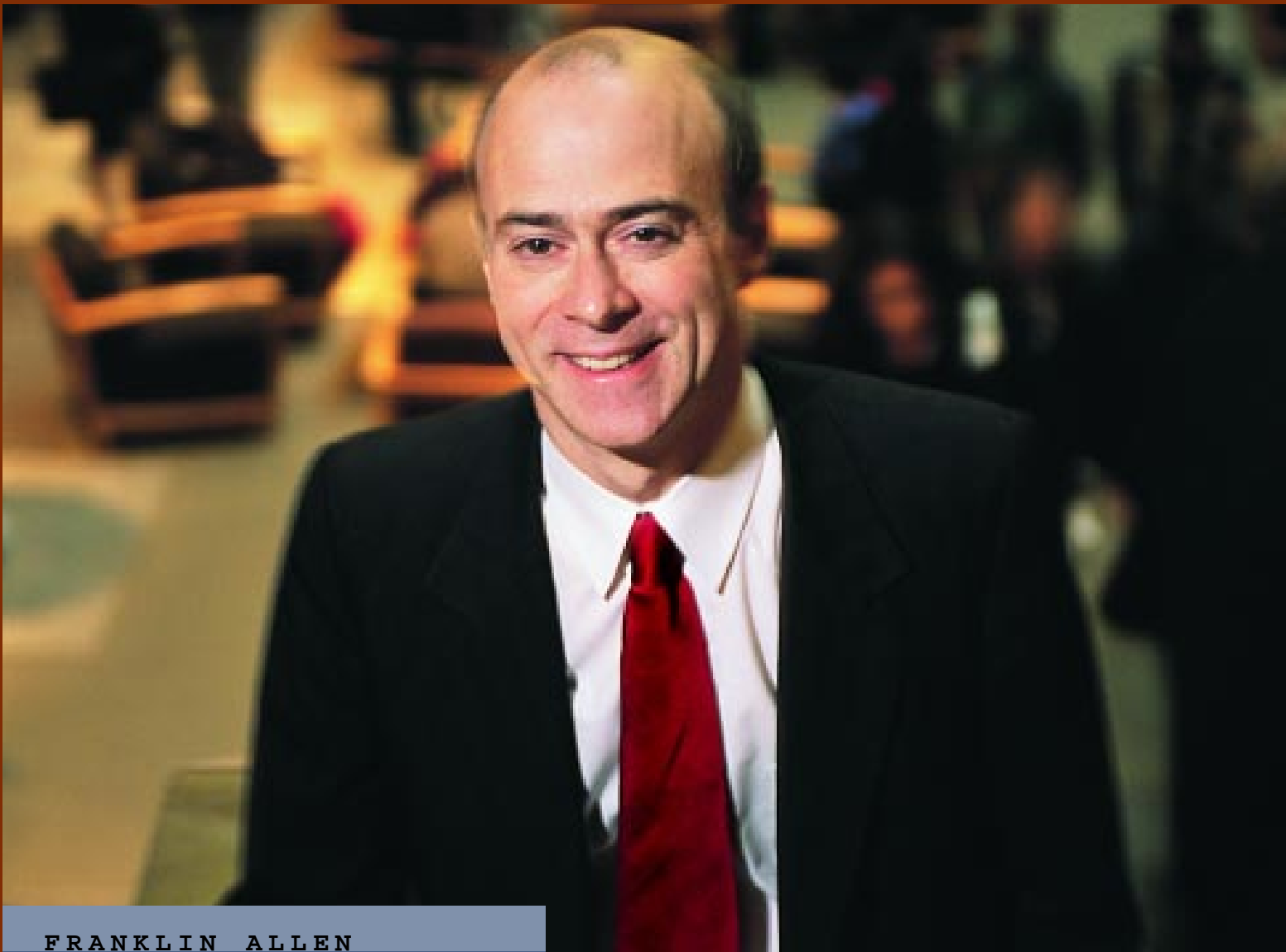
Though the faculty may interpret Wharton’s job differently, they are united in their recognition of its importance and their support for its future. This year, for the first time, Wharton raised funds through a special faculty arm of the Wharton campaign. When Dean Patrick Harker approached Bill Hamilton, CHE’61, GCH’64, WG’64, Director of the Fisher Management and Technology program and the Ralph Landau Professor of Management and Technology, about heading up the new campaign, Hamilton agreed immediately.

