WINTER 2006

Wharton

ALUMNI MAGAZINE

125 years ago,

Wharton was a radical idea. To celebrate the ideas it inspired, Wharton alumni look at the past and the future.

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Wharton

ALUMNI MAGAZINE

WINTER 2006

Features

125 YEARS

10
Looking back, looking ahead.

Departments

24
Debunking myths about acquisitions.

W. Frank Fountain, WG'83, SVP for external affairs and public policy at DaimlerChrysler Corp., addressed the Whitney M. Young Memorial Conference in Philadelphia. Held December 1-4, 2005, the African American MBA Association conference featured a new venture competition, as well as panels, forums, and keynote speakers.

Events Calendar

February 2006

February 1
Wharton 125: Wharton Economic Summit
‹125th.wharton.upenn.edu/events/economicsummit/›
Location: The Pierre, New York

February 10
MBA Conference: Restructuring Conference
‹www.clubs.wharton.upenn.edu/wrc/index.html›
Location: Union League, Philadelphia

MBA Conference: Media and Entertainment Conference
‹www.mbamec.com›
Location: Lerner Hall, New York City

February 11-12
Wharton 125: 30th Anniversary Follies Reunion
‹125th.wharton.upenn.edu›
Location: Philadelphia

February 16-17
MBA Conference: Health Care Business Conference
‹www.whcbc.org›
Location: Park Hyatt at the Bellevue, Philadelphia

February 16
Wharton 125 Faculty Tour: Kenneth Shropshire, Sports Business
‹125th.wharton.upenn.edu/events/kshropshire.html›
Location: Atlanta

February 23
Wharton 125 Faculty Tour: Peter Linneman, Real Estate
‹125th.wharton.upenn.edu/events/plinneman.html›
Location: Miami

February 24
MBA Conference: Technology Conference
‹www.whartontechconference.com/index.php›
Location: Pennsylvania Convention Center, Philadelphia

March 2006

March 8
Wharton 125 Faculty Tour: Raphael Amit, Entrepreneurship
‹125th.wharton.upenn.edu/events/ramit.html›
Location: Cleveland

March 9
Wharton 125 Faculty Tour: David Reibstein, Marketing
‹125th.wharton.upenn.edu/events/dreibstein.html›
Location: Seattle

March 24
MBA Conference: Social Impact Management Conference: Solutions to Social Problems Incident to our Civilization
‹www.simconference.org›
Location: Houston Hall, Philadelphia

April 2006

April 4
Wharton 125 Faculty Tour: Peter Linneman, Real Estate
‹125th.wharton.upenn.edu/events/plinneman.html›
Location: Charlotte, NC

April 11
Wharton 125 Faculty Tour: Joseph Gyourko, Residential Real Estate
‹125th.wharton.upenn.edu/events/jgyourko.html›
Location: Boston

April 30 – May 5
Executive Education: The CFO: Becoming a Strategic Partner
‹executiveeducation.wharton.upenn.edu/course.cfm?Program=CFO›
Location: Steinberg Conference Center, Philadelphia

May 2006

May 1
Wharton 125 Faculty Tour: George Day, Competitive Marketing Strategies
‹125th.wharton.upenn.edu/events/gday.html›
Location: Minneapolis

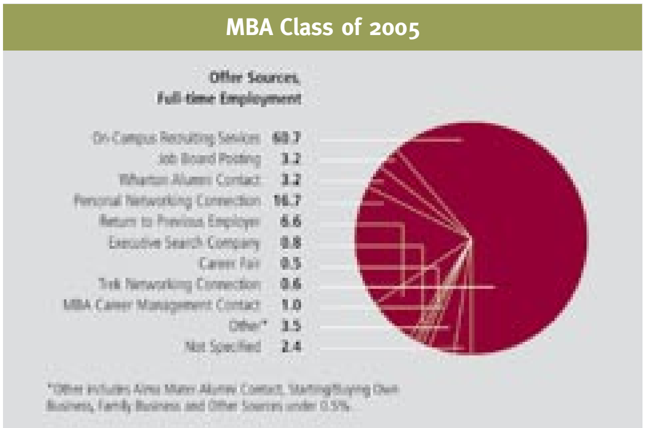
May 2
Wharton 125 Faculty Tour: Olivia Mitchell, Social Security/Retirement
‹125th.wharton.upenn.edu/events/omitchell.html›
Location: Washington, DC

