

w i n t e r 2 0 0 5

Wharton

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

Age Power!

Aging and the New
Work Force

Also: M&T 25 Years





JERRY MILLEVOI

The 29th Annual Wharton Follies will take place on February 10 and 11 in Philadelphia and February 18 in New York. For more information, visit <http://clubs.wharton.upenn.edu/wfollies/calendar.html>. (Tickets for the New York show can be reserved through WAVE <http://wave.wharton.upenn.edu>.)

Save the Date

February 2005

February 2

Second Annual Wharton West Leadership Conference: Leading with Creativity and Conviction
Location: San Francisco

February 11

Media & Entertainment Conference
Location: Philadelphia

February 10 & 11

Wharton Follies
Location: Philadelphia

February 18

Wharton Follies
Location: New York

February 18

Health Care Conference
Location: Philadelphia

February 25

Technology Conference
Location: Philadelphia

March 2005

March 17

Wharton Leadership Lecture: Ken Chenault, CEO, American Express
Location: Philadelphia

April 2005

April 5

Musser-Schoemaker Leadership Lecture: Gary Rodkin, Chairman & CEO, PepsiCo Beverages and Food
Location: Philadelphia

May 2005

May 13-15

Wharton Alumni Reunion Weekend
Location: Philadelphia

May 27-28

Global Alumni Forum: Singapore

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

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

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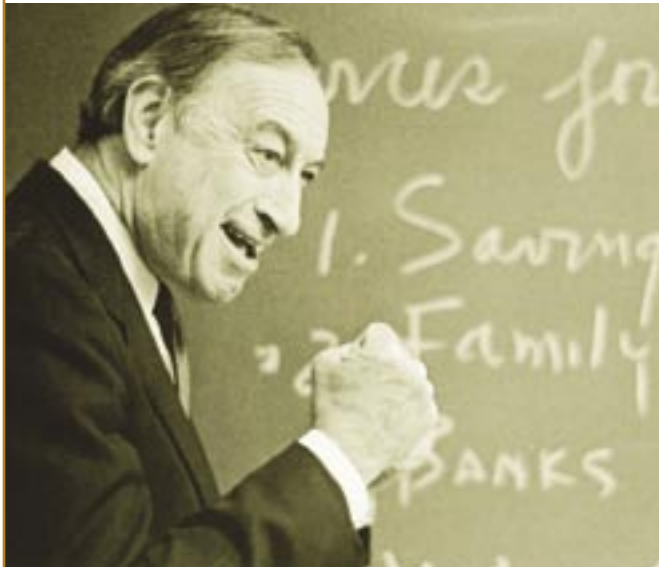
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SHILS

In Memoriam: Professor Edward B. Shils

Dr. Edward B. Shils, founder of the Wharton Entrepreneurial Center (now the Sol C. Snider Center) and the George W. Taylor Professor Emeritus of Entrepreneurial Management, died on November 14 at the age of 89.

Dr. Shils enrolled at Wharton in 1933 and earned a B.S. in economics in 1936. He became a salesman for RCA Victor but returned to Penn, earning an M.A. and Ph.D. in political science in 1937 and 1940 respectively.

In 1942 he enlisted in the U.S. Army Corps. When he left the military in 1946, he became a graduate lecturer in political science and chairman of the social science department

at Community College of Temple University. He returned to Penn in 1955 as a lecturer on industrial relations in the Wharton School and in 1956 was appointed tenured associate professor of industry at Wharton.

During his lifetime career at Penn, Dr. Shils earned six degrees: W'36, G'37, GR'40, L'86, GL'90, GR'97. He was the former chair of the management department at Wharton, The G.W. Taylor Professor Emeritus of Entrepreneurial Studies, director emeritus of the Wharton Entrepreneurial Center, and advisor to management students. He was teaching Management 248, "Executive Leadership," this semester, nearly 20 years after his official retirement in 1985.

In 2001, Dr. Shils received the Penn Alumni Award of Merit, which cited

his "excellence in teaching," "unquenchable thirst for knowledge," and the fact that he had touched countless students and alumni with his "teaching energy and enthusiasm, lucid insights, and wise council."

In addition to his work at Penn, Dr. Shils was also a member of the board of directors of Vishay Intertechnology, had a private law practice, and owned an economic consulting firm through which he worked with the City of Philadelphia and the state. He was a consultant in the establishment of the Pennsylvania Teachers' Retirement Fund and wrote reports for the city that led to the creation of the Community College of Philadelphia.

He was the author or co-author of six books in the subject areas of public finance, collective bargaining, entrepreneurship and labor-management relations, including *Industrial Peacemaker: George W. Taylor's Contributions to Collective Bargaining* (1979); *Teachers, Administrators and Collective Bargaining* (1968); *Automation and Industrial Relations* (1963); and *Finances and Financial Administration of the School District of Philadelphia* (1940), and he was the author of approximately 100 journal articles or published studies.

Dr. Shils is survived by his wife, Shirley (CGS'84, CGS'90, G'93); daughters, Ronnie Burak and Nancy Shils (SAS'77, GSAS'86,

GSE'01); son Barry; and two grandchildren.

\$1.25-Million Gift from UBS to Name MBA Admissions Suite

Leading financial firm UBS is making a gift of \$1,250,000 to the School to name the MBA Admissions Suite in Jon M. Huntsman Hall. The admissions suite will now be called the UBS MBA Admissions Suite.

"We are grateful for this support from UBS," said Dean Patrick T. Harker. "This gift is a testament to the partnership between Wharton and UBS."

Robert Wolf, W'84, chief operating officer of UBS Investment Bank, stated that "UBS is proud to sponsor the UBS Admissions Suite at the Wharton School, as it allows us to strengthen the relationship between UBS and Wharton and confirms our commitment to attracting top-tier MBA talent."

Besides Wolf, several other top UBS executives are Wharton alumni including Peter Wuffli, WAM'99, CEO of UBS AG; Ken Moelis, W'81, joint global head of Investment Banking Americas; Barbara Cona Amone, W'88, head of global talent; and Joe Scoby, W'87, G'87, CEO and global head of UBS O'Connor. The company also is a very active recruiter of Wharton students.

Wharton Women in Business Celebrates 25 Years

How did Wharton alumna Lucinda Duncalfe Holt sell her start-up, TurnTide, an anti-spam technology company, to Symantec for \$28 million just six months after first-round funding? How did Michele Anderson, WG'93, turn her passion for wines into a successful import and distribution business?

Wharton MBA students and alumnae heard these and other successful entrepreneurs' stories during "We Did It Our Way: Entrepreneurial Wisdom," one in a series of high-level panels, workshops, and speeches at the Wharton Women in Business (WWIB) Conference, held in November in Philadelphia.

Now in its 25th year, the conference had over 600 attendees and started off with an introduction by networking specialist Keith Ferrazi and an interview with Leslie Morgan Steiner, WG'92, general manager for *The Washington Post Magazine*. The keynote speaker was Andrea Jung, chairman and CEO of Avon Products, who shared her experiences taking the top job at Avon and working to achieve gender equality in the managerial ranks.

WWIB also paid tribute to the life achievements of Kathleen McDonald, WG'79, through its annual Kathleen McDonald Distinguished Alumna

Award ceremony. This year's award went to Jane Sadowsky, WG'89, managing director and co-head of North America Power Group at Citigroup Corporate and Investment Bank.

Panels covered several key topics, including Pathways in Finance, Entrepreneurial Wisdom, Building a Brand and Making your Mark in the Luxury & Retail Sectors, as well as panels which discussed leadership issues in the public service and non-profit sector, as well as innovation in the technology and life sciences arena.

The conference also included successful and popular "tea chats"—less formal, small-group networking opportunities introduced at last year's conference. Participants included UBS, Morgan Stanley, Citigroup, J.P. Morgan, Merrill Lynch, Deutsche Bank, CSFB, Goldman Sachs, Bear Stearns and Bank of America Securities, Wachovia, American Express, Rohm & Haas, Exelon, Capital Group, Sprint and 85 Broads.

These companies along with over twenty others also participated in a Career Fair.

One of Wharton's largest student clubs, WWIB strives to enhance the Wharton experience for all women enrolled in the MBA program via efforts in admissions, alumnae outreach, professional development, health and well-being, community service, athletic and inter-club activities.

As for this year's confer-

ence, "a major goal was for students to gain insight and inspiration into the kind of person and leader they hope to become," said Catherine Chiurco, WG'05, conference co-chair. "By developing an event that draws alumnae back to campus, we will enable them to form closer connections with Wharton and with each other."

To learn more about Wharton Women in Business, visit www.whartonwomen.org.

J.D. Power III, WG'59, Visits School as Entrepreneur in Residence

In November, Wharton Entrepreneurial Programs

(WEP), in collaboration with the Wharton Undergraduate Division's Musser-Schoemaker Leadership Lecture Series, presented a visit by market researching pioneer J.D. Power III, WG'59. Power, the namesake of J.D. Power and Associates, met one-on-one with students on Nov. 9 as part of WEP's Entrepreneur in Residence program.

The Entrepreneur in Residence program allows students to meet with entrepreneurs for 30-minute sessions to discuss ideas, opinions, and strategies for potential or actual business ventures.

For more information, visit the WEP website at www.wep.wharton.upenn.edu/eir.



POWER, WG'59

TOMMY LEONARDI

2000, 1995, 1980, 1985, 1970, 1975,
 1960, 1965, 1950, 1955, 1940, 1945,
 1930, 1935

*Friday, Saturday and Sunday
 May 13 to 15, 2005*

- Alumni/faculty exchanges on hot topics
- Lectures by Professors Jeremy Siegel and Richard Shell
- Parties and picnics
- Family Room with children's activities
- Special events for Emeritus alumni (50th reunion and up)
- Dedicated hotels for specific classes



And don't forget to visit the Reunion website on **WAVE** (wave.wharton.upenn.edu)

- Keep up-to-date on details for the weekend
- Update your contact information in the directory
- Visit "Class Notes" online
- Reconnect with friends

[Connect]

For specific questions, please call 215-898-8478 or e-mail reunion@wharton.upenn.edu



2ND. EDITION

World Business Forum

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New York 2005

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SPIKE Wins MAX Award

Wharton's SPIKE student intranet was awarded a MAX award at a Macromedia conference last month. The award acknowledges innovative applications that present rich user experiences built with Macromedia technologies. Wharton's SPIKE — developed by Wharton Computing in conjunction with Wharton MBA and Undergraduate students — was selected as the most innovative application in the Educational Experiences category.

“Blazing Trails” at Annual Whitney Young Conference

J. Arnett Frisby, W'42, the first African-American graduate of the Wharton School, spent a good portion of this year's Whitney Young Conference greeting well-wishers. “It is so nice to see all the people I've met over the years since my first conference in 1992,” he said.

Frisby and other Wharton alumni, students, prospective students and corporate executives—numbering nearly 700 in all—gathered for the 31st Annual Whitney M. Young Conference from November 11-14. Entitled “A New Frontier: Blazing Trails by Expanding Boundaries,” the conference included panels on such topics as The Art of Networking, Emerging

Markets, and Women in Corporate America.

During a luncheon address, Hamilton Whitney Taylor, W'05, grandnephew of the late Whitney M. Young, Jr., discussed the hardships his great-uncle faced, and he expressed thanks on behalf of his family for continuing to honor Young's legacy. Rev. Al Sharpton and Rep. Harold Ford, C'92, were also featured as keynote speakers.

Conference co-founder Milton Irvin, WG'74, a managing director at UBS, remembered “rolling up the rugs at Vance Hall for the first conference in

Luncheon, Harold Haskins, Director for Student Developmental Support Planning, was recognized for more than 25 years of dedicated service in assisting at-risk minority students through various support programs sponsored by the University of Pennsylvania. College scholarships totaling \$5,000 were awarded to three promising public high students and a current Wharton undergraduate.

The conference also included numerous networking opportunities as well as a career fair. Conference chair Damien R. Wilson, WG'05, noted, “Our career fair attracted students from



2005 WHITNEY YOUNG CONFERENCE

1973,” which lasted a half-day. While accepting the award as AAMBA (African-America MBA Association) Alumnus of the Year, Irvin renewed his commitment to nurturing talent and noted that “in this climate of downsizing, diversity must be viewed through the prism of adding to shareholder value.”

During Saturday's Awards

Penn's professional schools as well as top-tier schools both locally and throughout the east coast. This fulfills our mission to provide excellent candidates for our corporate sponsors.”

“The feedback from this year's conference has been great,” Wilson added. “Our experience this year can only enhance the ties between alumni and students.”

Vernon Hill, W'67, Receives Pioneer Award from Marketing Faculty and Students

Faculty and students in the Wharton Marketing Department awarded the first annual Marketing Pioneer Award to alumnus Vernon W. Hill, W'67, founder and chairman of Commerce Bancorp. The award is given to an individual who has inspired breakthrough thinking and innovation in marketing. Hill received the award at an event held in December at Wharton.

“We are extremely pleased to give this award to Vernon Hill who has raised the standard for innovation and excellence through his leadership,” said Stephen Hoch, chairman of the Wharton Marketing Department and director of the Jay H. Baker Retailing Initiative.

Hill was chosen for instituting major changes in the retail banking industry, for breaking down barriers, and for raising the standard for excellence in marketing. As the founder and leader of Commerce, he has brought innovation to the retail banking industry through a strategy that focuses on Commerce as a retail business. Rather than following the business models of competitors, Commerce finds inspiration in the strategy of Home Depot and Wal-Mart. ♦

TOMMY LEONARDI

Li Quan, WG'89, G'96: Saving China's Tigers

BY ELISA LUDWIG

Trading in a prominent job in the fashion industry to start a conservation charity might not be the most obvious career progression, but then, Li Quan, WG'89, G'96, has never been one to follow a conventional path.

Quan, who used to design her own clothes as a teenager and later became worldwide head of licensing for Gucci, says she has always been moved by beautiful things. Founding Save China's Tigers (SCT) four years ago was just a natural extension of that passion. "Tigers are surely one of nature's most beautiful designs. I'm helping restore the environment and the eco-system, just as nature designed it. What project could be more beautiful?" she says.

At the heart of SCT's mission is the endangered Chinese tiger. Of eight subspecies of tigers, only five have survived and the Chinese tiger is the scarcest among them. There are less than a hundred left in the world—60 of which are in zoos.

Quan first thought of starting a conservation organization a few years ago when she visited wildlife reserves in Africa. "It was extremely exciting. That was when I first saw how wildlife and eco-tourism can help each other," she says.

In the African eco-tourism model the felines are used as "flagship species" to attract tourists. Revenue from tourism can then bolster both the animal's habitat and the local community with jobs and other opportunities.

Inspired, Quan wondered if she could apply the African conservation model in China. She began trawling available scientific research about tigers and developing important alliances with China's State Forestry Administration and Center for Wildlife Research. In



COURTESY OF SCT

QUAN, WG'89, G'96

October 2000, SCT was launched in London and later registered in the US and Hong Kong.

For Quan, who had no experience in the non-profit world, SCT was a far cry from her days at Gucci. She hired a consulting firm and a law firm to set up the charity. Her husband, Stuart Bray WG'89, an investment banker, contributed funding for the project.