“Our goal was to make it evident to the world that an overwhelming number of faculty support Wharton and the campaign,” he explains. The effort, which focused on tenured faculty, was a resounding success: 86 percent of faculty contributed. Now, the faculty that has long been Wharton’s biggest strength has gone a step further in its commitment to the future of the school.



DAVID DEBALIKO

governance. / *Wall Street Journal Europe*, 10/7/02 – Jeremy Siegel, Russell E. Palmer Professor of Finance, was quoted in an article on the fourth quarter of the stock market. (Also published in the *Asian Wall Street Journal*, 10/7/02) / *New York Times*, 10/6/02 – A study by David Musto, Assistant Professor of Finance, and other business school professors was cited in an article on why December 31 is a good day to stay out of the market. /



DAVID DEBALCO

FRANKLIN ALLEN

Investors, having being burned by relying so heavily on share price increases to make money are now demanding that companies pay them cold, hard cash. And executives, afraid to disappoint already-angry shareholders, are determined to keep paying. "Corporations go to great lengths to keep dividends constant unless they're in real trouble," says Franklin Allen.

The Wall Street Journal Europe, 6/17/02

A Strong Global Network

In the Wharton puzzle made up of faculty, students, and research, there is a final key piece: alumni. It is the alumni who have provided endowed chairs for Wharton faculty, as well as for the research centers that serve as hubs for interdisciplinary collaboration. In addition, most Wharton faculty members have unique and highly productive relationships with graduates, not just because they once shared classrooms, but because they have taken their relationships far beyond Wharton's walls. "Our network is a huge part of what Wharton is all about," explains Franklin Allen, who makes a point of keeping in touch with many of his former

New York Times, 10/6/02 – **Jeremy Siegel**, **Russell E. Palmer** Professor of Finance, was quoted in an article on Social Security privatization and the November election. / *Wall Street Journal*, 10/3/02 – **Chris Mayer**, Associate Professor of Real Estate, was quoted about the impact of rising costs costs on first-time homebuyers, who are especially important to the market. (Also published in the *Asian Wall Street Journal*, 10/4/02) / *Associated Press*, 10/3/02 ...

students, a practice that benefits everyone involved. "Strengthening that network is critical."

Allen has welcomed alumni input into his extensive research on corporate finance, asset pricing, and the economics of information. His most recent project is a comparative study of financial crises in various world markets, including Japan, Argentina, and the United States – a project for which Wharton's global network has proven invaluable.

Mitchell feels her international focus has been enhanced by alumni contact. "We are lucky to have Wharton alumni placed in top companies of the world. I can always reach out and ask them for help, and I find all of them absolutely fascinating. For example, one MBA grad is working at Vanguard. We finished writing a paper on company stock, and we are continuing to do research together. At Vanguard, he has access to a lot of great information, as I do at Wharton. It's a two-way street."

A perfect example of alumni support, says Useem, is the leadership training that Wharton runs in Quantico, Virginia. This popular program, involving roughly 90 students per year, is funded by Lehman Brothers, thanks to the organizational work of alumnus Jeff Zorek, WG'84. "Here's an alum whose support has been absolutely vital," Useem says. "He's worked behind the scenes to bring an incredible program to current students."

"Alumni support allows a school to compete at a different level," says Allen. "But it's not just the money, it's the overall involvement. To get to the next level from here, we need to keep building that

involvement. To alumni, I would say, 'If you haven't already done so, get in touch with Wharton – and keep in touch!'"

The Power of Giving

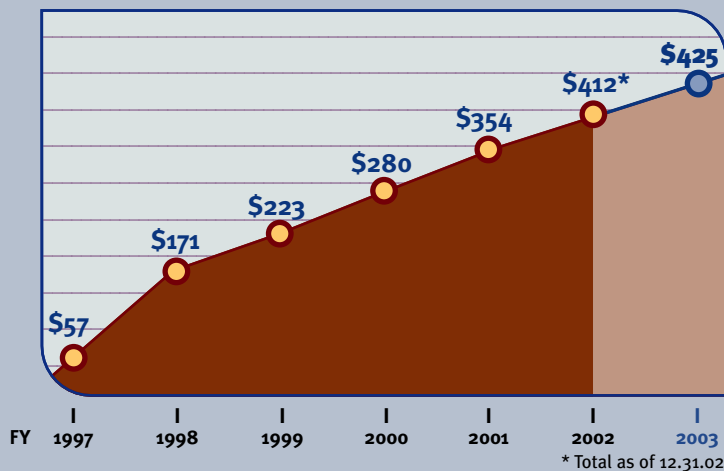
There is no faculty in the world like Wharton's. As an alumnus or alumna, you have the power to sustain this level of excellence. Alumni donations to the Wharton campaign establish endowed chairs like those held by the professors in this story. They also support research and provide competitive salaries. Your support means Wharton can continue to attract and retain the world's top faculty, while creating a balance of race, gender, research perspective and geographical focus.