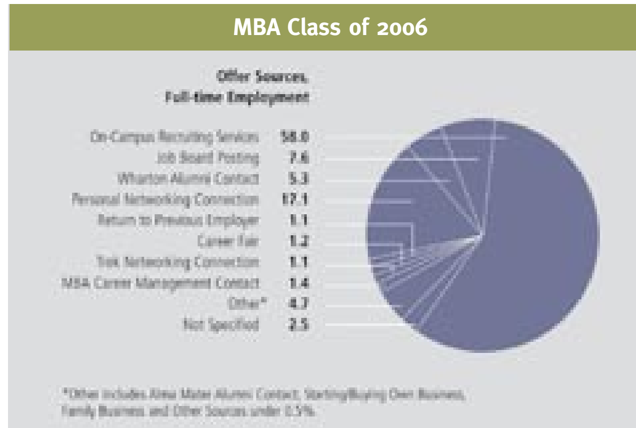
May 11-14
Wharton 125: Alumni Reunion Weekend
‹www.wharton.upenn.edu/alumni/reunion/2006›
Location: Philadelphia

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/**

ANDREA HERMANN





WHARTON MBA STUDENTS REPORTED OFFERS FROM A GROWING NUMBER OF SOURCES. ALUMNI PARTICIPATION CONTRIBUTED TO MANY OF THEM, INCLUDING ON-CAMPUS RECRUITING, JOB BOARD POSTINGS, ALUMNI CONTACTS, AND CAREER TREKS.

The Job Market Roars Back for Wharton MBA Grads and Interns

Amid the cycle of interviews, career treks, and information sessions, 2006 graduates and first-year students can take comfort in the results achieved during the 2005 season.

Says Christopher Morris, director of MBA Career Management, "The hiring situation for the class of 2005 was better than for the class of 2004 and significantly better than for the two years prior to that."

The results were especially striking for the second-year students, with far more companies coming to campus to interview. In 2005, 94% of MBA graduates seeking employment reported job offers as of September 1, and 93% reported job acceptances with a median total compensation of $135,000. Among first-year students seeking internships, 99% reported offers with 98% accepting summer employment. Employment rates for U.S. and international students were comparable.

Wharton graduates continue to pursue broad functions, industries, and regions. In the past year, more than 2,000 companies engaged Wharton MBA students through a range of activities that included on-campus recruiting, job board postings, and hosting student treks in nearly two dozen cities worldwide. Of these companies, more than 600 made at least one offer to Wharton MBA students in 2005.

Morris, now in his second year as director of the career office, cites two goals: first, to provide a higher level of service to students and recruiters by overhauling internal systems to be more user-friendly and by providing a higher level of customer service. "The second is continuing to provide additional resources for students who are looking for opportunities outside of organizations that historically come on-campus," he says. "We do that by helping students organize company visits to different cities on an industry basis. We've promoted the use of our job boards for companies that are evaluating whether to hire Wharton students or alumni, as a very low-cost way to test the waters to see who responds. We've enhanced the use of technology across the board — providing video-conferenced information sessions from anywhere in the world."

Morris notes that regional and international diversity continues to increase: "What we find in the recruiting process is that for the right job with the right company and the right responsibilities, students will relocate to cities they might not otherwise have considered."

In addition to success among employers who are new to the School, Wharton's traditional pipelines into consulting and banking are back on full force. More than a quarter of full-time hires went into consulting (26.5% in 2005 versus 22.5% in 2004), and the number of graduates going into financial services was up more than 10% (44.1% in 2005 versus 40.6% in 2004) with the hedge funds (4.8%), and private equity (7.6%) particularly hot — each nearly doubling over the previous year's numbers.

For complete statistics or to find out how you can recruit Wharton MBA grads, visit **<mycareer.wharton.upenn.edu>**.

Wharton Welcomes Students Displaced by Hurricane Katrina

In late August, Rasheena Harris was settling into historic New Orleans as a first-year MBA student at Tulane

MAGAZINE STAFF

RASHEENA HARRIS

University when Hurricane Katrina hit. Instead, Harris evacuated the city, along with all her classmates and millions of residents of the region.