As SCT's resources are limited, Quan relies on the help of volunteers, and she's learned to keep administrative costs low. "I've had to act as my own program officer, accountant, secretary, media officer, and PR manager," she says.

In addition to raising awareness about the tiger's plight, SCT is actively working to increase the tiger population. Tiger cubs are transported to a camp in South Africa for "rewilding." They will eventually be brought back to a pilot preserve in China, where they will be reintroduced to their native habitat.

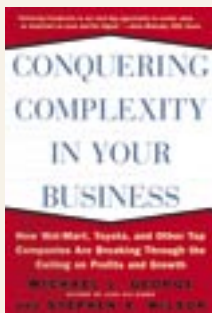
As SCT works toward its goal of relocating 10 cubs, Quan's conviction for the cause has grown in tandem with her love for the animal. "Recently, I had the chance to be very close to

Madonna, the newest female cub just transported to South Africa. She was weak from dehydration and required medical attention. The vet decided we should just hold her still while he treated her. When I held her claw, she appeared to be very tender, and didn't roar, protest or resist."

But SCT has also come up against its share of challenges. Rather than a cross-organizational, community-minded effort, Quan has found that conservation is in fact a deeply political business. SCT has faced unexpected censure and even "malicious personal attacks" from some experts who have criticized her for-profit background. "Because we've acted boldly, the opposition has been particularly strong. So we're particularly grateful to our supporters for standing by us," Quan says.

Quan, undeterred by the criticism, continues to fight for her vision. "I've always been quite rebellious, and thinking differently has been the key to finding alternative ways and solutions to saving the Chinese tigers from extinction. There is a Chinese saying—'Qihunanxia'—meaning: Riding the tiger and hard to get off." ♦

Recent Alumni Books

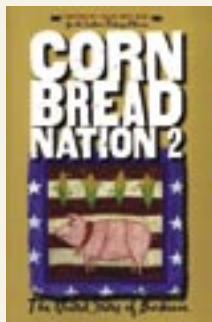


Conquering Complexity in Your Business: How Wal-Mart, Toyota, and Other Top Companies Are Breaking Through the Ceiling on Profits and Growth

By Stephen A. Wilson, WG'00,
and Michael L. George
McGraw-Hill (2004)

“This is an important book that should be read by every CEO. [It] is not just about reducing costs; it’s fundamentally about growing revenues and creating economic value by serving your customers effectively.”

- Lou Giuliano, Chairman, President and CEO,
ITT Industries



Corn Bread Nation 2: The United States of Barbecue

By Lolis Eric Elie, W'85
The University of North
Carolina Press (2004)

“[A] satisfying celebration of Southern cuisine and culture. . . . the tones and topics (politics, race,

religion, etc.) are as varied as the barbecue styles you’d find from Texas to the Carolinas.”

- *Publisher’s Weekly*

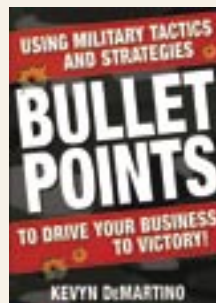


New Markets, New Strategies: Wealth-Building Habits for Intelligent Investing

By Jason Trennert, WG'96
McGraw-Hill (2005)

“Provides fresh insights to the world of investing . . . a must-read.”

- Lawrence Kudlow, cohost, CNBC’s
“Kudlow & Cramer”



Bullet Points: Using Military Tactics and Strategies to Drive Your Business to Victory!

By Kevyn DeMartino, WG'95
Barrimore Press (2004)

“The current economy is ultra-competitive. DeMartino provides real insight into the tactical and

aggressive mindset a company must adhere to in order to thrive.”

- Ted Ackerley, Partner, Ackerley Partners LLC



The Debt Threat: How Debt Is Destroying the Developing World

By Noreena Hertz, WG'91
HarperCollins (2004)

“Noreena Hertz’s book is a new clarion call for the cancellation of the odious and unpayable debt of

underdeveloped countries. Its message must reach the highest corridors of power”

- Desmond M. Tutu, Archbishop Emeritus, Cape Town



Clinical Management Systems: A Guide for Deployment

By Jeffrey Blander, W'93, and
Bryan Bergeron
HIMSS (2004)

“For those looking to avoid unnecessary delays during the

clinical software deployment process, the authors provide solutions for deploying leading-edge technologies.”

- *Publisher*

James DePreist, W'58: The Maestro

BY SHARON L. CRENSON

A riddle: What does Brahms have to do with business? Mozart with marketing? Telemman with taxes?

A single Wharton alumnus is the common key. His name is James DePreist, W'58, and he is seemingly one of a kind among the thousands of Wharton graduates worldwide.

As many alumni do, DePreist travels the world. He's among a smaller number who can command the rapt attention of international dignitaries. And he regularly finds himself the center of influence in cavernous halls filled with awestruck admirers.

DePreist is among the world's small cadre of elite orchestral directors, and as one might imagine, he wields his Wharton degree in a manner very different from any other business graduate he has ever met.

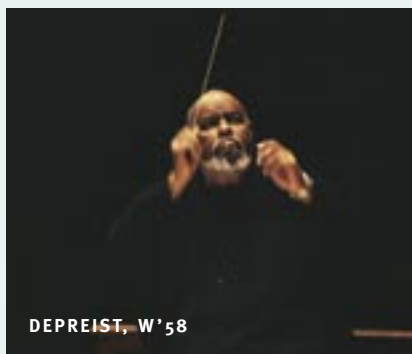
"At the time that I was at Wharton it seemed very logical. I was going to be a lawyer," DePreist recalls. "I was making a geographical separation in my mind between those things that brought me a great deal of pleasure, and practical things. All of my musical activities were both avocational and extracurricular."

He played piano and had a jazz group. He studied musicology at Penn and composition at the Philadelphia Conservatory of Music. He even managed to squeeze in a second degree—a master's from the Annenberg School in 1961. (He received an honorary degree from Penn in 1976 as well.)

But it was the following year that seems the turning point in DePreist's professional life. The U.S. State Department invited him on a tour of Asia that included jamming with the King of Thailand's personal band. The trip also led to a session conducting

Bangkok's symphony orchestra and from there, the young musician went on to win first prize in the Dimitri Mitropoulos International Conducting Competition. Soon, Leonard Bernstein himself selected DePreist as an assistant conductor of the New York Philharmonic for the 1965-66 season.

Perhaps a musical career was pre-ordained. DePreist is, after all, the nephew of renowned contralto Marion Anderson, the Philadelphia-born singer whose opera performances captivated audiences from her New York debut in



1924 through her farewell tour in 1965.

Like his aunt before him, DePreist is considered a magnetic performer. During a recent tribute by supporters of the Oregon Symphony, where DePreist made his orchestral home for 23 seasons, several people said the maestro was a prime attraction for both die-hard subscribers and those who visited the orchestra only during its free performances on the city's riverbank.

"He's Oregon's cultural icon," remarked one of DePreist's admirers.

"I'd call him a multi-tasking demon," former Oregon Gov. Neil Goldschmidt once said. "In addition to the music, he was involved in any number of things: fund-raising, promoting and transforming the orchestra."

U.S. Sen. Mark Hatfield called DePreist the dominant figure in the state's cultural life for twenty years, saying: "I know of no person with his longevity and impact, and not just in the arts. His style, dignity, confidence, humility are all unforgettable."

Unforgettable primarily because of the transformation he basically willed upon the Oregon Symphony. When DePreist arrived in Portland in 1980, the orchestra was strictly part-time. Members did not have a dedicated rehearsal venue. They shared performance space at the city's civic auditorium.

"First and foremost, he put this orchestra on the map artistically," says Carrie Kikel, vice president of public relations for the symphony. DePreist led the campaign to convert what was then Portland's Paramount Theater into what it is today: the Arlene Schnitzer Concert Hall, a place dedicated to music and its primary tenant, the Oregon Symphony. Having a full-time home meant the ability to turn the group into a full-time orchestra complete with recording contracts, Kikel says.

Often hailed as one of America's most respected conductors, the maestro has also directed every major North American orchestra, as well those of Berlin, Munich and Vienna, just to name a few. His debut with the London Symphony is set for this spring.

Soon, DePreist will begin the next illustrious chapter of an already illustrious career. In April, he's set to become Permanent Conductor of the Tokyo Metropolitan Symphony Orchestra. It's a title he adds to a long list. Already the Philadelphia native is Laureate Music Director of the Oregon Symphony, Principal Artistic Advisor of the Phoenix

Symphony and Director of Conducting and Orchestral Studies at the Juilliard School in New York City.



C. BRUCE FORSTER (PHOTOS COURTESY OF THE OREGON SYMPHONY)

DePreist collected these multi-national titles despite a cultural environment which is, at least on occasion, distinctly adverse to American conductors (mainly because of a lingering bias in the international arts scene about the ability of American conductors to handle the works of great European masters).

DePreist says his Wharton degree is one of the unique characteristics that have served him so well in this challenging environment. He recalls an accounting professor who preached to expect no gains and anticipate all losses. It's a motto DePreist believes is a good dictum for life. It also helps when he's dealing with bankers and other business professionals who generally make up the boards of directors of American orchestras. "I found it very, very helpful to be able to communicate with them on their level," he says.

"I found my Wharton education to be important because the assumption is that the conductor and music director are primarily responsible for spending money. It is very useful to be able to show you can understand the business end and help to raise money."

Kikel, the Oregon Symphony public relations VP, says all music directors today are expected to be active in fundraising, but "In Jimmy's case, I can't imagine an individual who would be more charismatic in building relationships and charming donors."

He proved that prowess during the 2000-01 season when benefactor Gretchen Brooks donated \$1 million for DePreist and the Oregon Symphony to record their work.

"I am very proud of this orchestra and what it has become under Jimmy's leadership," Brooks was quoted as saying at the time. "I wanted to honor them in a meaningful way." The gift, timed to coincide with DePreist's twentieth anniversary with the orchestra, gave him complete artistic freedom over record label, producer, repertoire and venue.

Although DePreist has spun a golden career from his business education and passion for music, he says he's hard pressed to offer advice for today's highly focused business student. He himself simply found the desire to make music overpowering. And he realizes that it takes very different talents to make it as an artist than it does to make it in business. However, he strongly encourages those who want to use their business skills to benefit cultural institutions.

"There are any number of talented people who have an interest in music either working in managing major talent or working in finance for the major artistic institutions," he says. MBA-types with musical backgrounds can certainly find a welcoming place for their talents in the administrative offices of a symphony orchestra.

Continued on page 34

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REISMAN, ENG'90, W'90

M / S S I O N S

✓ ACCOMPLISHED

For 25 years, graduates of the Jerome Fisher Program in Management and Technology have been putting their knowledge to work just about everywhere (even on the moon). **By Robert Strauss**

Deeksha Hebbar was home in Kuwait trying to figure out what to do with her adult life. Soon to graduate high school, she wanted to study business in the United States and was perusing the University of Pennsylvania's website while filling out a Wharton undergraduate application.

"I have to say, I really didn't know what I wanted to do," said Hebbar, now in the Penn class of 2006. "I was applying to engineering schools elsewhere, and I couldn't decide between the two — business or engineering.

"Then I came across the Jerome Fisher section, and it seemed like fate," she said. "I was truly lucky. Here I am, and I am inspired every day."

Ms. Hebbar is in one of the most exclusive cadres on campus, the Jerome Fisher Program in Management & Technology. About 55 undergrads each year are enrolled in the interdisciplinary program that offers joint degrees in the Wharton School and the School of Engineering. It's a rigorous, no-nonsense deal, to be sure — only for students who

have lots of guts. But in its 25 years, “M&T,” as its partisans call it, has produced an outstanding array of alumni: from investment bankers to environmental engineers to technology gurus — to even an astronaut.

“And yet it is sometimes a secret, this great program,” said Rob Weber, ENG’82, W’82, who graduated in the first full class of M&T and is now back as an adjunct professor. “Top high school students who are looking at Penn probably know about Wharton. Then they look on the website and say, ‘This looks like something interesting. I’ve always liked math and science. I think I’ll apply.’ Suddenly, we get some of the best students in the country. We get renaissance kinds of people.”

One of those renaissance types is Eileen McCarthy, ENG’02, W’02. She grew up in Middletown, New Jersey — Springsteen country near the Jersey Shore. McCarthy knew she wanted to stay on the East Coast, but she also knew she wanted to work in engineering and be an entrepreneur. Yet she also wanted a real campus life and an opportunity, when the time called for it, to not be an engineer and an entrepreneur — and she wanted friends who were similar in that way.

“When I was in school, my best friends were studying engineering, but they were also the ones with the busiest schedules beyond class. That’s a sign of the M&T, over-achieving type,” she said with a bit of a chuckle. Ms. McCarthy herself was the president of the M&T club, did research for Wharton professors, was a campus peer leader, and found time to be the captain of the synchronized swimming team.

“It was hard enough taking the required courses, but I wanted to take some Middle Eastern politics and British history and environmental courses. I even made a weak attempt at pottery,” she said. Now she is working with water resources as an engineer for Hazen and Sawyer in New York City. “Everything about the program and everything I did at Penn comes together for me here. I can go into meetings with other engineers and because I had the Wharton courses, I understand the social and business impacts of the projects. It was a unique experience I had in the M & T program, and it has prepared me well.”

□ A NATURAL FIT

The Jerome Fisher Program did not have its genesis, though, by any grand plan. In the late 1970s, the dean of the School of Engineering, Arthur E. Humphrey, felt the need to figure out just where that school was going to go. It was a small school on a campus that was deep into the liberal arts.

So Dean Humphrey convened some of the corporate leaders on his board of overseers and asked them to come up with ideas that could make the School of Engineering more innovative.

“After about four months, their conclusions were several,” said M&T Director William Hamilton, ENG’61, GENG’64, WG’64, who was a young Wharton professor back then (and had earlier been a mentee of Dean Humphrey as a chemical engineering student), and is now the Ralph Landau Professor of Management and Technology.

TOMMY LEONARDI



HAMILTON, ENG’61,
GENG’64, WG’64



TOMMY LEONARDI

MCCARTHY, ENG'02, W'02

“Everything about the program and everything I did at Penn comes together for me here,” says McCarthy.

“One was that the major challenges facing not only engineering, but society, lay frequently at the intersections of engineering and other fields, not squarely in engineering disciplines,” said Hamilton. “Second, as executives they had significant challenges recruiting people who could work between the worlds of engineering and business. They could get good engineers and good business minds, but getting people to work at the intersection was a challenge.

“Thirdly, they thought, Penn was an ideal place to build bridges between engineering and professions, like law, business, and medicine because of the strong professional schools at Penn,” he said. “M&T was the first response to the recommendations.”

At the time, Donald C. Carroll was the dean at Wharton and was enthusiastically looking to integrate the School’s courses with others around the University.