There are many compelling reasons for top faculty to remain at Wharton. With greater alumni support, they may never have a reason to leave. Invest in our faculty. For more information, contact:

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Challenging the Dominant Paradigm

Professor Nancy Rothbard takes on the work/family debate, with some surprising findings.

BY NANCY MOFFITT

Nancy Rothbard recalls being startled, time and time again, when executives she interviewed for a Harvard research project repeatedly revealed the very personal details of their lives.

It was the early 1990s, and Rothbard had just graduated from Brown University. She had taken a research post with Harvard leadership guru John Kotter, who was working on a study about the class of 1974 MBA graduates, work that ultimately became the bestselling book *The New Rules*. Rothbard traveled across the nation interviewing the alumni, most of whom were successful male executives.

“As I did the interviews, I was struck by the fact that non-work subjects like divorces and problems with kids kept creeping into the conversation,” says Rothbard, 34, an assistant professor of management. “I’ll never forget one interview with a senior executive of a very large manufacturing firm. He told me that he hadn’t been able to concentrate for the last six months because his son had a drug problem, and he and his wife were distraught and didn’t know what to do. I was thinking to myself as I listened that I couldn’t believe these people were telling me these things, and that they were linking them to their work.”



PHOTOGRAPHS BY TOMMY LEONARDI



Having grown up in a family business, Rothbard had witnessed such work/personal life connections interplay with, and sometimes interrupt and disrupt, employees' work. But she'd suspected major corporations and their senior leadership were simply too focused on the big picture to be affected in any significant way by their own or their employees' personal matters.

Had she been wrong? She spent the next decade finding out.

at work with little or no time to rest and recreate. The academic and government research literature has taken a similar bent, often focusing on the likely fallout to the children and employers of the work/family set.

Rothbard, who grew up working in her family's Philadelphia office supply and furniture business, was intrigued by the parallels between her work at Harvard and her early observations driving to and from work with her father, listening to him worry about employees' lack of focus. "A perennial question that plagued us was how to get employees to fully engage in their work," she says. "When people were engaged, they were more likely to catch mistakes, come up with creative solutions, and be more committed and less likely to leave a job."

After three years, two books, and three case studies at Harvard, her mind was filled with ideas, hunches, and questions. Are people with active and demanding personal lives inherently less focused and more likely to become drained and depleted on the job? Are employees who can work long hours and become more psychologically invested in an organization – people without families or other consuming personal interests – a safer and better bet? Rothbard began her

Facts of (Work/Family) Life

The work/family debate is nothing new. For decades, the media has talked of the impossibility of it all, of scheduled lives and exhausted parents, drained employees and family-wary employers, of tradeoffs, the "juggling act," "the balancing act." Women in particular are often cast in a sympathetic but harried light, unable to manage the challenges of lives too full – days overflowing with tasks at home and

Are employees who can work long hours and become more psychologically invested in an organization – people without families or other consuming personal interests – a safer and better bet?



search for answers in 1993, when she entered the University of Michigan's PhD program. And her findings have been far different than the academic and popular literature would have us believe – far different, even, than her early anecdotal observations.

What's the upshot?

Yes, people often flounder at home and at work during full-fledged crises. But a busy personal life, with children and careers and the inherent stress that comes with them, actually makes for a more engaged employee over the long haul, says Rothbard, whose views are the result of a major study she led at Michigan. Published in 2001 in *Administrative Science Quarterly*, the study, titled "Enriching or Depleting? The Dynamics of Engagement in Work and Family Roles," yielded 790 respondents. It found that "work engagement" is not negatively affected by family-related stress, for men or for women. And women, the study found, most often throw themselves into their work even more during times of extreme personal stress, seeing the office as a kind of haven from a negative home environment.

"The depletion that is so feared by organizations from family to work does not exist," Rothbard says. "And I suggest to

organizations that their beliefs about women may be wrong. As a manager, don't make the automatic assumption that a woman with a rich family life is not going to be engaged in her work. She could be very engaged. Her time may be limited, but her focus may be very much all there."