At the time, most expected to return within days, but history did not unfold that way. Harris, a Philadelphia native, found a temporary home at Wharton for the fall semester, along with 11 other New Orleans-area graduate students and 18 undergraduates.

In the days after the hurricane, Penn announced that it would offer academically qualified Philadelphia-area students enrolled at colleges and universities in hurricane-stricken areas the opportunity to take fall semester classes at Penn. But matching students to the opportunity was complicated by the dispersal of the New Orleans evacuees and the destruction of communication networks.

Harris learned about the opportunity at Wharton and told several of her classmates about it. The grapevine worked. Within a matter of days, Wharton's Graduate Division received 40 applications from students at Tulane University and The University of New Orleans, 12 of whom were eligible for Wharton's MBA program. The next step, says Parker Snowe, associate director of Wharton's Graduate Division, was to get them to Philadelphia as quickly as possible.

The displaced students now at Wharton include Philadelphia residents, as well as residents from farflung states and countries. The students from New Orleans were welcomed into the Wharton community, joining learning teams and taking part in activities. Harris, for example, became involved in the Whitney M.Young Conference, held in December. Wharton students became active fundraisers for victims of the storm. The undergraduate Wharton Council ordered 5,000 bracelets in Mardi Gras colors with the words "The Big Easy" to sell on Locust Walk and at all undergraduate benefit events. Wharton alumni clubs responded to the Hurricane Katrina crisis. Most notably, the Wharton Club of Houston, spearheaded by president emeritus **Jonathan H. Lack, WG'91**, reached out to help displaced Wharton alumni find jobs in Houston.

Tulane University sustained little damage compared to some other areas of the city and some other New Orleans universities, and MBA and undergraduate classes are scheduled to begin February 9, 2006, with two 12-week terms running back to back into the summer so that students who did not take fall schedules can catch up.

"New Orleans is New Orleans because of the people, but they're not there now. It's a ghost town," says Harris. "The students are part of the community that will return, and bring the city back to life."

Wharton Team Wins INSEAD Business Plan Competition

The first predominantly Wharton team to enter INSEAD's Business Plan Competition was also the first to win. The company, VivaTech Imaging, was led by Wharton students enrolled during summer 2005 at INSEAD's Singapore campus as part of the Wharton-INSEAD Alliance.

The winning team consisted of **Nikhil Lalwani, WG'05**, **Dr. Sanjiv Talwar, WG'05**, **Anya Schiess, WG'05**, **Dr. Alexander Schuth, WG'05**, and Monisha Dillon, an INSEAD MBA student. All Wharton representatives were health care management majors.

The team, in a slightly different lineup, made it to the Great Eight in Wharton's 2004-2005 Business Plan Competition as Lemire Imaging Inc. When Lalwani traveled to Singapore to finish up his studies at INSEAD, he had no plans to enter another competition. Upon arrival, still passionate about his company's potential, he saw an opportunity to refine its business plan and presentation.

Lalwani and Schuth recruited an INSEAD teammate and kept their U.S.-based colleagues on

INSEAD

A WHARTON-MAJORITY TEAM RECEIVES THE TOP PRIZE IN THE INSEAD BUSINESS PLAN COMPETITION FROM A REPRESENTATIVE OF ROLAND BERGER CONSULTING (SECOND FROM RIGHT). TEAMMATES PICTURED ARE ALEX SCHUTH, WG'05, NIKHIL LALWANI, WG'05, AND MONISHA DILLON FROM INSEAD.

board remotely. With more experience under their belts and a stellar mix of skills, VivaTech Imaging made a winning pitch. The team won the top prize of 10,000 euros, as well as a bronze medal for innovation.

The company seeks funding to develop and market a painless, laser-based screening tool for breast cancer. VivaTech's technology, called LaserScan, is based on a patent developed by advisory board member Bob Lemire. It uses non-ionizing laser energy to detect tumors by measuring hemoglobin concentration in neo-vascularization. The light passing through the tissues is scattered and absorbed, then computer algorithms construct a three-dimensional image of the breast.