“Don Carroll had an engineering degree from M.I.T. and Art Humphrey had been involved with the start-up of a couple of businesses. It was a natural fit. Each from his own perspective understood the importance of combining engineering and business, and both were extremely supportive,” said Hamilton. “One of the Overseers at the School of Engineering was Ralph Landau, a Penn graduate from the 1930s, who was a very successful technology entrepreneur and immediately grasped the potential of the combination. He provided support for an endowed chair, and we were off.”

To lead the new M&T program, the leaders at the two schools selected Hamilton, who had been a White House Fellow and a research scientist at Sun Oil Co. He had already won a couple of campus outstanding teaching awards, too. He had three Penn degrees, in both business and engineering. Twenty-five years later, he is still at it, and enjoying the work as much as ever.

“The important payoff after all these years is that I think we have raised the level of student achievement throughout the University,” said Hamilton. “This has always been the exciting part of the M&T program for me. I am a Penn person through and through, though I did stray long enough to earn a degree from the London School of Economics, just to gain some perspective of the world beyond. I have always seen the M&T program as a way to make Penn as well as Wharton a better place.”

It certainly was that for Steve Polsky, ENG’86, W’86. Polsky has been a Penn person from birth, his father, Carl,

having been a Wharton accounting professor since 1956.

“I met Dr. Hamilton when I was looking for schools, and he just got me excited about doing something in two different fields. My father certainly didn’t discourage it,” said the younger Polsky, who graduated from the M&T program in 1986. “At the time, it was the only program like it around. Now, we laugh, the people I went there with — we early alums look at the credentials of the people who have come now, and we wonder if we would have ever gotten in.”

Polsky said he has mostly stayed on the business side of the technology business, building two successful companies before taking on his current role as Senior Vice President for Business Development with Edusoft, an educational software venture in San Francisco. He said the combination of courses in the M&T program has made it easy for him to get where he is.

“In the tech boom, it was good to have the perspective of both sides,” he said. “But now it is even more important. To know the technology and then be able to translate it into a business plan, that is where the M&T program has been invaluable for me.”

“I have always seen the M&T program as a way to make Penn as well as Wharton a better place,” says Hamilton.

Jerome Fisher, W’53, himself said he would have loved being in the program that now bears his name, that it would have served him well in his career.

“I majored in industrial engineering at Penn, and I have long been a strong advocate of two-degree programs,” said Fisher, the founder of the Nine West Group, now a part of Jones Apparel, who donated \$5.5 million in 1995 to endow and support the M&T program. “I was always interested in operations. We operated plants all over the world, and as an engineer, I was glad I knew what those plants were doing. It was my dream to be able to endow a program with such

high-level students doing a broad spectrum of things.

“When I come back to Penn, I always say, ‘I could have invested the money and had great financial returns. But seeing you sitting there and knowing what you are going to do after you leave here, I am getting the benefit of my greatest return.’”

□ THE NEXT WAVE

The Management and Technology Program is not standing still these days, to be sure. Hamilton and Weber are particularly concerned with raising its profile among prospective candidates. To that end, M&T will host high-school students on campus for the summer of 2005, exposing them to a three-week, four-credit course on the principles of management and engineering.

“High school students don’t have a good sense of what they might be studying when they take engineering in college, not to mention business,” said Weber. “They might say, ‘Yeah, business seems interesting. I have an uncle doing something.’ But they need a solid sense of what they will be offered. This will also serve as a way to get the word out about the M&T program.”

In addition, Hamilton wants to get alumni more involved in networking and even coming back to campus to mentor students. There are now 1,400 M&T alumni, a great number of whom are already leaders in their fields. They are listed in data base of the program’s new website, www.mandt.wharton.upenn.edu.

“We’re really looking to nurture the community at the alumni level,” said Weber. “Alumni do want to stay connected and support the program, and we want to make it easy for them to do so.”

Weber is a perfect example of that. He has been a consultant, technologist, partner, and investor in a series of tech-

nology companies, and now is a partner in a Philadelphia consulting firm, Antiphony, which he said is a musical term that grows from the give and take of ideas. He is also an angel investor in emerging tech firms through his firm, Robin Hood Ventures.

Yet he spends about a third of his time with the M&T program, teaching courses on technological innovation and management.

“Teaching gives me the opportunity to talk to the youngest of the best innovators around, which complements the consulting, which I am doing with larger companies, and with Robin Hood, where I get to work with start-up companies,” he said. “It covers a whole range of things, so I want to stay involved with the program.”

□ NOT EVEN THE SKY IS THE LIMIT

If M&T wanted to make a billboard, though, it might

choose Garrett E. Reisman, who graduated in the five-year M&T program in 1990. Reisman went to Cal Tech for his Masters and Ph.D. in mechanical engineering and then worked at TRW in its space and technology division. In 1998, he became an astronaut.

“Like most kids, I didn’t have a clue what I wanted to do when I applied to college. But I had a great high school physics teacher, and when I saw I could get an engineering degree and learn about business, too, I knew this was for me,” said Reisman, who grew up in Parsippany, in northern New Jersey.

During his fifth year, Reisman realized that his training might enable him to become a mission specialist. “I thought, ‘Well, this might not happen, but it’s a possibility.’ Now here I am,” he said. He was speaking by phone from Star City, the longtime home of Russian space flight, where he was training for his first space mission. He had just been at the gym, where his locker is two away from that of Yuri Gagarin, the first man in space.

“They keep the locker like a museum, with his shoes and towel and all,” said Reisman, his voice rising in awe. “This place was super-secret back in Soviet days. It’s just exciting to have a job like this.”

“Had I not gone to M&T and not studied with people like Professor Hamilton, this couldn’t have happened. There was nothing like it to compare. My engineering training was unparalleled, and knowing business has helped me immensely in evaluating projects at NASA, which is what astronauts do when not on specific missions,” he said. “With engineering and business degrees, the program is far from limiting. They are two of the biggest strengths at Penn. M&T students are lucky to come out with such a great array of options — like even being an astronaut.” ♦

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



WEBER, ENG'82, W'82

TOMMY LEONARDI

Age Power!



With the baby boomer generation nearing 65, key players at a recent Wharton conference weighed in on retirement, a possible labor shortage, and the strengths of an older work force. BY NANCY MOFFITT



Matthew London watched his older brother move from the world of work to a fairly standard retirement — to hobbies, travel and volunteer work he hoped would keep his still-active mind sharp and give him a place to contribute.

But his decades of business savvy weren't put to use in his new role as a hospital volunteer. The filing and other clerical work left him feeling empty, he confided to his younger brother — it seemed little more than “busy work.”

London, W'51, observed his brother's new life with empathy — and wariness. “I didn't want to retire and be unhappy,” he said. “I wanted to keep working — to stay in my field.”

And so he has. At age 75, London runs Philadelphia University's distance learning program as well as teaching courses in its business school, a four-day-a-week schedule he has no plans to scale back. “It's an enjoyable life,” he says. “I'm ready to keep on going.”

London is a part of an unprecedented demographic shift: in most of the developed world, the workforce is aging. In the U.S. alone, nearly 20 percent of American workers will be 55 and over by 2012, up from 12 percent in 1992. As the proportion of younger workers continues to decline, attracting and retaining mature workers will become all the more critical for businesses, with many labor economists predicting severe labor shortages by 2015.

From MSNBC to *The Philadelphia Inquirer*, the media is replete with stories about this “age wave” and the many issues that are just beginning to unfold as a result. Will the oft-predicted labor shortage really materialize? How will companies in the U.S. and abroad be affected by an aging workforce? What must mature employees do to remain current and valuable within organizations? And what should employers do to recruit, retain, train, and address the needs of older workers?

“Companies haven't figured this out yet,” said William Novelli, C'63, CG'64, CEO of the American Association of Retired Persons (AARP). “On one hand, we have some executives asking how they should recruit and retain older workers. On the other hand, we have others asking how to get rid of them. We have conflicting trends at the moment

— it will be interesting to see what happens. Right now, this is a story that's unfolding.”

Last fall, Novelli and a slate of national experts gathered at Wharton to study and discuss the aging workforce at a one-day conference sponsored by the Wharton Center for Human Resources, Wharton's Boettner Center for Pensions and Retirement Research, and the AARP. Labor economists from The Conference Board, corporate CEOs, academics and government officials from the U.S. Department of Labor shared thoughts on everything from the ability and performance of older workers to the benefits implications for an aging workforce.

“The big issue here is practical rather than policy,” says Wharton management professor Peter Cappelli, director of the school's Center for Human Resources and a speaker at the conference. “With the baby boomer generation about to begin a wave of retirements, a very large group of experienced, often highly-skilled workers are leaving their current employers, and increasing numbers of them would like to be doing *something* in the labor market even if it doesn't look like what they did before. If companies want to tap them, how do they do it? Employers who cannot adapt to embrace these workers will miss a significant source of competitive advantage.”

Brains Versus Brawn

When it comes to retirement, the changing nature of work couldn't be more relevant.

Novelli, 62, came from a family of steel workers in Pittsburgh, and when that generation retired, he says, they really retired. “I remember my Uncle Andy coming home one day, putting down his lunch bucket, and saying, ‘That's it. I'm retired.’ And he was.” In those days, Novelli said at the Wharton/AARP conference, it was common for a young man to begin working alongside his father in the wheat fields, the factory or in construction as soon as he finished whatever schooling he was going to have — and to stay at that job throughout his adult life, like the generation before him. “If you didn't die standing up — i.e., while you were still working — you were glad to retire, if you could afford to,” Novelli said. “The idea of the ‘older worker’ in those days meant workers who were old before their time.”

“There are still employers and employees who believe that some magic number, say, 65, signifies an age when one should no longer work,” Novelli says.

But those days are not these days, Novelli says. The proportion of the workforce involved in physical labor has dropped, with less than two percent of American workers today in agriculture and just 13 percent in manufacturing. Most factory workers and machinists are more highly skilled than their fathers, and their jobs involve using robots and computers, not lifting, plowing or wielding heavy hammers. “Brains and learned skills have dominated, if not completely replaced, brawn and endurance,” Novelli said. “More and more, knowledge workers predominate.”

Novelli maintains that since work has so fundamentally changed, ideas about work must change accordingly. But this change has been slow in coming, he says. Though older workers are protected by the federal Age Discrimination in

Employment Act (ADEA), the law can't change societal attitudes about age. “There are still employers and employees who believe that some magic number, say, 65, signifies an age when one should no longer work,” Novelli says. “The slow raising of the age for Social Security benefits to 67 doesn't necessarily undo the stereotype. But more and more, America will come to believe that there is no fixed age for retirement, that work is important to people and organizations, and that age itself should not disqualify anyone from being hired or discourage anyone from seeking work.”

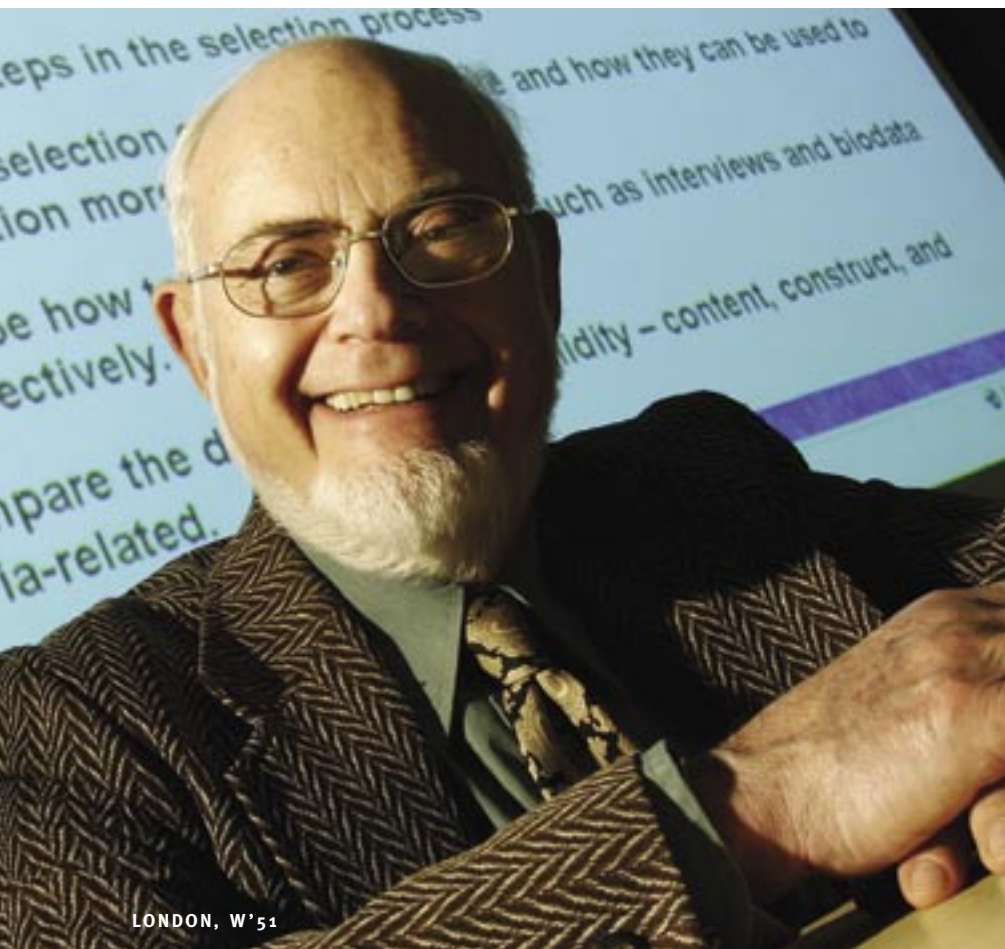
Other experts agree. Recent research reports in *Harvard Business Review* and *Public Policy & Aging Report* call for an end to the concept of retirement, arguing that the potentially debilitating mass retirement of the baby boom generation

threatens to starve businesses of key talent over the next decade. The idea of retirement is outdated, write the authors of an article called “It's Time to Retire Retirement,” and should be “put out to pasture in favor of a more flexible approach to ongoing work, one that serves both employer and employee.” Retirement as we know it, they point out, is a recent phenomenon created during the Depression when the government, unions and employers were desperate to make room for younger employees in the workforce. Institutionalized retirement was born, complete with social security and pension plans.

And 80 percent of boomers plan to work at least part time during their retirement, an AARP/Roper Report survey found. Many, after decades of profligate spending and meager saving, have to work. But most, like London, are eager to keep learning, to stay engaged, to avoid boredom and restlessness.

A Coming Labor Shortage?

Peter Cappelli has made a career of charting the often-turbulent course of employment in America, from studies on downsizing to a book on man-



TOMMY LEONARDI

LONDON, W'51

aging in a market-driven workforce. Cappelli maintains that pronouncements from the U.S. Census Bureau, The Conference Board and others of an inevitable dearth of labor are overstated. “Many of the studies that foresee labor shortages in the future assume that retirement patterns will be unchanged, and that people will retire at the same age even as life expectancy and the ability to work longer go up,” Cappelli writes in his article, “Will There Really be a Labor Shortage?,” published in a recent issue of *Public Policy & Aging Report*. “Surely this is unrealistic if for no other reason than financial resources for retirement may not allow it. There are many indications that the baby boom generation expects to keep working longer, and even a small increase in the retirement age (to 67 by 2027) of baby boomers will increase labor supply substantially because this cohort is so large.”