Rothbard's findings mean organizations can have some assurance that family involvement is not achieved at the expense of work. But the study also found that for women, leaving a negative work environment at the office isn't so easy. Women struggling with an unhappy work life are often less engaged with their families. "This is a tough reality for women," Rothbard says. "If they aren't happy in their work, they are often less able to be involved and focused at home." Men, conversely, are able to "segment" their work and home lives, the study found, so that negative emotions or stress typically do not adversely affect either role. "This isn't to say that there aren't men who find themselves incredibly drained at work by stress at home or at home by work stress," Rothbard says. "But most men, I found, are able to put these things aside and function well in their various roles."

Rothbard's study went beyond issues of employee depletion at home and at work, however. As she began her work at

Michigan, Rothbard was struck by the near-total lack of research on the benefits an individual's personal life might bring to their work. She saw this as a critical oversight and tackled the issue in her study. "The work/family literature really only talked about the depletion issue – about the phenomenon of something negative happening to you and that it drains you and makes you less able to focus on your other role because you're busy coping, whether it be work or family. I think this is only part of the story." Rothbard found support for this argument in sociological research, which suggested that multiple roles are actually beneficial to many people.

"We all have positive, uplifting moments in our work lives and our personal lives. We bring those to our work and our homes, and they make us happy and open and available. They give us energy and help us engage and create," she says.

Rothbard's study found both men and women experience this enrichment, though not in the same way. Men's positive work-related emotions spill over and enhance their family engagement, while women experience enrichment through positive family-related emotions enhancing their work involvement. "These findings contradict the dominant paradigm that assumes work and family roles are only depleting to one another," she says, adding that she was somewhat surprised by the magnitude of the gender differences throughout her study.

All in all, Rothbard's study makes some important contributions to work/family research, she believes. Her findings point to the importance of investigating both depletion and enrichment aspects of work and family, as well as pinpointing an emotion-based process by which engagement in one role relates to engagement in another role. "Assumptions about taking on many roles abound, suggesting that tradeoffs must be made between roles to achieve success in either," she says. "This study provides a strong counterpoint to this view by revealing the potential for enrichment. For organizations, far from confirming fears that family life is achieved at the expense of work, this work suggests that, for men, family does not affect work engagement, and for women, family enhances work focus. Rather than trying to limit family commitments and participation in other roles, organizations may do well to encourage these activities, because people often gain energy from them."

"Having gotten a PhD, I'm not sure how she did it," says Rothbard. "She did everything for us. She ran the household. And getting her PhD was an incredibly enriching experience for her. She was happy and that happiness definitely spilled back into our family life." Today, Aileen Rothbard is a research professor at Penn's medical school. Her daughter admits that her deep-seated interest in work engagement and the way family can influence employee productivity was piqued by watching her parents in their respective roles.

After graduating from Michigan with her PhD in Organizational Behavior and Human Resource Management in December 1998, Rothbard took a post-doctoral fellow position at Northwestern's Kellogg Graduate School of Management. She joined Wharton as an assistant professor in September of 2000. Recently married to Wharton accounting professor Brian Bushee, Rothbard lives in Center City, Philadelphia, and, apart from her work, enjoys reading fiction and traveling.

Her other research builds on her interest in organizational behavior. A 1998 paper, "Out on a Limb: The Role of Context and Impression Management in Selling Gender Equity Issues," examines how and why people become involved in their organizations through something she calls "issue selling," or calling the organization's attention to key issues, events, or trends. "Essentially, we ask what motivates people to engage in discretionary and potentially risky activities on behalf of their own group within the organization," she explains. The study of 1,019 MBA alumnae found that a woman's likelihood of promoting a potentially controversial issue on the job has more to do with a favorable context, not individual characteristics. "Women who believe their organizations will be supportive and who have a close relationship with key decision makers perceive less risk to their image and are more likely to believe they can sell an issue," she says.

Another recent project examining employee responses and reactions to corporate work-family policies such as on-site daycare and flextime had some surprising results, dispelling assumptions that on-site childcare is always an attractive perk. "Essentially I find that for people who prefer to keep the work and family spheres separate, greater access to onsite childcare decreases their satisfaction and commitment to the organization," Rothbard says. "But for these same people, greater access to a policy like flextime, which allows people to keep work and family separate, increases their commitment. So employees' responses to work-family policies may depend on the way they manage the work-family boundary; and if organizations offer policies such as onsite childcare, they should also offer policies such as flextime for people who are more comfortable with keeping work and family separate."