Bendheim Gift Helps Wharton MBAs Pursue Public Service Careers


LEON LOWENSTEIN FOUNDATION

THOMAS L. BENDHEIM, WG'90, AND JOHN M. BENDHEIM, W'40

When **Thomas L. Bendheim, WG'90**, and his father, **John M. Bendheim, W'40**, first talked about making a gift to their alma mater, they knew that they wanted to help others to give back to society in the ways that they have been able to do throughout their careers.

"We know that many Wharton students are interested in public service careers, but that their educational debt burden may inhibit them from pursuing these jobs," says Thomas Bendheim.

Established through a $2.5 million grant from the Leon Lowenstein Foundation, the John M. Bendheim Loan Forgiveness Fund for Public Service will help cover the debt obligations for MBA graduates who pursue public service or not-for-profit work.

The younger Bendheim says that the gift will help people such as his wife, **Kathryn Bendheim, WG'90**, who, because of the significant loan burden she had taken on to come to Wharton, could not afford to take a job in the not-for-profit field right after she graduated. The Bendheim Loan Forgiveness Fund will grant up to $50,000 of debt forgiveness to students who demonstrate their commitment to the public and/or not-for-profit sectors upon graduation. Each award recipient is then charged to become a mentor and resource for current Wharton MBA students who are interested in similar careers.

"This gives us a powerful message to take to those who are interested in this kind of work," says Thomas Caleel, Director of Admissions and Financial Aid in Wharton's MBA program. "And it's a powerful tool for recruiting these people."

Wharton and Penn Law Collaborate to Bring Dealmakers into the Classroom

"The success of the deal depends on the team driving it," said **Ruth Porat, WG'87**, vice chairman at Morgan Stanley, before a classroom full of Wharton MBA and Penn Law students.

She was speaking about the team of investment bankers, lawyers, and executives who made Genworth Financial's 2004 stock offering the most successful IPO in two years, but she could just as easily have been talking about the team behind the interdisciplinary class she spoke to. An elective called "Deals: The Economic Structure of Contracts and Transactions," the class was developed by Wharton Management Professor Daniel Raff and two colleagues at Columbia Law School when Raff taught at Columbia. Raff and Penn Law Associate Dean Michael Knoll, a trained economist and an expert in tax law, have brought it to Penn and are adapting it to the particular strengths and interests of the University's faculty, students, and alumni.

The innovative class took place in two halves during the course of the term. The first part of the term was lecture style, team taught by Raff and Knoll. The second part involved students from both graduate schools dividing into teams to study recent interesting and prominent transactions. The students gained access


TOMMY LEONARDI

PAMELA DEALEY, VP OF BUSINESS DEVELOPMENT FOR GE, SPEAKS TO AN MBA CLASS THAT INCLUDES (FRONT ROW) PENN LAW ASSOCIATE DEAN MICHAEL KNOLL AND WHARTON MANAGEMENT PROFESSOR DANIEL RAFF

TOMMY LEONARDI

RUTH PORAT, WG'87, VICE CHAIRMAN OF MORGAN STANLEY

to original deal documents, and proposed an analysis in class each Monday. During the Wednesday class session, the deal was illuminated by the actual i-bankers and lawyers — many of them Penn and Wharton alumni — who pulled them off.

On November 2, the first deal of the second phase of class brought to Wharton Pamela Dealey, a Penn Law graduate, vice president of business development for GE, and a director at Genworth Financial; Briggs Tobin, senior counsel, transactions, for GE; David Lefkowitz, senior partner, Weill, Gotshal & Manges, LLP; and Porat. Dealey, one of the driving forces behind putting the class together, brought her team to Philadelphia to offer insight into GE's strategy for spinning off Genworth Financial, as well as financial, governance, and tax details about a deal that had a $10 billion book value.

Other deals discussed during later class sessions included the redevelopment of the St. Moritz Hotel on Central Park South and the reorganization of Royal Dutch-Shell.

Knoll described one of the challenges of the interschool collaboration, "The vocabulary of law school and business students is different, but we needed to find common ground," he said. "We try to pitch it at a level that will be comfortable for both. Law students don't know business jargon, and business students can't quote code sections. But when they graduate and try to put deals together, they will need to talk to and understand each other."