Nonetheless, the labor market is undeniably changing, Cappelli says. The dominant demographic event of the last century, the baby boom’s entry into the labor market, led what became a long period of economic stagnation, with many workers, especially young ones, finding it difficult to find jobs. From the 1970s through the late 1990s, most employers had an abundant supply of labor, Cappelli says, a situation that made it possible to overlook the gradual decay of human resources practices. “They didn’t have to be good at recruiting when overqualified applicants were queuing up at their door, they didn’t have to worry about retention when no one was quitting,” he says. “They didn’t have to develop employees when corporate hierarchies were shrinking and what talent was needed could be hired from the outside. And when companies were downsizing and restructuring, human resource functions were the first thing cut.”

Between 1998 and 2001, however, this labor surplus began to dry up and wages sharply rose. Employers, their HR competencies eroded, faced entirely new challenges: For the first time, their employee turnover rates increased dramatically, forcing employers to hire continuously; meanwhile, rapid reorganizations pressured companies to hire employees with new skills and expertise from the outside. “Companies concluded that because hiring alone could not meet their staffing challenges, the problem was beyond their control and must be because of a labor shortage,” Cappelli said. “But the problem was that many employers relied solely on recruiting, when in fact retention management should have been at least as important.” By the time companies began to create the sophisticated recruitment, retention and performance management programs necessary, the economy began to slide into a recession, and virtually all of the new jobs and retention issues dried up.

Cappelli predicts that when the economy rebounds significantly, companies will once again be ill-prepared. “It would be as much a mistake to believe that the slack labor markets of the 2001 recession have eliminated the challenges facing employers as it would be to believe that we are facing an inevitable shortage of workers,” he says. “No one knows whether future labor markets will be tight or slack — it depends almost entirely on growth and productivity prospects in the economy — but it’s also fair to say that the persistent

Reaching Out to Older Workers in America: A Sampling

Deloitte Consulting: Created a Senior Leaders program after looking at its demographics and realizing that by 2003, 40 percent of its then partners would be 50 or older and eligible to retire. The firm didn’t want to lose this talented group of men and women en masse, so it developed the program to help partners in their 50s redesign their career paths.

Hoffmann-La Roche Inc. and St. Mary’s Medical Center of Huntington, West Virginia: Created hiring practices that target retirees, including hiring retirees as temporary employees and replacement workers as well as establishing pools of retirees who could be called in times of increased labor demand. Other programs reintroduced retirees as full-time employees.

The Home Depot and CVS pharmacies: Actively courted older workers through partnerships with AARP, the National Council on Aging, city agencies and community organizations.

Deere & Company: Created a self nomination process for job openings and career movement. Managers are encouraged to seek out new opportunities with employees as a part of their annual performance review process, and the company has many team and special assignments that are provided for development, along with task forces, presentations and steering committees. For older workers, the programs and culture of new opportunities provide skill building and mobility.

Scripps Health of San Diego, CA: Addressed the issue of workplace flexibility in two complementary ways: flexible work options and job sharing. Job sharing is available to all employees; two employees in the same job position can share the same job, work fewer hours, and still keep their skills current. This is in addition to a menu of flexible work options available, such as compressed work weeks and telecommuting, for employees phasing into retirement.

Volkswagon of America Inc.: Created flexible spending accounts for elder care, allowing employees to allocate \$5,000 in pretax earnings for this purpose. By choosing to steer funds into a mature worker-focused benefits program, the company sends a message that they are valued and wanted, experts say.

Sources: AARP 2004 Employer Best Practices executive summary; *Public Policy & Aging Report*

labor surpluses from the baby boom may not be back any time soon.”

Employers, he argues, must develop competencies in recruitment and selection, performance management and retention policies, and an important part of these practices are skills in managing older workers.

“The days of lifetime employment and seniority-based systems are largely over now as companies move toward models of contingent work, independent contracting, and more free-market arrangements,” Cappelli says. “There’s a tremendous fit possible between the enormous pool of older workers re-entering the market and these flexible work systems if employers can create policies and practices that accommodate older workers.”

Other researchers are more alarmist. “The problem is pretty clear,” write the authors of “It’s Time to Retire Retirement” in the *Public Policy & Labor Report*. “Workers will be harder to come by. Tacit knowledge will melt steadily away from your organization. And the most dramatic shortage of workers will hit the age group associated with leadership and key customer-facing positions.” Several key sectors — health care, education and retail — are most likely to feel the pinch.

Despite “irrefutable” evidence of workforce aging, most recruiting, training and leadership development dollars are directed toward younger employees — actions tantamount to “marching their companies straight off a demographic

cliff,” the authors continue. A recent survey by the Society of Human Resource Management found that two-thirds of U.S. employers don’t actively recruit older workers, 80 percent don’t offer flexible work arrangements or other incentives that tend to appeal to older workers, and more than half don’t actively work to retain key older workers.

A growing number of companies, however, are forsaking their one-size-fits-all HR policies, and the reason, experts say, is to connect or reconnect with mature employees.

Older Workers Wanted

When four hurricanes battered Florida last year, insurance heavyweight The Hartford scrambled to deploy the hundreds of claims adjusters necessary to respond to thousands of commercial and residential claims. The company’s retirement “reactivation” program was a key in managing the chaos, said Hartford CEO Ramani Ayer during the Wharton/AARP conference. The program calls on retirees when they are needed, allowing workers to maintain ties to their employer and supplement their income while taking the burden off of The Hartford during its most critical times. “We had to mobilize claims professionals from all over Florida. We’d had four hurricanes, and we had to be responsive,” Ayer said. “We called on our claims professionals who had retired to help us, and it was



CAPPELLI

TOMMY LEONARDI

Despite “irrefutable” evidence of workforce aging, most recruiting, training and leadership development dollars are directed toward younger employees.

wonderful for customers to meet and deal with an experienced professional rather than a temp or a junior employee.”

Such elastic arrangements are vital to recruiting and retaining mature workers, experts say. At the Hartford, where 12 percent of new hires in 2003 were over 50, the menu of flexible options includes compressed work weeks, temporary part-time, telecommuting, phased-in retirement, phased-in return to work, job sharing and reduced hours.

“Attracting older workers means creating policies and practices that accommodate them — going somewhat further down the path to flexibility than many employers might be comfortable with,” says Cappelli. “Older workers do not necessarily want to work the long schedules of their younger counterparts, and they might not be as willing to manifest the ‘commitment’ and ‘rah rah’ spirit that some organizations require even of their contractors. But these workers offer skills and competence and are often willing to work for much less money than their younger, more career-minded counterparts.”

Businesses seeking older employees should create non-traditional recruitment strategies, such as supplementing standard recruiting packages with material tailored to older workers, posting job announcements with photographs of workers of all ages, and partnering with senior associations to advertise positions. Home Depot, for instance, knew it needed 135,000 new workers this year to fill spots created by expansion and turnover. The company, with 15 percent of its workforce already over age 50, created a partnership with AARP to aggressively recruit more older workers.

Even subtle messages in help-wanted advertising can dissuade mature employees from applying for positions. An ad that stresses “energy” and “fast pace” might appear to target a younger hire, while language such as “experience,” “knowledge” and “expertise” would likely have more appeal to an older audience, researchers stress in *Public Policy & Aging Report*. Identifying a business as an “Equal Opportunity Employer” and adding, “This Company values workers of all ages” can also go a long way.

When designing employee training programs, companies should keep age-related learning styles in mind, said Neil Charness, a Florida State University psychology professor and leading expert on ability and performance of older workers, at the Wharton conference. Self-paced learning is best for older workers, while the young fare better with “discovery” methods that allow them to use their learning speed to make connections. Older workers, who learn more slowly, are better served by procedural methods, which allow them to tap into their extensive knowledge base, Charness

said. And while older workers may take longer to learn new technologies, once they do, they learn similar programs as quickly as younger workers.

It’s true that differences exist between younger and more mature employees, Charness said, but perceptions that older workers are less productive and competent are untrue. Verbal ability, which also measures knowledge, increases with age, peaking in the early 70s, while other factors such as spatial ability, working memory, memory and recall, and perceptual speed decline starting in the 20s. But because knowledge is the strongest predictor of productivity, older workers remain as productive as younger workers, Charness said.

“Change is inevitable,” Novelli says. “There is a stereotype that older workers can’t adapt to change. Older workers don’t learn the same way that younger workers do, but the literature shows that they do adapt to change well.”

What can mature workers do to overcome these sometimes stubborn stereotypes? Wharton alumni, professors and experts like Novelli say that employees have opportunities, but they also have responsibilities. “Their responsibility is to stay employable,” Novelli says. “That is every intelligent worker’s obligation. And the way to do that is to prove yourself on the job. Learn new things. Try new things. Take lateral moves. Those are the kind of things that employers tend to value at every level.”

“People have to plan financially and career wise,” Novelli adds. “They have to do an inventory of skills and interests and ask themselves if they want to change careers and career paths. Today, people are more emboldened to do that than our fathers and mothers were.”

A Reason to Get Up in the Morning

London seems to have followed this advice intuitively, switching gears completely mid-life and then creating a role, later, that gracefully served both him and his employer. He closed his family business of 30 years, a Philadelphia textile manufacturer, in 1979 after industry-wide hard times. In his late 50s, London pursued his growing passion for computers as an assistant professor of information science and director of the academic computer centers at Philadelphia University, then Philadelphia College of Textile and Science.

Fifteen years later, facing heart bypass surgery, he told his employer that he needed to “retire” from his previous administrative post, but wanted to keep working in some capacity. As he recovered from his surgery, London and

Philadelphia University worked out the fine print: he'd scale back to a three-day-a-week computer support staff member and part-time faculty member. Today, London runs the school's distance learning operation and continues to teach. "When people retire there are three things they have to be able to do," he says. "They have to have a reason to get up in the morning, they have to be with other people, and they have to keep their brain active and keep learning. I'm lucky that I've been able to do that. I'm doing something different than what I did for the 15 years I was here full time. I'm constantly being asked questions by people on the staff here, and you have the feeling that you are needed."

Like many older workers, finances were definitely a factor in London's decision to keep working. While he had enough to get by, he felt he and his wife Lila needed a little more of a cushion to be truly worry-free. "There was always that need for that little bit more to fill in," he says. "But the main reason really was that I had seen too many people retire and be unhappy. I wanted to stay in the field."

He believes his desire to keep learning and comfort with change are essential to his ongoing success. "I don't try to ever say 'Well this is the way we used to do it.' I realize that things have to change."

William Hayes, WG'60, acknowledges that he didn't want to retire when New York-based Walter Frank & Co., the NYSE specialist firm where he'd long served as a partner, was sold to Goldman Sachs in 2002. "Many 'mature' people find themselves replaced by younger people," he said. "This really has to do with a cultural change — employers want people who are aggressive, forward, very energetic, while the 'mature' generation grew up in an era when this somewhat pushy persona was not accepted."

But although Hayes, 69, found he had to leave his employer more than 20 years post-merger, he transitioned smoothly to a busy retirement filled with volunteer work linked closely to his life's work. "I am finding retirement very rewarding," he says. "Part of that is being in New York, where so much goes on every day, but I also do pro bono career consulting for members of the New York Society of Security Analysts and am part of the summer mentor/student program. This keeps me in touch with all generations and with what is going on," says Hayes, a two-term president and long-time board member of the New York Society of Security Analysts.

In the world of financial services, asset managers need never retire — if they have their own customers, Hayes notes. "Client control is a big divide," Hayes says, pointing to New York asset manager Irving Kahn, now in his mid-90s and still going strong. "Those without it are vulnerable, drifting; those with it thrive. You can be working until your 100th birthday if you have your own customers."

In recent months, Hayes has noticed an intriguing employment trend he urges other mature executives to seize upon: high-level options within the non-profit world. "I see 'older' people — by that I mean 50-plus years — being competitive for executive jobs in non-profits, where they

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Benefits for Older Workers? Don't Count on Them

When Professor Olivia Mitchell told the audience at the November 10, 2004 conference on older workers, "Just don't get old, don't get sick, don't retire ... and you'll be fine," she had everyone's attention. Mitchell is the executive director of Wharton's Pension Research Council and director of the school's Boettner Center for Pensions and Retirement Research. At the conference, sponsored by the Boettner Center, Wharton's Center for Human Resources and AARP's Global Aging Program, Mitchell talked about benefit plans for older employees and the restrictions in store for these plans as the workforce ages.

Changing Universe of Benefits

Once known as "fringe benefits," employer-provided benefits include health insurance, life and disability insurance, paid time off, and pensions and medical benefits for retired former employees. As Mitchell explained, however, these benefits are now far from "fringe." "In the U.S. and other countries, employers are the nexus for the whole insurance picture—healthcare and pensions, specifically." In the U.S., according to Mitchell, the cost of providing these benefits to employees now amounts to nearly 30% of companies' labor costs.

Some of this cost is due to legally required benefits, including the taxes paid by corporations to cover workers' compensation and unemployment insurance as well as Social Security and Medicare taxes. But the lion's share of the tab is filled by voluntarily provided benefits, which come to 20% of total payroll costs, said Mitchell. As of now, and despite dramatic cost increases, nearly all companies continue to offer these voluntary benefits: 76% of employees were offered health insurance by their employers in 1987; 74% were provided coverage in 2001. As the workforce ages, the cost of providing health coverage in particular is expected to rise sharply.

Since these benefits are "voluntarily provided," companies are under no legal pressure to continue offering them, but they have certainly become a social expectation, said Mitchell. In fact, because providing health insurance to groups of people (which spreads the risk for the insurer) is so much less expensive than providing coverage to individuals, it is often very difficult for individuals to obtain insurance coverage if it is not through their employers. As a result, rather than discontinue benefits as costs rise,

companies are instead passing more of these costs along to their employees.

Why Provide Benefits, Anyway?

As Mitchell pointed out, 100 years ago the American economy was primarily agricultural, with most workers self-employed or working in family-run farms or businesses. There were few wage-based jobs and therefore, few ‘benefits’ in the sense that we know them now. This employment picture began to change following World War II with the “golden age” of benefits emerging from the 1950s through the mid-1980s as the economy shifted to industrial and urban wage-based jobs. “Initially, the effort focused mainly on protecting workers against income loss in the event of workplace accident and illness—which led to insurance coverage for disability and premature death,” Mitchell explained. Later, pension programs were added.

Companies were able to provide these benefits at a relatively low cost; they received significant tax breaks for doing so, and economies of scale allowed them to receive a cost break for pooling their employees into a lower-risk group for insurance coverage. “It was also a big part of attracting top candidates, part of an overall attract-retain-motivate strategy,” Mitchell said. “Then, on the other end, defined benefit pensions were retirement-inducing. They were in place to get you to leave when you were past your prime.”

A lot has happened since the corporate benefits system first emerged, and the changes continue to advance more rapidly now than ever. First, few people today stay at one job for anywhere near as long as they did in the previous generation. “There are no 20, 30 or 40-year careers anymore,” Mitchell said, which means that traditional pension benefits do not carry the same incentive value as in years past. Instead, “employees want benefits that can be tailored to their needs and their lifestyles at the particular point in time that they are with a company.”