Rothbard's work, she admits, is full of surprises. "These are complex times for employees and employers. It's important to understand what's working and what's not working, and why, and not make assumptions based on hunches or stereotypes," she says. "These research topics are exciting to me because they matter both in work organizations and in people's lives." ♦

A Deep-Seated Interest

Rothbard grew up in Cheltenham, a Philadelphia suburb. While her father and uncle ran the Philadelphia office supply and furniture company her grandparents had founded in 1948, her mother, Aileen Rothbard, went back to school to pursue her PhD at Johns Hopkins when Rothbard was 13. Aileen rented an apartment in Baltimore where she lived a few days a week for two years, returning to Philadelphia for long weekends managing the household and caring for Nancy and her younger brother.

Knowledge@Wharton, the School's online research and business analysis journal, currently has more than 235,000 subscribers in 189 countries. Registration is free.

How Well Do 401(k) Plans Work, and Who Benefits Most From Them?

When Enron Corp. collapsed over a year ago, thousands of employees' retirement savings were wiped out, sparking quick calls for reform of 401(k) plans. Some changes were put in place earlier this year; others are still being debated in Congress.

But now that the smoke of corporate scandals has begun to clear, do problems with 401(k)s still appear as bad as they did last winter? Should the system be left alone, merely tweaked, or overhauled – perhaps converted to a kind of Super-IRA that would solve Enron-type problems by removing the employer from the process?

"We look at what's happened in the last couple of years, and in general we don't see that there's a need for a lot of change in the governmental regulatory structure," says David L. Wray, president of the Profit Sharing/401(k) Council of America, which represents about 1,200 companies that offer 401(k)s and other defined-contribution plans.

"The Enron situation, which is the one that gets the most ink, is really a corporate governance issue, and all the attacks on 401(k)s under the guise of Enron were really inaccurate... I would argue that the 401(k) system is one of the cleanest, best-managed financial systems ever invented, and the fact that we have exceptions does not make me back off that one bit."

One of the post-Enron reforms is a federal rule prohibiting corporate executives from trading a company's stock during "blackout" periods when employees cannot trade – typically when a plan is changing providers. While he supports the prohibition, Wray notes that Enron insiders who unloaded vast amounts of Enron stock didn't do it during the 13-day blackout period in

the fall of 2001. Most did it earlier. The problem with the blackout was it came as the stock was plummeting.

Though experts have a wide range of views on the need for change, almost all agree the health of 401(k)s is vital to millions of Americans. Over the past 20 years, 401(k)s and similar defined-contribution plans have replaced traditional pensions – defined benefit plans – as the primary source of retirement funds.

According to a study by The Vanguard Group mutual fund company of Malvern, PA, at the end of 2001

Now that the smoke of corporate scandals has begun to clear, do problems with 401(k)s still appear as bad as they did last winter?

there were 23 million participants in defined-benefit plans and 57 million in defined-contribution plans. With about \$1.6 trillion in holdings, 401(k)s contained about 80% of the defined-contribution assets. There were 392,800 401(k) plans with 70.6 million eligible employees, of which 45.9 million were participating.

In 2001, about 50% of American workers were not offered any kind of retirement plan at work. Of those who did receive coverage, nearly 30% were

offered only defined-contribution plans, 15% had defined-contribution and defined-benefit plans, and about 4% received only defined-benefit plans. The figures show a nearly complete reversal of the situation 20 years ago, when more than 30% of covered workers had defined benefit plans and only a smattering had defined-contribution plans.

At Enron, employees had the lion's share of their retirement assets in Enron stock – causing disaster when Enron shares became worthless after the company declared bankruptcy. That situation was not typical, however. Vanguard says that among all its 401(k) participants, only 14% of assets are tied up in employer stock. (Approximately 47% of Vanguard plans do not offer employer stock. Among those that do, 25% of assets are in employer stock.)

The majority of financial experts agree that for most workers, 25% is too high. While employees at highly successful companies such as Microsoft have become rich in employer stock, this is not likely in most cases. If a company runs into trouble, the employee with a lot of employer stock could lose both a job and the retirement savings. Consequently, most people are better off with greater diversification.

"There has certainly been a lot more attention paid to the benefits of diversification" since the Enron debacle, says Olivia S. Mitchell, professor of insurance and risk management at Wharton and director of the school's Pension Research Council. "If nothing else, I would hope that participants would move away from single-company stock."

She says, however, that reports from industry consultants indicate employees have not shifted significant assets out

of company stock. A Vanguard survey showed that employees tend to believe, incorrectly, that their employer's stock is less risky than the market as a whole. "So perhaps there is less of a lesson learned than one would anticipate," Mitchell notes.