Three New Learning Simulations Enliven Management, Economics, and Operations

In a survey conducted last spring, 87% of Wharton students said computer-based tools enhance learning in class. In Fall 2005, Wharton's Alfred West Jr. Learning Lab introduced three new simulations in management, economics, and operations and information management. Students who engage in the simulations and receive real-time feedback indicate that computer-based tools are more effective than both case-based and lecture-based classes in enhancing attention and engagement, retaining material, and promoting team collaboration.

These new offerings bring to 23 the total number of simulations developed and deployed by the Learning Lab, which was founded in 2001 through a $10 million gift from alumnus **Alfred West Jr., WG'66**. A total of 28 faculty authors have developed new learning tools that have been used by more than 5,000 Wharton students since 2001.

RAISE (Raise Allocation Interactive Salary Exercise), used by students in Wharton's Undergraduate Management 101 class, was developed under the faculty leadership of Lori Rosenkopf, associate professor of management. With RAISE students focus on allocating a salary raise pool among seven employees. The simulation gives students hands-on experience in the role of corporate managers who must allocate limited resources. Within the simulation, students make decisions about which employees will receive a raise based on quantitative and qualitative performance measures as well as a host of demographic characteristics and other idiosyncratic information for each employee.

"Before RAISE, we needed several Teaching Assistants to run the exercise manually and were not able to provide the same level of hands-on interaction for each student," says Rosenkopf. "The simulation automates many of the calculations and provides

Continued on page 8

Seen and Heard on Campus

A SELECTION OF RECENT WHARTON SPEAKERS ON CAMPUS AND AT CONFERENCES

SEPTEMBER

September 12: Sam Zell, Chairman, Equity Group Investments; Steven J. Gilbert, W'67, Chairman of Gilbert Global Equity Partners, L.P.
September 13: Farhad Mohit, WG'96, Founder, Shopzilla; Jim Donald, president, CEO and director of Starbucks
September 20: Peter Thomas Roth,W'79, Founder PeterThomasRoth skin care
September 27: Aditya Mittal, W'96, President and Group Chief Financial Officer, Mittal Steel Company Limited; Tracey Weber, WG'95, SVP, Travelocity
September 29: Edward D. Breen, Chairman & CEO, Tyco International Ltd.

OCTOBER

October 3: Michael Pralle, President and CEO of GE Real Estate
October 4: Bill Lawrence, W'83, CEO, Meridian Capital Partners, Inc.; Steve Farella, President & CEO, TargetCast
October 11: Michelle Peluso, W'93, CEO, Travelocity
October 18: Michael Luby, WG'98, President & CEO, TargetRx
October 20: Wendy Finerman,W'82, Founder, Wendy Finerman Productions
October 24: C.K. Prahalad, Professor at Ross School of Business
October 28: Richard H. Lenny, Chairman, President and Chief Executive Officer, The Hershey Company

NOVEMBER

November 3: Rob Henrikson, C'69, AMP'90, President, COO, Chairman & CEO-Elect, MetLife
November 4: Sharon L. Allen, Chairman of the Board, Deloitte & Touche USA; Ann S. Moore, Chairman and CEO, Time Inc.
November 5: Patrick FitzGerald, C'97, founder, RecycleBank
November 10: Jay Penske, W'01, CEO & President, Velocity Services Inc.; Anne Mulcahy, Chairman and CEO, Xerox
November 11: C. Howard Wilkins, Founder, Pizza Hut Franchising, former U.N. Ambassador to the Netherlands; David Marshall, W'61, Chairman and CEO, Amerimar Realty Co.; Bruce Toll, Founder and Vice Chairman, Toll Brothers; Jason Olim, Founder and former CEO of CDNOW
November 15: John Scardapane, Founder & CEO, SaladWorks
November 17: Renato Bertani, President, Petrobras USA; panelist Tomás Dueñas, Ambassador from Costa Rica and former minister of trade; Alberto Beeck, Chairman, Hochschild Corporation/Zemex

EDWARD LAM/DAILY PENNSYLVANIAN

MICHELLE PELUSO, W'93, RETURNED TO CAMPUS TO GIVE A MUSSER-SCHOEMAKER LEADERSHIP LECTURE ABOUT HER EXPERIENCE AS CEO OF TRAVELOCITY, A LEADING TRAVEL WEBSITE. PELUSO, A FORMER WHITE HOUSE FELLOW AND FOUNDER OF SITE59.COM, HAS HELPED INCREASE THE COMPANY'S REVENUE GROWTH FROM 1.8 PERCENT IN 2002 TO 30 PERCENT IN 2005.