These changes have translated to a demand from employees of all ages for flexible spending options for health insurance and medical care, as well as a move towards defined contribution pension plans—such as 401(k)s—over the traditional defined benefit plans of earlier years. Added to these shifts is the reality of the graying workforce, which has greater need for medical care, and simultaneous increases in healthcare costs generally, which have combined to make the provision of benefits to employees an extremely expensive proposition for employers.

To address the realities of providing benefits to a changed workforce, companies have shifted to what Mitchell calls a “disintermediated” benefits system, or an “a la carte”

menu of benefits from which employees choose and are then partially charged for their participation. In practice, this means that companies no longer select a one-size-fits-all healthcare program, but rather provide several insurance options to employees for health insurance, dental insurance, even vision and prescription coverage. Employees choose what level and type of coverage they would like—or may opt not to participate at all. Similarly, rather than enroll-



ing everyone in the same pension program that pays out a set amount at retirement (defined benefit), companies now provide programs such as 401(k)s for which employees must choose to enroll, then choose how much of their earnings to contribute (defined contribution pension plans), then also choose what funds to invest their retirement savings in.

Even though the menu approach has for the most part been welcomed—even demanded—by employees, Mitchell

noted that as the cost of healthcare options rise, participation rates have dropped: “89% of employees who were offered healthcare coverage took it in 1987, but the figure dropped to 82% by 2001.” And the same effects can be seen in the pension programs: Rather than 100% employee enrollment in traditional defined-benefit pension programs, Mitchell said that in 1987, only 38% elected to contribute to their voluntary retirement funds, and in 2001 that number had risen to just 43%.

The menu approach allows employees a high degree of “choice” in what their benefits package actually looks like. But according to Mitchell, “choice” isn’t necessarily all it’s cracked up to be. Many employees, overwhelmed by the financial choices available in their pension funds, for example, are “overinvested in their own employers’ stock, despite several high-profile flameouts that we have seen over the last few years,” simply because it’s easiest for them to choose to invest their pension monies in their own company’s stock. “Menu construction seriously affects choices as well,” she added. “Most people focus on the top of a list of fund choices and stop reading after the first three or four. They are not choosing the best options; they are just overwhelmed by how much choice there is.”

In addition, many people simply aren’t saving enough to ever cover their costs in retirement. And others have opted out altogether, completely paralyzed by the overwhelming number of choices presented to them. “Employees have to answer: Do I want a particular benefit? Which one do I want? How much will it cost? How much do I need to spend on a benefit such as this? How do I annuitize this spending?” said Mitchell, who recently edited a book entitled, *Benefits for the Future Workplace*. “All of these are complicated questions — and they are a lot to ask from people” who generally are not sophisticated when it comes to making investment decisions.

So, What’s Next?

According to Mitchell, as the current crop of near-retirees age, they will be faced with the cumulative effect of these challenges to their benefits picture. Most have not saved nearly enough, or their savings have been hit by the recent fluctuations in the financial markets. They will likely not have health care provided in retirement by their former employers, and healthcare costs will only continue to rise. Those “lucky” enough to still be recipients of defined benefit pensions may be surprised when they discover how underfunded most corporate pension funds are. For example, “the unfunded portion of DuPont’s pension program is equal to the company’s global assets,” Mitchell said. And Social Security certainly won’t be the answer, either. “Social Security benefits payouts are dramatically increasing because of the baby boomers aging. By 2018 the system will be taking in less in tax contributions than it will be paying out,” she added.

The result? Mitchell predicts, as conference attendees heard from nearly every other speaker at the symposium, that baby boomers will need to remain in the workforce far longer than employees in the last generation, and much longer than they themselves may have anticipated. She returned to her earlier comment: “Like I said, just don’t get old, don’t get sick, don’t retire ... and you’ll be fine.” Still, Mitchell did offer some advice for future generations of employers and employees. “We need to financially educate our citizens more and earlier, outside of the company-based benefits environment, because companies will not be the nexus of benefits and pensions in the future. Clearly, this is not a good model going forward. As it changes, people will need to consult financial professionals more and will need to understand the financial choices they are faced with in order to operate in this complex environment.”

Continued from page 20

don’t seem to face the age/youth challenges in the for-profit world,” he says. “I think many non-profits value experience more.”

Many non-profits have or are in the midst of being restructured to become more competitive, Hayes says, and are adopting modern management and marketing practices. “I think more mature workers should actively pursue this area. Many probably don’t realize the management revolution now going on in the non-profit world,” he adds. “I

have seen some very senior financial types recycle themselves in non-profits after being let go — it looks good on a resume, gives them something to do, is a good platform to keep up and make contacts. After a few years at a non-profit, sometimes for pay, sometimes pro bono, they emerge in another top job.” ♦

Frequent contributor Nancy Moffitt is the former editor of the Wharton Alumni Magazine.

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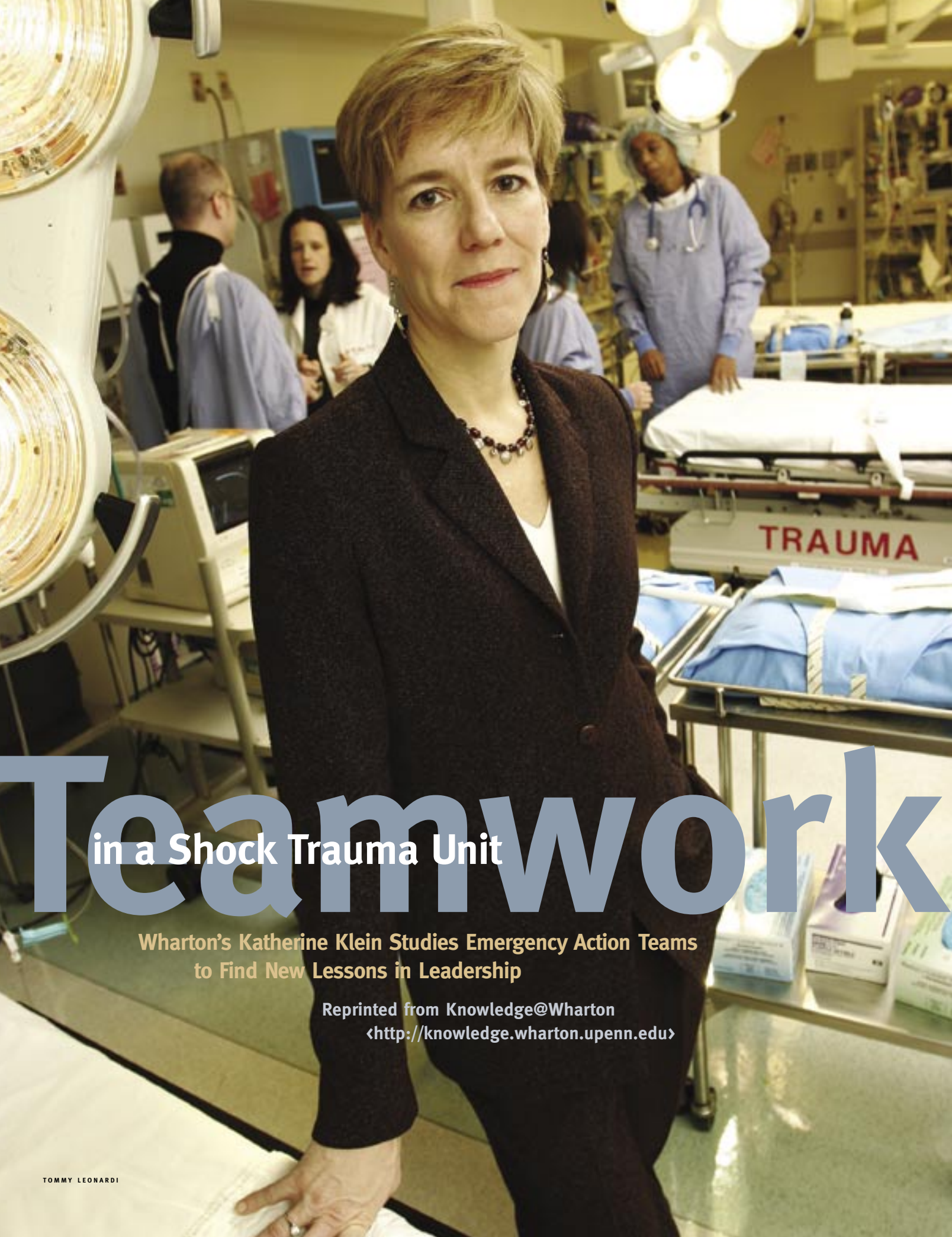
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Teamwork

in a Shock Trauma Unit

Wharton's Katherine Klein Studies Emergency Action Teams
to Find New Lessons in Leadership

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Imagine that you, as a mid-level manager in your company, have been assigned to a six-person team asked to complete a top-priority project on a very short deadline.

As it turns out, some of the people have never worked together before, members of the team change every hour or so, leadership constantly shifts between three different individuals, and any mistake by even one person could have disastrous, even fatal, consequences for the project's outcome.

Wharton management professor Katherine J. Klein spent 10 months studying such teams in action at the Shock Trauma Center in Baltimore, MD, a world-renowned urban facility that treats more than 7,000 patients each year, most of whom arrive with severe, often life-threatening injuries. The project and research were funded by the U.S. Army Research Institute as part of its efforts to gather information about leadership strategies for teams working in highly dynamic and stressful situations. The results of this research are presented in a paper titled, "A Leadership System for Emergency Action Teams: Rigid Hierarchy and Dynamic Flexibility," co-authored by Klein, Jonathan C. Ziegert, a visiting scholar at Wharton, Andrew P. Knight, a Wharton doctoral student, and Yan Xiao, a professor and lead researcher at the School of Medicine, University of Maryland, Baltimore.

Klein, who began her tenure at Wharton this past fall, has based much of her research on the intersection between leadership and organizational psychology, with interests in multilevel organizational theory and research, team composition and leadership, as well as organizational innovation processes. With previous appointments in the Psychology Department at the University of Maryland and the Graduate School of Business at Stamford, she has published her research in the *Journal of Applied Psychology* (for which she serves as associate editor) and has a forthcoming paper entitled "How do they get there? An examination of the antecedents of centrality in team networks" in the *Academy of Management Journal*. In 2000, she co-authored a book with S.W.J. Kozlowski entitled *Multilevel theory, research, and methods in organizations: Foundations, extensions, and new directions* (Jossey-Bass).

For "A Leadership System for Emergency Action Teams," Klein and her colleagues studied the trauma resuscitation unit as a way to analyze team leadership in diverse settings. "It is surprising that there hasn't been much research on team leadership, because there is lots of research on teams and lots of research on leadership," Klein says, adding that traditional research is usually based on "dominant" or "transformational" models which emphasize the leader's "inspirational" role in motivating his or her followers and which assume a long-term leader-follower relationship.

Yet in many current organizations, the researchers note in their paper, these "emphases and assumptions appear increasingly inapt." The tempo of work today is not only faster but also more unpredictable, the work is more complex and there

is greater employee turnover. In addition, Klein says, recent scholarly studies focus on the idea that errors in certain kinds of organizations have huge consequences; think nuclear power plants and airlines. But other organizations—from consulting firms to fire-fighting units—struggle with these issues as well. "There is the need to incorporate new people, bring them up to speed quickly, and at the same time, maintain reliability and never commit an error. These are enormous challenges."

Instead of relying on traditional 'dominant' leadership models, Klein and her colleagues offer a more novel, and counter-intuitive, way of viewing leadership. They see it "as a system or a structure—a characteristic not of individuals but of the organization or unit as a whole." It is a different approach to how you build leadership, says Klein. "The lesson for a company would be not to focus only on selecting better people or training better people; think about putting structures and norms in place that allow leaders to be more effective. The role should be sufficiently established, and the norms sufficiently clear, so that whoever steps into the role will do it effectively."

This approach, taken to its extreme, is perhaps nowhere more evident than in a trauma unit, where terms like "life and death decision" and "working on deadline" have an unambiguous urgency. And while these trauma units present a "microcosm of many of the challenges contemporary organizations face," it wasn't initially clear to the researchers just how the teams functioned. As Klein notes: "We walked in there and said, 'This leadership system doesn't look like anything we have ever heard of.'"

Emergency Room Observations

When patients arrive at the trauma resuscitation unit, they are immediately seen by a team of specialists that includes an attending surgeon (the most experienced surgical member of the team), a surgical fellow (the second most experienced surgical member), one or more surgical or emergency medical residents, an anesthesiologist, a registered nurse and a trauma technician.

The composition of the team changes frequently "as the individual members cycle on and off the team. Team members work shifts of differing lengths. Thus, the make-up of the team that assembles to treat one patient may differ from the make-up of a team that assembles to treat a second patient one hour later," the authors note in their paper. Team composition also shifts from day to day, week to week, and month to month especially as team members complete their trauma unit rotations and others begin. The lifetime of a team is short, usually 15 to 60 minutes — about the time it takes to stabilize the patient.

As part of their initial data collection, the researchers interviewed more than 30 members of the trauma unit and spent more than 150 hours observing the treatment of approximately 100 patients, including observation of operating room procedures. (One anesthesiologist said to Klein, as she was suiting up in surgical scrubs to observe an operation: “I am going to introduce you as Dr. Klein. Don’t touch anything.”) The researchers supplemented their interviews and observations with additional data, such as an analysis of the 184-page Resident Training Manual, a study of orientation meetings and interview transcriptions from other researchers.

Their initial goal was to answer two questions: “Who is the leader of the trauma unit team? And what leadership functions does this individual fulfill?” Although Klein and her colleagues had assumed that each trauma unit team had a leader, “we were wrong. Not only does leadership not reside in a single person, it does not reside in a single position,” the authors write. Rather, trauma unit team leadership resides in a hierarchy of three positions: the top-ranked position, held by the “attending” surgeon, followed by second-ranked “fellow” position, followed by the third-ranked “admitting resident.” According to the authors, “The active leadership role shifts frequently and fluidly among the three individuals who occupy the team’s three key leadership positions.”

The researchers also wondered *how* leadership shifts from one position to another, *when* and *why* it shifts, and why such a system does not result in “chaos, conflict and error.”

Among their findings: The system of investing leadership in three key positions “accommodates frequent changes in team composition. Individual leaders come and go but the leadership positions remain. Second, it creates redundancy, enhancing the reliability of patient care ... Finally it allows relatively novice leaders (i.e., the admitting residents) to assume a primary leadership role in a setting that affords them and their patients protection and support.”

The researchers note that trauma unit leaders perform three key functions: They provide strategic direction, monitor the performance of the team, and teach team members by providing instruction—all tasks that match those the researchers identified in the functional team leadership literature and which are applicable to business settings. (The fourth function of the trauma unit leaders, providing hands-on treatment of the patient, could refer to situations where leaders, instead of just supervising team members in key tasks, actually jump in to perform those tasks when the need arises, as in the idea of a store manager helping to ring up customers.)