Currently, many companies that make matching contributions with their own stock require that participants hold on to it for some period of time. Among Vanguard plans, 68% of companies that made matching contributions in employer stock had some sort of restriction on selling it. Most common were requirements that participants hold it until they reached a certain age or left the company. Companies that offered their stock as an optional way to receive a match rarely had such restrictions.

Early last year, some Democrats had proposed regulatory caps limiting a

Enron case. Managers may worry they can be sued for touting stock that performs poorly. And, she adds, insurers, which provide fiduciary coverage for corporate managers, may impose employer-stock caps to reduce risk. "I wouldn't be surprised if the overall commitment to company stock were tapered down from a plan-design point of view," she says.

President Bush and Republicans in Congress want to give employees the right to sell employer stock after holding it for three years. But that has been stalled in the Senate because Democrats oppose another provision that would reduce legal liabilities for employers and plan providers who give employees investment advice.

"I think people *should* be able to dump their company stock," says Wharton Finance Professor Andrew Metrick, arguing there's no real benefit

stock held in employee plans, for example, are tax deductible. "We really have to remove those incentives," he suggests.

Yet he concedes that giving workers the right to dump employer stock does not mean they will. "Had all those guys at Enron been allowed to sell, they probably would not have." Wray agrees, arguing that the lion's share of employee-owned Enron stock was held by employees old enough to have the right to sell; they simply chose not to. The real problem was that Enron was misleading everyone about the company's earnings and prospects.

Wray believes the issue of whether employers should be permitted to restrict company-stock sales is best left up to employers and their employees. Employers, he argues, have many reasons to be sure their stock is suitable for their 401(k)s. For the most part, 401(k) rules require that the investing options for managers must be the same as those for employees. Also, employers see 401(k)s as an important tool in competing for workers and therefore want them to succeed, Wray says. Consequently, companies tend to put stock into their plans only if they believe it has good long-term prospects. "It isn't universally true that concentrations in company stock are bad," he said. "It's generally true, but not universally true."

Whatever the shortcomings of 401(k)s, Mitchell does not expect any resurgence of old-fashioned pension plans. "Nobody is starting defined-benefit plans these days," she says.

Part of the reason is that employees like 401(k)s. "They offer flexibility, portability, and choice," she notes. "People feel a sense of pride in ownership." During the '80s and '90s, "they would get their monthly statements and feel rich." Employers prefer defined-contribution plans because, in contrast to pensions, the investment risk is the employee's, not the company's, she points out.

A good deal of debate has been heard during the past year over how to

continued on page 39



participant's investment in employer stock to 10 to 20% of a portfolio. Those efforts appear to have stalled, partly because companies and employees who have benefited from employer stock lobby much harder than those who have not, Mitchell says.

Mitchell believes, however, that employers are now less likely to encourage company stock investments, given the attention brought to the issue by the

to requiring ownership. While some employers believe employee ownership boosts loyalty and productivity, there is no evidence that companies that encourage this actually do perform better than ones that do not, he notes.

Many employers, he adds, use their stock for matches because there are tax benefits to doing so – an incentive that has not received much attention in the post-Enron debate. Dividends paid on

Knowledge@Wharton continued from page 37

get employees to make better investment decisions. “It’s not just a 401(k) issue, it’s a general issue concerning how people invest their money,” says Wharton Finance Professor Marshall Blume. “Work that I have done shows that a lot of people hold only two or three stocks, even in big portfolios.”

It’s difficult to force-feed employees investment advice, he states, though he adds that “certainly, corporations should be able to give some education about investments without legal liability.”

Democrats complain the Republican employee-education proposals go too far in reducing liabilities for employers and plan providers who may not give objective advice because of conflicts of interest. A provider hired by the employer is not likely to discourage employees from owning the employer’s stock or to criticize other investment options the employer and provider have agreed to offer.

Wray says his members like the philosophy behind the Republican education proposal but feel it would not work because the safe-harbor protections for employers are too weak. They don’t want the expense and trouble of dealing with employee lawsuits even if new legal safeguards make it likely employers will win.

A possible solution, he suggests, would be to establish a checklist of employee-education procedures that, if followed, would guarantee employers protection for legal liability, even if investment advice turned out badly.

Some experts have recently kicked around the idea of changing 401(k)s into a kind of Super-IRA which would remove most of the employer’s role, eliminating the kinds of conflicts of interest that led to the Enron situation. A Super-IRA would work like a traditional IRA, while allowing large tax-deductible contributions comparable to 401(k) limits. Super-IRAs could be open to everyone – including the approximately 50% of workers who today are not offered any type of employer-sponsored retirement plan. Experts generally agree that about 40% of Americans are at risk of not having enough for a comfortable retirement.