Two functions that are referred to frequently in leadership research — “ensuring that team members are motivated and engaged, and establishing norms and routines that enable a positive and safe climate” — are not part of the trauma unit approach, for two reasons. One, the team’s efforts to save patients’ lives is “inherently motivating.” Two, because the

trauma unit teams change so frequently, there is little time to develop norms and routines. “More influential are the norms of the trauma unit as an institution,” the researchers note.

Passing the Baton

While this description of the trauma unit suggests a shifting leadership structure, it nevertheless is based on a clear pecking order. As the researchers note, the attending, the fellow and the resident “are ranked in a clear and rigid hierarchy,” with the attending having more expertise, experience, status and power than the fellow, and the fellow having more than the resident. The leadership role changes essentially because the attending allows it to, depending on the circumstances of the individual case.

“Leadership ... seems to be a baton, whose possession is controlled by the most senior members of the hierarchy,” the

The researchers also wondered how leadership shifts from one position to another, when and why it shifts, and why such a system does not result in “chaos, conflict and error.”

researchers write. “These individuals may assume control, taking possession of the baton, at any time. Yet, often they relinquish possession of the baton to those lower in the hierarchy.” These shifts of leadership are based on such factors as the patient’s condition and the personal styles of the doctors (for example, “hands-on” vs. “laidback”).

While the researchers use the baton image to describe the active leadership role, the trauma unit leadership system as a whole, they suggest, is ultimately better described “not as a relay race, but as a dance in which the three team leaders step forward or back in response to the patient’s changing condition and to the actions, competence, and confidence of others in the leadership hierarchy. The picture that emerges from this description is far more dynamic than that of traditional leadership models. In the trauma unit, leadership is ... a system, or dance, of moving parts.”

In looking at the treatment of patients in the trauma unit, the researchers also wondered why there were so few errors and conflicts, especially given the very real pressure to act quickly and competently during the first few minutes of patient treatment. The researchers attribute this to a set of “enabling conditions,” including such things as expert support staff (the nurses), the awareness among the fellows and residents that they are only in the unit for a short time (which makes it easier for junior leaders to accept the intervention of senior leaders) and the strong role that routines, tradition, and values play in the unit.

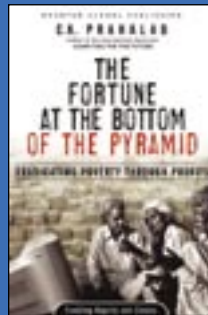
For example, “the initial treatment of patients is guided by routines or protocols that organize and prescribe the team’s

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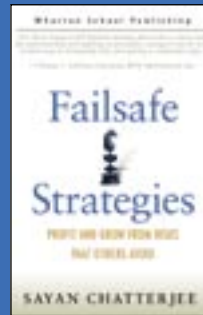
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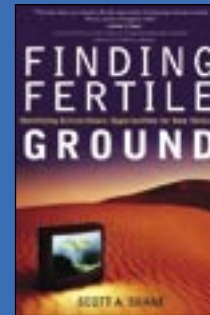
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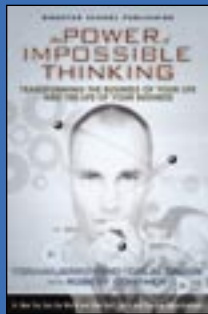
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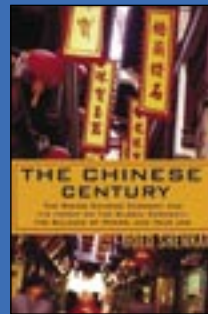
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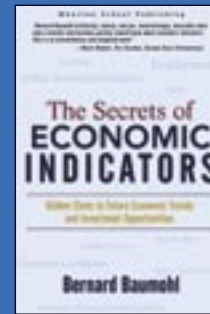
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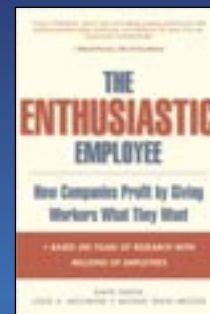
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What's the Buzz About Buzz Marketing?

There's a new marketing catchphrase that's getting rave word-of-mouth reviews. From articles in the popular press to conversations in the classroom, huge companies to boutique marketing firms, suddenly it seems you can't talk about new products without addressing 'buzz marketing.' "People are buzzing about buzzing," says Wharton marketing professor Barbara Kahn. "People think it's cool. There is something almost empowering about the idea of being able to 'buzz' your way into the products people buy."

Buzzing: What Is It?

Put simply, buzz marketing is the practice of gathering volunteers to try products, then sending them out into the world to talk up their experiences with the people they meet in their daily lives. The idea is that the more people see a product being used in public, or the more they hear about it from people they know and trust, the more likely they will be to buy it for themselves. Of course, word-of-mouth has long been the way that many people find their favorite products, or learn about a new favorite movie, book or restaurant. "For years, people recognized the power of word-of-mouth in convincing, influencing, affecting consumer behavior," says marketing professor Jerry Wind. "It has more credibility than traditional advertising." But it's a fairly recent development for companies to try to create a structure around the practice, to harness and direct the way that word-of-mouth spreads—and to attempt to measure its effect on sales once the 'campaign' is complete. "Buzzing isn't really new. The hype about these different kinds of buzz agents is what's new," says Kahn.

In practice, buzz marketing can take

several different forms. Some companies identify particular types of people to do their buzzing for them. Known as 'mavens' (for readers of Malcolm Gladwell's *Tipping Point*) or 'influencers' or 'early adopters,' these are the people who naturally set cultural trends, who define what is cool before the rest of the world even realizes it exists. "Gladwell put it in terms that everyone understood,



but basically there are people out there who can tell what's cool and what's not. We all know them — the people who tell us about great restaurants, or who have cool clothes before we do," Kahn says. "To make buzzing really work, I do have to believe that the person I'm listening to is discriminating, that he or she knows something I don't. Otherwise that person is not giving me anything new." Procter & Gamble pioneered this approach on a large scale by recruiting hundreds of thousands of 'maven' teenagers to create buzz about new products — some as mundane as toothpaste. "P&G started this idea of manufacturing word-of-mouth," says Wind. "They recruited a quarter million teens to talk about their products. Now they are in

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the process of recruiting mothers to do the same thing because they have suddenly realize that word-of-mouth is a powerful thing."

Other buzz marketers rely less on natural trendsetters and more on 'connectors.' "If they really want something to spread — to see not just a slow diffusion but a big jump in awareness — you go to the connectors," Kahn says. "Oprah is the king of all connectors. Basically these are people who have bigger rolodexes than the rest of us. They have lots of contacts in different circles, so word will spread. Fast."

But Does It Work?

Buzz marketing stands in direct contrast to traditional television or radio advertising — the classic 'mass marketing' approach that is based on the premise of broadcasting a message as widely as possible, assuming that this is the best way to reach the largest possible number of interested consumers. Buzzing, which might also be described as 'micro-marketing,' assumes that a person-to-person marketing message is much more powerful because it is so personal — and that it could potentially reach more people than a broadcast message, if only it is buzzed about in great quantity by people who have very long contact lists and no qualms about promoting products to anyone who will listen.

Wind points to a survey performed by CNW Marketing Research on the 15 largest U.S. television markets as

evidence of why buzz marketing is becoming so important to companies today. It found that more than half of the ads for cars, credit cards and pet-related products are ignored by television viewers. In addition, 42% of ads about home products are ignored, as are 45% of fast food advertisements. The numbers are far worse in the case of viewers with personal video recorders such as TiVo. For that group, 95% of fast food ads were skipped, as were 68% of car ads, 80% of pet product ads, and 94% of financial product advertisements. “The 30-second commercial is becoming less and less powerful. We have to realize that most of the money spent on advertising is being wasted, so advertisers have to look for other sources and ideas for marketing their products,” Wind says.

That’s why Vespa turned to buzz marketers to ride its scooters around town and talk up their ‘cool factor’ when they debuted, and why Ford loaned its new Focus cars out to buzz agents for the first six months of its launch. In each case, companies looked for ways to gain high visibility and personal recommendations through buzz.

Not every product can be effectively marketed by buzz agents, however. “It has to be an interesting one,” says Kahn. “Products do have to live up to the hype, they do have to deliver. If these products aren’t delivering coolness, this will not over time be a credible method.” According to Kahn, products that fit this description are fashion items and items of cultural interest such as TV shows, books and movies — anything that connotes a sense of being ‘in the know.’ “They have to be products where value comes from the social interaction,” Kahn says. “What you wear, what movies you go to, what things you read — these are all influenced by social opinion. There are other things that I buy where I don’t care what other people think about them. I like Sweet Tarts. I don’t really care what anybody else thinks about Sweet Tarts. But I like to go to the ‘in’ restaurants, and I want to have read the

book everybody’s talking about. I want to know what everybody’s talking about around the water cooler.”

The fear for buzz marketing is that, however successful it may currently be, the effectiveness of the approach will inevitably be diluted through overuse and, dare we say it: too much buzz. “Right now it’s a very nontraditional practice which makes it exciting,” says marketing professor Peter S. Fader. “But look at pop-up ads and email marketing, which five years ago, when you saw them for the first time, seemed interesting. Now they are at the point of tremendous annoyance. They went from clever, path-breaking and really, truly creative to this incredible annoyance where now, people have just thrown out the baby with the bathwater. And there is no question that buzz marketing is poised to go exactly the same way.

“Buzz marketing needs to be used very judiciously for it to remain effective,” he adds. “Otherwise people will become so skeptical and annoyed by it that they will become completely immune to the marketing virus that [marketers] are trying to spread.” Fader doesn’t think companies will succeed in preserving buzz marketing as an effective tool because they simply don’t exercise restraint when they have discovered a new marketing approach. And perhaps even more importantly, Fader says, they regularly confuse useful marketing tactics for real marketing strategy.

“What people have to realize is that it’s not a strategy; it’s a tactic. That’s an important distinction,” he notes. “Buzz marketing is one of many elements that a company should be doing when trying to get a new product out to market. It’s a specialized tactic. But these days companies are relying on it too heavily, losing sight of what they really should be focusing on: strategy.” According to Fader, the buzz about buzz marketing is analogous to the hype that surrounded the Internet in the late 1990s, when so many companies mistook the web and its technology for a new business ‘strategy’ rather than the sales and information channel that it is. “Your

strategy is what your overall approach is going to be. It’s answering bigger questions such as, ‘Are we trying to leak into the market slowly or are we trying to explode into the market all at once?’ For example, there are very different sales patterns for movies, which explode, versus new MRI machines, which need to be eased into the market. Next, you ask things like, ‘Do we start with a high price and bring it down? A low price and bring it up? Do we advertise slowly and spread out the message?’ Those are strategic questions.”

Once set on strategy, tactics come into play. “There could be a role for buzz building in both skim and penetration marketing strategies,” Fader says. But buzz marketing should be combined with other forms of marketing to create a pattern of tactics that support the overall strategy. “It needs to be decided in concert with decisions about what other forms of both traditional and non-traditional forms of marketing should they be using, and exactly how much of the budget should they be spending on each form of messaging. Too many companies are starting with tactics and backing into them as a strategy. I’m a little afraid that people are loading onto particularly small bandwagons such as this and losing sight of the larger, more important issue of resource allocation.”

According to marketing professor David R. Bell, who conducted a study looking at retail purchase patterns for online retailer Netgrocer.com, “in general, we should expect the ‘buzz effect’ to be most prominent the first time a consumer tries a product.” Netgrocer.com, he says, “ships nonperishable groceries using FedEx anywhere in the U.S., so we took a look at their customer data to see how their customer base evolved over both time and space.” With traditional grocery stores, Bell says, customers can all be found within a 10 mile radius of the store. For an online store that ships anywhere, one might expect to see no geographic pattern at all. “What we found was that

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Will Your Next Mistake Be Fatal?

Robert E. Mittelstaedt, Jr.'s new book examines ways to avoid the mistakes that can break your company.

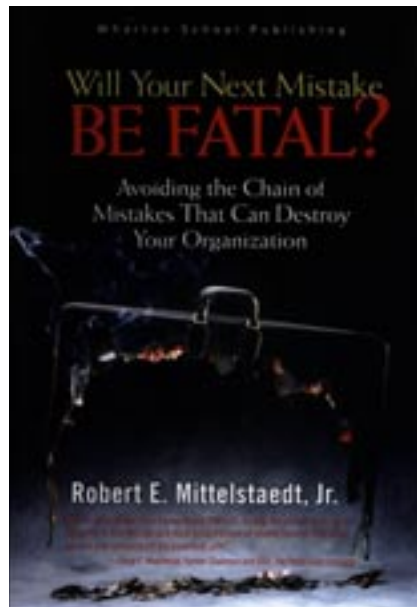
In 1980, one year after the Three Mile Island nuclear power plant disaster, Robert E. Mittelstaedt, Jr. served as a consultant to the Nuclear Regulatory Commission. In that capacity, he began thinking more and more about the fact that many physical accidents, such as the partial core meltdown at TMI's Unit 2 plant, are caused by a whole chain of mistakes, or sequence of errors, that go unchecked for reasons usually related to an institution's culture or the lack of processes in place to deal with failure.

"Over time, I realized that the same sequences of mistakes also occur in businesses," says Mittelstaedt. "The big difference is that with the failure of physical systems—such as an airplane crash or nuclear power plant malfunction—the immediate reaction is to investigate the problem. Regulatory agencies, not to mention the public, step in to demand detailed analyses of exactly what went wrong and how the situation can be prevented from reoccurring. But in business, if mistakes are made and laws are not broken, you rarely see any formal investigation. Even when the companies themselves look into what happened, they don't do it in a structured and rigorous way. They don't learn anything from the process."

Airline crashes or near-misses, says Mittelstaedt, who is a pilot in his spare time and the owner of a six-seater Cessna Centurion, are "so well-documented that you can see patterns behind the errors, and you can also see what the industry has done to dramatically improve its safety record through training, orientation, and the establishment of procedures and structures. I believe businesses can benefit from that same approach."

This realization led Mittelstaedt,

former director of executive education at Wharton and now dean of the W.P. Carey School of Business at Arizona State University, to write a book titled, *Will Your Next Mistake Be Fatal? Avoiding the Chain of Mistakes that Can Destroy Your Organization*. Recently released by Wharton School Publishing, the book analyzes the com-



mon factors that underlie major failures ranging from disasters—like the sinking of the Titanic in 1912, the crash of Air Florida Flight 90 in 1982 and the fiery destruction of the Columbia space shuttle in 2003—to serious, but not fatal, mistakes that occur in companies across all industries. Mittelstaedt dissects Coca Cola's "New Coke" fiasco, Firestone's tire debacle, Intel's mishandling of its Pentium chip recall, American Express's failed blue card Optima launch and Webvan's ill-fated

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online grocery shopping experiment, in addition to missteps at companies such as Xerox, Motorola, Kodak, Enron and McDonalds, to name a few. He talks about Martha Stewart's decision to sell stock apparently with inside information (an initial mistake which then mushroomed into several others) and he takes readers through the whole chain of events at Enron where a corporate culture based on arrogance and contempt for others eventually led to what was then one of the biggest bankruptcies in history.

The concept of Managing Multiple Mistakes, Mittelstaedt writes, "is based on the observation that nearly all serious accidents, whether physical or business, are the result of more than one mistake. If we do not 'break the chain' of mistakes early, the damage that is done, and its cost, will go up exponentially ... until the situation is irreparable." The Watergate scandal, he suggests, is perhaps one of the best illustrations of failing to manage multiple mistakes, "starting with the decision to burglarize Democratic party offices to obtain information that was of little value." That mistake "was compounded severely by subsequent attempts to cover up" others, eventually leading to more and more unbelievable fabrications and finally, the resignation of the President. Business mistakes, too, have their own individual patterns and "sins of both omission and commission," Mittelstaedt says, but most fall into the

broad areas of strategy, execution and culture.

A recurring theme identified in *Will Your Next Mistake Be Fatal?* is the reluctance of many executives to acknowledge their failures. “In an era of shareholder litigation, admitting publicly that you messed up can put the company and shareholder value at risk,” Mittelstaedt says. “Also, with the focus always on performance, there is an attitude of, ‘Okay, we made a mistake. Let’s just straighten it out and get on with what we are doing.’ Managers don’t see any upside in analyzing and understanding the mistake chain.” He cites a story in the business press earlier this fall on Hewlett Packard’s recent decision to analyze why one of its divisions had not performed well and what could be learned from that experience. “It was the first time I had seen an announcement like that from a major company saying it was going to investigate itself.”

A Culture of Supremacy

The most disastrous sequence of business errors that Mittelstaedt describes in his book is the one that led to Enron’s collapse. “The chain of mistakes was so long, and in many cases purposeful in that [executives] were focused on trying to beat the system and drive up earnings,” says Mittelstaedt, who divides his book into mistakes that caused economic damage to the company but were not life-threatening, and those that threatened the entire viability of the firm. Enron was an example of the latter, and it is part of a chapter titled “Cultures that Create ‘Accidents,’” which includes analyses of what went wrong at American Medical International, Ford and Firestone in addition to Enron. “Culture is powerful,” Mittelstaedt says, “but what creates success may also kill you.” The cultures of companies can, especially in the early stages, help organizations see market trends before others, grow faster and weather competitive threats. And yet

Continued on next page

China: The Next Japan... or the Next U.S.?

The Chinese Century, by Oded Shenkar

Barely thirteen years ago, Michael Crichton chose Japan’s growing economic power as the subject of his thriller *Rising Sun*. What, besides Japan, could scare Americans as much as the raging dinosaurs of Crichton’s previous book, *Jurassic Park*? But the sun failed to rise. Today, when Americans look East, it’s China they’re usually worrying about.

Will China ultimately become the next Japan, hobbled by internal weaknesses? Not likely, argues Oded Shenkar, author of Wharton School Publishing’s latest book, *The Chinese Century*. Rather, China will leverage its growing advantages to redraw long-standing economic, political, and security arrangements — potentially to the West’s great discomfiture.

China’s size gives it crucial advantages over other emerging economies, writes Shenkar. Its enormous worker supply lets it keep moving up the technology scale without raising costs. Its huge markets allow it to drive hard bargains on technology transfer. It benefits from regional leadership, and a vibrant and entrepreneurial overseas community.

Local firms like TCL, Haier, and Lenovo — which just purchased IBM’s PC business — are beginning to build solid global brands. Meanwhile, America’s shift to Wal-Mart style discount retailing has been a perfect match for China’s low cost structure and massive production capacity. Even China’s physical and regulatory infrastructures are progressing, though China still hasn’t cracked down on the massive intellectual property theft that’s often substituted for innovation.

In short, when it comes to long-term global impact, Shenkar believes the best analogy isn’t Japan (or India or Singapore): it’s the U.S.’s emergence as a world economic power a century ago.

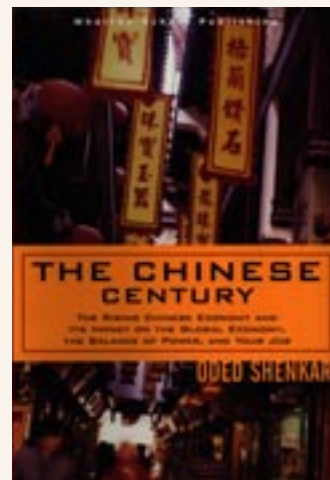
There’s little encouragement here for American manufacturers. Some will survive by exploring product lines requiring specialized capabilities, or those where labor constitutes a small percentage of cost, or by moving upmarket. But the Chinese are automating and moving upmarket, too. Services may remain an option. In certain product categories, so does customization. But many companies will find themselves outsourcing everything — or simply exiting markets.

What are the broader economic implications of China’s ascendancy? Shenkar outlines three conventional scenarios, finding flaws in each. He seems especially skeptical of the hopeful “soft landing” scenario, which posits a gradual decline in trade imbalances as China’s costs rise and U.S. productivity accelerates.

While China is now the U.S.’s fastest growing export market, shrinking the trade deficit will require exports to keep rising 25% annually while import growth plummets below 10%. A soft landing assumes China will gradually change exchange rates, open markets, eliminate subsidies, and make a genuine effort to “buy American” — doubtful propositions, in Shenkar’s view. It also assumes the U.S. will quickly climb to higher-end production, but “the US will not be the only nation trying to move up the ladder as a way of escaping vicious competition at the bottom... life at the top will get pretty crowded.”

The Chinese Century is sobering, especially if you believe that economic power drives geopolitical and military power, too. But if you’re determined to base your decisions on reality, it’s a must-read.

— BILL CAMARDA



Continued from previous page

the same powerful force that binds an organization together for success “can also be a catalyst for, or even a cause of, failure.”

At Enron, Mittelstaedt says, all the mistakes made — including aggressive financial management and lack of oversight by the board and committees — “were the direct result of a culture of supremacy that was built consciously by CEO Jeffrey Skilling, CFO Andrew Fastow and others. They believed that the management team at Enron was simply more intelligent, insightful and skilled in all business matters than anyone else in the world.”

In a chapter subsection called “Enron — Living on the Edge and Loving It,” Mittelstaedt describes Enron as “one of the most complex mistake chains imaginable ... a case of Multiple Failures to Manage Multiple Mistakes.” Once arrogance “became the dominant behavior for senior management at Enron, another very dangerous

effect took place that had to do with pushing boundaries. Enron got so used to believing it could change the rules of the game ... that it used structures so convoluted that the only conceivable purpose was to give the appearance of improved performance while obfuscating the truth ... The entrepreneurial visionary spark and culture that had created early success ... was smothered by the actions of senior executives who took risks to support their egocentric needs.”

Corporate culture, Mittelstaedt says, is clearly a critical part of any company. But “if an organization’s culture is one that discourages the delivery of bad news, then people will be afraid to speak up about problems they see.” Why, he asks, do we still talk about the Johnson & Johnson Tylenol crisis from 1982 — when seven people in the Chicago area died from Tylenol laced with cyanide — whenever there is a discussion of corporate culture?

“Because it’s an extraordinary example of a company where people didn’t have to be told to do the right thing. It was ingrained in their blood, in their DNA. A plan came together very quickly and the product was recalled. The company didn’t say it was not going to do a recall because the deaths happened only in the Chicago area. The company understood that it could never know that for certain.”

Most of the examples in *Will Your Next mistake Be Fatal?* do not involve massive fraud (Enron) or death (airline crashes); they are more the result of a series of bad judgment calls that mushroom into a series of interrelated and harmful consequences for the company. The book, for example, analyzes Xerox’s failure to commercialize technologies developed in its famous Palo Alto Research Center (PARC) where some of the most important innovations in personal computing, networking and printing had taken place. It

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looks at recent missteps by Motorola which has lost market share to Nokia's smaller, more stylish cell phones, was slow to make the shift from analog to digital cell phone technology, and in 2003 failed to anticipate demand for color-screen phones with cameras, among other mistakes. McDonald's is studied for its failure to change a culture that emphasized standardization and sticking to tried-and-true menus at a time when consumers wanted more food choices. While other fast food restaurants began to introduce product innovations for baby boomers who had eaten one too many Big Mac, McDonald's just kept discounting the goods it already had. Although McDonald's "culture of operational excellence was intact, the growth and diversification efforts got off track," wrote Mittelstaedt, adding, however, that the past year has brought strategic change and vast improvements in the company's performance.

The Tipping Point

The goal in avoiding costly chains of mistakes is not for companies to be mistake-free, Mittelstaedt says. "If you do not make any mistakes, you may not be taking enough risks, and failing to take any risks at all may be the most dangerous type of mistake a business can make." The objective instead is to "find ways to stop mistakes quickly once they are made, and to learn from them in the process."

Mittelstaedt cites a book that came out in 1994 whose authors identified 18 companies as "visionary," including Boeing, Ford, Hewlett Packard, Merck, Motorola, Sony and Walt Disney. Yet in the last decade, all of these companies "have fallen on harder times ... and are seeing questions raised about their futures," he says. "All have made serious mistakes or initiated a chain of mistakes that accelerated their fall from the pedestal of business admiration."

Perhaps the one common theme in their difficulties is that they "hung

on to what made them great too long. Once you recognize that the world has changed and there is nothing you can do about that, then you have to change your strategy." Kodak, for example, didn't act quickly enough to commercialize digital technologies. "The problem is money," Mittelstaedt says. "Kodak was making so much money under the old model. It's tough to get the timing right. A company lulls itself into thinking it can wait and suddenly, the market has passed it by.

"So there is a tipping point that usually comes from the external market. In the cases of Motorola, IBM and Kodak, the tipping point was created in the marketplace, and the companies ignored the data longer than they should have." In IBM's case, however, the company made some huge mistakes "but also kept rising above them, the most recent example being its turnaround in the 1990s under Louis Gerstner," Mittelstaedt says.

He wants corporate managers to recognize that there is a chain of events that leads to the visible mistake that finally catches people's attention. "Many executives don't acknowledge the chain. They see the final mistake and think there wasn't an early warning that they could have noticed. The point my book makes is that there are many places you can intervene, especially if you have designed both processes and structures whose function in internal governance is to catch and investigate mistakes." The process can range from a standardization of operating procedures to a focus on customer service. "Customers may be your most important external sensors in the market. Yet a company's marketing/customer service division is often isolated from strategy and finance functions. Consequently, much of that valuable customer data is lost."

Will Your Next Mistake Be Fatal? includes, among its chapters, one on the sequence, and consequences of, mistakes made by small businesses, and a chapter on mistake scenarios in entire industries, including the auto, airline and personal computer industries. At

the end is a summary of 38 insights associated with "accidents, incidents and successes" that can be used as a guide for managers when examining their own organizations.

"No Partial Credit in the Fleet"

Doing things right in business "has gotten a lot of press in recent years," Mittelstaedt writes in this book. "We seem to have finally discovered that just having ideas is not enough. Results are what really matter, and results come from both ideas and execution, but the biggest enemy of great execution is mistakes."

While serving as an officer in U.S. Navy nuclear submarines in the late 1960s, Mittelstaedt says he learned one thing right from the beginning: "There is no partial credit in the fleet. You win or lose in battle. There is no in-between — something that is especially true in the unforgiving environment hundreds of feet below the surface of the ocean." In many ways, he writes, "these are the most challenging times for business in a generation. We have all been awakened to the need to look beyond the comfort of our day-to-day existence, to the need to synthesize the implications of external events, including heightened competition. That, in turn, leads to the need to focus not just on execution but on flawless execution. There is no partial credit in the Fleet" — something to keep in mind when someone asks the question, *Will Your Next Mistake Be Fatal?* ♦

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activities, protocols which the personnel observe and also teach to others.” One attending anesthesiologist described the Advanced Trauma Life Support manual as “the handbook we are singing from during the first ten minutes of any resuscitation.” Another fellow, referring to the manual’s “ABC’s of patient care,” said: “To an outsider looking in, it looks like chaos. But everything is done in an orderly fashion. So, when a patient comes in, airway’s first (A), breathing’s second (B), circulation’s third (C) ... It all looks unorganized, but it’s organized.”

As for surgical tradition, hierarchical authority is ingrained in, and valued by, every surgeon in the operating room. And in terms of value, all members of the team are committed to training junior personnel. “The traditional mantra of surgical training is to ‘see one, do one, teach one’ — that is, see a procedure, do one (or more) and then teach others to do the procedure.”

This structure, the researchers say, leads to a “paradoxical leadership system characterized both by rigid hierarchy and dynamic fluidity.” The hierarchy means that junior members know whom to defer to in times of uncertainty or crisis; when senior leaders delegate authority, junior leaders benefit from the learning experience; and when called for, senior leaders seamlessly reassert their authority to prevent errors in patient care. “It is a dynamic, integrated system,” the authors write, whose very fluidity is one of the reasons for its success.

‘Leadership Does Not Occur in a Vacuum’

So what can the leadership system of a trauma unit teach teams in non-emergency situations? The researchers suggest that organizations where “immediate task performance is critical, goals are clear, team members vary in their expertise, experience, and need for training, and the composition of the team changes frequently” may have something to learn.

On the other hand, the rigid hierarchy and dynamic delegation of the trauma unit teams would, the researchers suspect, “interfere with the performance of teams tasked with the development of creative new products and processes.” Even the challenges that cardiac surgery teams face in implementing a new surgical procedure are significantly different from those faced by a trauma team; the cardiac group, for example, benefits from continuity of team membership—clearly not an attribute of trauma units.

In general, however, Klein’s findings bolster studies suggesting that leadership can be shared among the members of a unit or team, rather than residing in one person in charge of leading his or her subordinates. Such sharing can, in turn, help to develop the abilities of other team members, resulting in more effective functioning of the team as a whole.

Also, while most dominant models of leadership “present a largely static picture of leadership” in which the leader is “assumed, implicitly, to display the same style over time,” the researchers point out that leader identity and behavior in today’s world “evolve as a team matures and also vary as a

function of team task cycles.”

And where existing models also indicate that leaders shape their organizations’ culture, staffing and norms, “our findings suggest that these effects may well be reciprocal,” the researchers write. Just as leaders influence the development of team members, so too do team members influence their leaders. “In short, leadership does not occur in a vacuum.”

Finally, dominant models of leadership see leadership “as a behavioral style, an individual difference, characterizing an individual leader’s interactions with his or her subordinates(s) ... Leadership is thus inextricably linked to the person who occupies the leadership role.”

Yet Klein and her colleagues offer a very different conceptualization of leadership. The trauma unit system suggests “that leadership is a role — or, more specifically, a dynamic, socially enabled and socially constrained set of functions which may be filled by the numerous individuals who, over time, occupy key positions of expert authority on the team. Leadership ... is not the product of a leader’s individual differences, but of any organization or unit’s norms, routines and role definitions.”

Peaceful Coexistence

The characteristics that distinguish the trauma unit teams are likely to become increasingly common in the years ahead. As the researchers note, organizations “increasingly rely on interdisciplinary action teams ... work is more dynamic and unpredictable ... organizational complexity is increasing ... and long-term employee relationships cannot be assumed.”