With a Super-IRA, participants would make their own investment choices; they would not be limited to the handful of offerings approved by their employer. Employers could still make tax-deductible matching contributions, but probably only in cash.

Mitchell notes, however, that employees have not shown much interest in having unlimited investing options. The Vanguard study indicated that few participants actively manage their accounts. “People tend to pick two or three funds and stick with them.”

She also notes that “there is always a tradeoff between cost and choice.” IRA providers dealing with a flood of small accounts might have to raise fees to cover administrative costs, and fees have a corrosive effect on long-term investment returns. “More choice may seem appealing,” she said, “but it does get expensive.”

Wray strongly opposes the Super-IRA idea. The historically low levels of participation in traditional IRAs

compared to 401(k)s shows that employers have worked successfully to encourage participation. Even an employer who is not the best at picking investment options for a 401(k) is likely to do better than a low-level worker left on his own with a Super-IRA, Wray says.

“Employers are accountable for a process, and that process is incredibly valuable to employees,” he adds. “The protections that are in the (401(k)) system are valuable, more valuable than a lot of people think.” Most employers would decline to make matching contributions if the retirement plan were no longer associated with their companies, he predicts.

Finally, he says, providers would not welcome the change because it would eliminate the cost efficiencies they enjoy from having 401(k) participants delivered in large batches. If each employee sought out his own provider, fees would go up, cutting into long-term returns. “I am convinced that most people who are in 401(k) plans would not invest without them.”

Metrick argues, however, that the Super-IRA idea is “perfectly reasonable” and probably would not be a loss for employees. Employers match in order to attract, retain, and motivate good employees. They would still need to compete if their role in 401(k)s were reduced, so they either would continue to match or they would improve salary or other benefits, he says.

Metrick found in a recent study that employees tend to follow the path of least resistance in managing their 401(k)s. If they are automatically enrolled upon being hired, they tend to remain enrolled. If they are not, they tend not to take the trouble to join.

If he were empowered to design a Super-IRA, he would set a “default” that would automatically enroll employees and direct their contributions into a set of low-fee index funds. Employees would then be allowed to opt out or change investments, but they would have to make some effort to do so.

Metrick argues that if the marketplace were truly serving employees’ interests, most 401(k) plans would offer baskets of low-fee, highly diversified index funds. “There are an awful lot of plans that don’t have index funds in them,” he says, “and that seems just wrong.” ♦

Alumni Association Update

A Celebration of Leadership: *The Club Presidents Workshop*

Amidst the fanfare that marked October's official dedication of Jon M. Huntsman Hall, a group of men and women came back to school for another kind of celebration. They gathered in a conference room in the Steinberg Conference Center to explore the phenomenon that keeps the School's name and reputation vibrant for all alumni: the Wharton club network. The occasion was the club presidents workshop, a hands-on, multipurpose delving into the "Xs and Os" of running a successful alumni club.

Through a variety of programs and events sponsored by a network of 82 domestic and international clubs, graduates of Wharton have the opportunity to meet and stay in touch with other alumni of the School. Membership in

a local Wharton club can offer a variety of benefits, such as professional development programs, social events, publications and career management services. The clubs work in partnership with the Office of Alumni Affairs and Annual Giving on campus, and they have the Clubs Committee of the Alumni Association Board as an important management resource. But at the end of the day, these clubs are volunteer driven: alumni gather to plan programs, manage finances, and market their organization to alumni in their area or affinity.

The sessions at the club workshop were led by those who best understand the challenges and opportunities inherent in keeping their Wharton "franchise" thriving: club officers did

the talking and presented their peers with examples from their own groups' experiences. Their Wharton case studies examined establishing a club, branding effective programs, managing volunteers, and reaching out to new and young alumni. They incited their fellow volunteer leaders to discuss their own lessons learned in keeping a Wharton alumni club strong and running.

Clubs were represented from Asia, Europe, Latin America, Canada, and the United States, as well as those from affinity groups in health care and private equity. Also in attendance were members of a newly-formed group of women from the Wharton Executive MBA (WEMBA) program, born in 2002 from the most successful second-year class gift

"People went into the [workshop] ready to talk and work. There was a lot of energy," said Joy Butts, W'98.

campaign in WEMBA history. While they are the newest members of the Wharton volunteer community, the other people gathered for the club workshop represented literally hundreds of years of volunteer service to the School.

Dana Michael, W'82, helped start the Wharton Club of Hartford soon after

DANA MICHAEL, W'82, CO-CHAIR OF THE ALUMNI ASSOCIATION BOARD'S CLUBS COMMITTEE

BOARD CHAIRMAN PETE BORCHARDT, WG'73



TOMMY LEONARDI: PHOTOGRAPHS

he left campus in the early 80s and has continued his affiliation with the club network as a member of the board of the Wharton Club of New York, and as co-chair of the Alumni Association Board's Clubs Committee. Michael has gone to club workshops throughout three decades and acknowledges how they have been "well-received in the past . . . it is a good way to stay connected." Joy Butts, W'98, co-chair of the Clubs Committee, has not been to as many of the workshops as Michael, but nonetheless found herself "overwhelmed by the diversity of the group. People went into the room ready to talk and work. There was a lot of energy."

It seemed appropriate that the longest-serving club president, Adam Weisman, G'78, president of the Wharton Club of Long

Island, had the last word on the experience. Asked about the club workshop and the network in general, Adam said that the clubs are "a reason why people stay connected and continue the 'Wharton experience' when they leave campus and are back in their communities. Going back to the School for something like the club workshop adds yet another dimension." For the volunteers who joined him on campus for the workshop, and the many more who join him in running the clubs around the world, the value of their Wharton affiliation is lifelong and vital, and is an ongoing cause for celebration.

To find out about being a part of the Wharton club in your area, visit WAVE, the alumni online community, at <wave.wharton.upenn.edu.> ♦

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ADAM WEISMAN, G'78**

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WAVE

The Wharton Alumni Virtual Experience (WAVE) offers Wharton alumni:

- a password-protected, searchable alumni database, which offers full control over your individual information;
- password-protected message boards;
- career management services;
- lifelong e-mail;
- electronic mailing lists for alumni to create and join; and
- links to information from throughout the School, including the Alumni Club Network, online publications, reunions, and alumni conferences.

Visit WAVE at <wave.wharton.upenn.edu>.

Address Update

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

Career Services

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

Clubs

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

Fundraising/Development

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

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

Executive Education

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Admissions

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

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

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

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

Wharton Admit Network

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

Library Services

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

University Bookstore

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

Knowledge@Wharton

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

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

LeadershipSpotlight

JAY H. BAKER, W'56

When Jay H. Baker, W'56, arrived at Wharton, becoming a retail titan and one of the School's biggest benefactors was perhaps beyond imagination.

Raised in New York, he helped out in his mother's Queens millinery store before college. "My parents worked very hard to put me through," he says.

Today, Dr. Baker's resume includes 13 years as president and director of Kohl's Department Stores (1986-1999), continuing membership on Kohl's Board of Directors, and membership on Wharton's Board of Overseers. When he and his partners bought Kohl's, the Wisconsin-based department store had 39 stores and annual sales of \$288 million. Today, Kohl's has 450 stores and annual sales of \$9 billion. He unabashedly credits Wharton for his success, saying: "Going to Wharton means having the opportunity to learn from the best professors in America and making friendships you never forget. I feel very lucky."

To show his gratitude, Baker and his wife, Patty, have donated \$21 million to the School and the University of Pennsylvania to date, including \$10 million for the Jay H. Baker Retailing Initiative, which will expand curriculum and research in retailing and promote faculty and student interaction with industry experts. In 1999, they gave \$11 million to support the construction of an undergraduate center in Wharton's new facility, Jon M. Huntsman Hall. The Patty and Jay H. Baker Forum is the largest single

space in the facility and can accommodate an entire undergraduate class of nearly 500 students. That \$11-million gift also endowed The Baker Leadership Scholars Program, providing financial support to undergraduates throughout the University of Pennsylvania.

Baker's voice lifts when he says that the most rewarding part has been giving scholarships.

"Patty and I wanted to do something for Penn and were both thrilled to be able to do this," he says, speaking from his Florida home. "It's all about giving back."

And Baker gives more than money. As a member of the School's Board of Overseers, he also offers pragmatic advice to students facing

the nation's tough economic times. "If you have confidence in your ability, work hard, and believe in yourself, good things will come your way," he says. "And when you come out of a good school like Penn, doors will open for you. Just remember, there are very few geniuses in business. A better education, working a little harder, and having a great work ethic will get you to the finish line ahead of most people."

Then he laughs, and with Patty in the background, reveals his real secret: Having a great life partner helps "more than anything else!" ♦

—GREG LYNCH