Says Klein: “What we kept coming back to was that these trauma unit teams were simultaneously extremely hierarchical and extremely fluid and flexible. The idea that these attributes could coexist, and in fact be complementary, was very surprising. The hierarchy allows team leaders to be flexible, because they can be comfortable delegating as long as they know they have the right to rescind that delegation whenever they see fit.

“You hear people talk about the need for more participative, less hierarchical, structures in the workplace,” Klein adds. “And yet in trauma units you have very strong hierarchy simultaneously with very strong delegation and flexibility, and it works, in part because everybody understands it. There are tremendous opportunities for all involved to learn and to take action.” ♦

DePreist

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“When orchestras fall on hard times, very often it is because of poor management ... There is a great, great need [for qualified people],” DePreist says. “But,” he adds, “it requires a sensitivity and understanding that it is not like making widgets.” ♦

there were in fact very strong spacial clusterings: New customers came from the places where existing customers lived. It demonstrated very strong social contagion patterns — word-of-mouth. Your neighbor orders from Netgrocer.com, tells you about it, and you decide to try it, too.”

Bell, however, also discovered something else: Word-of-mouth apparently has a shelf life. “Before people try something once, they don’t have their own experiences to make judgments, so they will try something based on what their social acquaintances tell them. But for repeat customers, there was no spacial pattern at all because the decision to purchase again requires no input from others. You will buy something if you liked it the first time. Period.”

The Ethical Debate

For some, buzz marketing raises not just strategy questions, but serious ethical issues as well. In most cases when marketers talk about buzz marketing ‘agents’ they mean regular citizens who have volunteered to be product guinea pigs—people who receive no financial compensation, but do get products in advance of their release to the general public in exchange for a promise to talk them up if they like them, and to provide feedback to companies about what they and others think. Sometimes, however, marketers blur these lines in their effort to create buzz, hiring actors to pose as Average Joes, similar to what Sony Ericsson did to promote one of its digital cameras.

Actions like these raise the question of whether there is something inherently unethical about buzz marketing itself. After all, even those ‘buzz agents’ who are not monetarily compensated do receive free products in exchange for their services, and few freely admit their status as agents to the people they are buzzing to. For some, the ethical question amounts to just a vague twinge of discomfort when they realize a friend’s excitement over a new product is part of an orchestrated corporate effort to create buzz on the street. For others, it raises the specter of a paranoid future where corporate marketers have invaded every last niche of society, degrading all social interaction to a marketing transaction, where no one can be certain of anyone else’s true opinions or intentions.

Wharton marketing professor Lisa Bolton is one of the hard-liners in the buzz marketing ethics debate. “I realize not all buzz marketing is subversive. Sometimes it’s just a case of getting people on the street and getting the word out. But stealth marketing, where you don’t know that something’s part of a marketing campaign because people don’t identify themselves as such? I think it’s wrong. It’s unethical. Over the long term, when people find out, they will feel deceived and betrayed. Ultimately, it will damage a company’s brand equity.”

Bolton, who teaches consumer behavior at Wharton, recently discussed buzz marketing in her class. During the discussion several students identified themselves as buzz

agents for various boutique marketing companies; some were currently aiding buzz marketing efforts for everything from forthcoming books to new consumer products. Most students were intrigued by the idea of buzz marketing, and few said they perceived any ethical conflict. “They claim that they only act as buzz agents for products they truly like; therefore, they aren’t lying when they praise them. They seem to focus on what they are saying, not why they are saying it,” Bolton says.

Still, the students don’t identify themselves as agents unless directly asked and this is what makes the difference, according to Bolton. “Whenever the buzz agent doesn’t identify himself upfront as a marketer, the customer interaction is deceptive and, therefore, unethical. Research in psychology suggests that consumers are more readily persuaded when they do not know that the other person is trying to persuade them. By not revealing their persuasive intent, the buzz agent is gaining an unfair advantage that undermines social interaction. We usually assume that other people, in ordinary discourse, are not trying to sell us something; when we know we are being marketed to, we can raise barriers to try and protect ourselves,” she says.

Bolton’s students changed their tune a bit when she proposed this scenario for them to consider: “At one point I said, ‘So John, you’re sitting in a bar and a cute girl chats you up and you’re feeling like ‘Oh wow, this attractive person is talking to me.’ It’s only after she’s gone that you find out it’s a marketing ploy. Suddenly they said, ‘Yeah, I’d feel pretty bad, [like I had been] taken advantage of’. Because now they are the victim.”

Wind disagrees. “I don’t see any ethical problem as long as the company provides the product to a person and that person is totally independent in terms of saying whatever they feel about the product to the customer. If we say, ‘Here’s the product and here’s what to tell people,’ then you’re not allowing them to really express themselves. That’s when it undermines credibility,” Wind says. “Consumers are more sophisticated than people give them credit for. Buzz marketing is like sampling; it’s simply providing exposure to the product. You’re not forcing them to buy anything; you’re just exposing them to it. They are not stupid. They will try it and if they like it, they will do more research and maybe buy it themselves. It’s useful. If they don’t like it, they won’t buy it.”

Besides, adds Wind, relying on word-of-mouth marketing may actually force companies to create better products. “Research shows that negative word-of-mouth is seven times more powerful than positive word-of-mouth. This really forces people to have good products. Otherwise, when you turn people loose to say whatever they want, you could be in real trouble.”

“In the end it’s about cutting through the clutter,” says Bolton. “When everyone starts to do buzz marketing, it will just add to the clutter. Then it will be about whoever has the most unique or effective campaign, whether it’s a buzz campaign or not. It will be about what works. The rest is just noise.” ♦

Alumni Association Update

Wharton's Place in the World



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

DEAR FELLOW ALUMNI:

As I write, the world has just emerged from a holiday week marred by the overwhelming tragedy in Asia. The earthquake and tsunami caused untold tens of billions of dollars in damage and unprecedented loss of life. It reminded us that Mother Nature, ultimately, can wreak much more havoc than the worst of the terrorists, and in equally unpredictable ways.

But inside the tragedy, something incredible. Billions in donations. Extraordinary volunteer efforts. Our nation's efforts organized on a nonpartisan basis. The business community energized to help. In many cases, Wharton grads stepping up in leading these efforts. Our hearts go out to those, including some of our graduates and their families, who were impacted

by this horrific event.

The tragedy caused me to think more about the role that a leading institution like Wharton plays on the world stage. Earlier this year, Penn's new President, Amy Guttmann, declared that one of her major priorities will be strengthening the University's engagements both locally and worldwide.

Even before Dr. Guttmann's arrival, Wharton Dean Pat Harker has been all about extending the Wharton brand globally. During his tenure the School has launched Knowledge@Wharton (now with over 400,000 subscribers worldwide and translated into many languages) and Wharton School Publishing. He has personally traveled extensively throughout the world. Our global alumni conferences each spring are tremendous hits. Wharton's student body has an increasingly international flavor. Wharton professors appear more regularly on foreign media.

But what is the message we wish our alumni to deliver as they look to assist in improving Wharton's already solid place in the global community? Simply, we seek for Wharton to be known as a thought

and knowledge leader and a leader in the pursuit of ethics and integrity in business. OK, maybe I should have said THE thought and knowledge leader and THE leader in the pursuit of ethics and integrity in business. Despite sometimes real and substantial cultural differences throughout the world, ultimately, business is business. For each of us to maximize the ultimate long-term benefit we obtain from our Wharton education and degree, it is incumbent on us all to carry the flag, spread the word, wear the shirts and be proud, wherever we sit in the world, to have been trained at the finest institution of management education there is.

In my next (and final) report as Chairman, I will provide a summary of the achievements of our Alumni Association Board and hopes for the future as we come closer to the celebration of Wharton's 125th anniversary in 2006.

As always, if you are currently an active member of Wharton's alumni network, thank you for your dedication. If you are interested in getting involved and would like to find out more information about volunteer opportunities, please contact the Alumni Affairs office at

alumni.affairs@wharton.upenn.edu. There are many ways in which you can make a difference. Start by going to wave.wharton.upenn.edu to find a Wharton alumni club in your region or your area of interest.

Please feel free to call or e-mail me directly with any questions. Thank you for your support of the Wharton Alumni Association.

Sincerely,

David N. Feldman, Esq.,
W'82, L'85
Chairman, Wharton
Alumni Association
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Club Spotlight:

THE WHARTON CLUB OF ATLANTA: GET INTO THE MIX

To many people, Atlanta conjures up literary images of a provincial “Old South” of Scarlet O’Hara and Rhett Butler in *Gone with the Wind* or Charlie Croker in Tom Wolfe’s more recent work, *A Man in Full*. The reality is that the explosive growth that the city has experienced over the past 10 years has created a much more diverse, dynamic, forward-looking and sophisticated cultural mix. Among those leading the charge is Penn alumna and Philadelphia native Shirley Franklin, the city’s mayor, who has helped make Atlanta one of the leading cities for the headquarters of Fortune 500 companies.

The Wharton Club of Atlanta, led by Bruce Hauptfuhrer, WG’94, Michael Hronchek, WG’98, and other Wharton alumni, continues to project a very strong presence in the local community. Over the past several years, many of Wharton’s leading lights, including Dean Patrick Harker, Jeremy Siegel, Richard Shell, Michael Useem, Jerry Wind and Peter Linneman have kept

local alumni apprised of their thought leadership with visits to Atlanta.

The centerpiece of the Club’s current programming is the Wharton-Kellogg-INSEAD Breakfast Speaker Series. This monthly program, started by dual Penn/Wharton degree holder, Cameron Adair, C’69, WG’70, features distinguished and dynamic speakers from the business, academic and civic arenas. Managing through partnerships has been a central facet for the club over the past decade. In the mid 1990s, Bruce Hauptfuhrer was instrumental in the formation of the Atlanta Business School Alliance, which more formally pooled programming opportunities for alumni of leading business schools. To ensure that Wharton alums had a channel for contributing their business skills to local non-profits, Andrew Feiler, W’84, created Community Consulting Teams, in which alumni from a broad range of business schools now participate. These opportunities, combined with additional ones from TeamIvy — a consortium of Ivy League alumni clubs — present local alumni with a very rich and expansive mix of educational, networking, social, cultural and athletic

opportunities with Wharton alumni and the broader community.

If you plan to be in Atlanta, be sure to visit Wharton’s online club directory at <http://www.wharton.upenn.edu/alumni/clubs/> and click on The Wharton Club of Atlanta link to find out about upcoming events.

Wharton Follies Reunion Planned

To coincide with the 125th anniversary of the founding of The Wharton School and the 30th anniversary of the Wharton Follies in 2006, the School is planning a Follies Reunion for participants (cast, crew, orchestra, writers, business staff, etc.) involved in all Follies performances to date!

In order to contact everyone involved, we need your help. First, we need to assemble a complete list of all students involved in Follies from 1976 through 1989. If you have saved your program from that time period, please contact us (see e-mail address below). Also, if you were involved in the Follies, please contact us and tell us what year(s) you were involved and how you participated.

We will soon be forming a Follies Reunion Committee to help coordinate this event. As such, we are seeking two people from each production to be the “class coordinators” for that year’s Follies. (Most of the coordinating will be done via phone and e-mail and should not take up too much time.)

Those of us involved in The Wharton Follies know that it was the most memorable part of our Wharton lives and many of our long-lasting friendships have come out of that experience. Help us relive the memories and get reacquainted with long lost friends by making this reunion a success!

If you have old programs, participated in any Follies productions, or if you want to be a “class coordinator” for this great event, please contact Joel Serebransky (Follies ’84 & ’85) at joel_serebransky@acml.com or Wharton Alumni Affairs at alumni.affairs@wharton.upenn.edu. We look forward to hearing from you and seeing you in 2006!

For complete information and calendar updates, visit <www.wharton.upenn.edu/alumni/> and select “Alumni Event Calendar” from the menu on the left.

Global.Wharton.Connections

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 wolcottg@wharton.upenn.edu.

Executive Education

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

Admissions

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

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

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

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

Wharton Admit Network

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

Library Services

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

University Bookstore

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

Knowledge@Wharton

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

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

LeadershipSpotlight

ROBERT B. GOERGEN, WG'62

“Kaizen” is a Japanese word that Bob Goergen, WG'62, likes to use to explain his approach to business. He came across the word—denoting “gradual change”—when reading about Japanese management practices.

“I use it to differentiate between great leaps forward and thoughtful, gradual changes where your likelihood of success is much higher,” he explains.

Goergen, chairman and CEO of Blyth Inc. and the namesake of Wharton's Goergen Entrepreneurial Management Program, has built a remarkable career on this concept. Indeed, prudent risk-taking helped Goergen transform Blyth from a small candle maker (\$2.8 million in sales) into one of the nation's largest home-accessories companies (\$1.7 billion in sales).

A 1962 graduate of Wharton's MBA program, Goergen had an entrepreneur's eye for calculated risk from the start. As a rookie at the advertising agency McCann-Erikson, he was asked to fill in for the manager of the Coca-Cola account, who had fallen ill. The opportunity didn't escape Goergen, who managed to update the company's marketing campaign by hiring the Supremes to sing the Coca-Cola theme — a replacement for the aging sound of the Limelitters.

Then followed a stint as a management consultant at McKinsey & Co. Goergen says he enjoyed his assignments, his clients and a generous salary, but he eventually concluded that McKinsey didn't fit his long-term goals even though he had become a partner.

“What I considered freedom wasn't high income, but net worth,” he says. “So I began thinking about doing venture capital. I took a huge pay cut to start at the bottom at Donaldson Lufkin & Jenrette, with the Sprout Group, its private equity group. I went from partner's perks to basically starting over.”

The move paid off. While highly successful at Sprout (he became the Managing Partner) Goergen also found himself in a position where he was able to make what he calls “hobby investments” — that is, deals that were too small to interest Sprout.

In 1976, he came across a Brooklyn, NY, firm called Valley Candle Co. Goergen and three friends put up a total of



\$50,000. He then raised \$300,000 more from other friends and family members. That enabled the partners to persuade Chemical Bank to lend them \$650,000 more. They bought Valley for \$1 million.

Within a year, Goergen heard that another candle company — Candle Corp. of America in Chicago — was for sale. This time, the price was \$3.3 million. Goergen again called on his network. But to get a large enough loan, he had to pledge his personal assets, too. If the loan was called and the company couldn't pay, Goergen would have to pony up.

After a somewhat bumpy start, though, Goergen decided to step up his involvement in managing the company. “I saw the \$3 million guarantee possibly getting called, and my friends had invested in this company, and I didn't want to let them down,” he recalls. So in 1978, he quit his Managing Partner job and became a full-time candle maker. Again, it was the right move: today, Blyth Inc. has about \$1.7 billion in annual sales.

Similar to the active role he has played in his company, Goergen has given back not only financially to the Wharton School: as Chairman of the Wharton Entrepreneurial Programs Advisory Board and as member of the Wharton School's Board of Overseers, he is actively engaged in the progress of new School programs and research.

And to this day, Goergen continues to play a key role in Blyth's acquisitions. “I always get involved, checking on values and the strategic fit. And I really kick the tires on the management team.” ♦

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