November 18: Hans-Paul Buerkner, CEO, The Boston Consulting Group
November 19: Irene Charnley, Executive Director, MTN, Dr. Paa Kwesi Nduom, Minister in State of Public Sector Reform, The Republic of Ghana; Nkosana Moyo, Managing Partner, Actis Private Equity Fund
November 22: Brian Roberts, W'81, President and CEO, Comcast Corp.; Harold W. McGraw, WG'76, President and CEO, McGraw-Hill, Inc.

DECEMBER

December 1: Ann M. Fudge, Chairman and Chief Executive Officer, Young & Rubicam Brands; Michael Lee-Chin, Chairman and Chief Executive Officer, AIC Limited, Chairman, the Berkshire Group of Companies, Chairman, National Commercial Bank Jamaica Limited Chairman, Senvia Money Services Inc.; W. Frank Fountain, WG'83, SVP - External Affairs and Public Policy, DaimlerChrysler; Hal Real, President, Real Entertainment Group; Wharton Leadership Lectures, David Barger, President, COO & Director, JetBlue Airways
December 6: General Peter Pace, Chairman of the U.S. Joint Chiefs of Staff ◆

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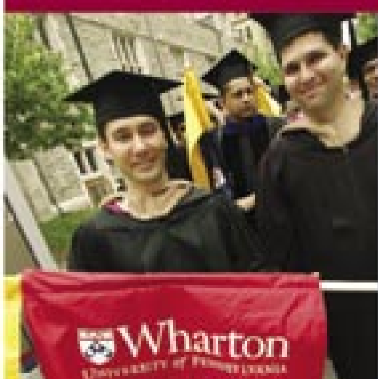

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scenario parameters that can vary by group. It also introduces additional prompts to individuals based on their initial responses to the scenarios."

The other two new products are PLANT (Production Line ANalyzation Tool), developed with Operations and Information Management Professor Anita Tucker to help students learn to improve production performance, and Macroeconomic Policy Simulations, developed with Professor Andy Abel to demonstrate the challenges of making macroeconomic policy in a world where fiscal and monetary policymakers with different objectives have control over various policy tools.

Outreach to Women Applicants for the Undergraduate and MBA Exec Divisions

In 2003, 712,000 women earned a bachelor's degree in the United States, compared with 531,000 men. And 274,000 women received master's degrees, compared with 194,000 men. Yet business schools have been left behind the trend toward female majorities in higher education.

In Wharton's most recent classes, women make up 39% of undergraduates, 32% of traditional MBA students, and 20% of students in the MBA Program for Executives. While these numbers represent continuing progress, the growth is not nearly fast enough for Wharton administrators. This year, the Wharton Undergraduate Division and MBA Program for Executives introduced innovative outreach efforts to let potential female students — from teens to executives — know that business careers and degrees are worthwhile, stimulating, and achievable.

Wharton Undergraduate Vice Dean Barbara Kahn worked with New York University Stern School of Business Dean and Vice Dean Sally Blount-Lyon to create a joint initiative, "Discover Business Now," that educates high school sophomores and juniors about what it means to study business at the undergraduate level and how doing so broadens their career opportunities. The program consisted of two fall events. The first, held on November 1, 2005 in Short Hills, NJ, invited students of both genders, and the second — exclusively for girls — was held November 6 in Philadelphia.

"Having business skills opens a thousand doors," says Kahn. "You can pursue a doctoral degree, or go to a professional school. You can enter many different fields — you can be a business major and concentrate in politics, business public policy, marketing, or management, to name a few. It's not a narrow approach to undergraduate education; on the contrary, it's a broadening approach."

The MBA Program for Executives reached out to female executives and professionals at their own events, held November 16 in Philadelphia and November 30 in San Francisco. While women know the value of an MBA by the time they have reached the level of career success necessary for an executive MBA, many doubt they will be able to balance work with Wharton's demanding curriculum, while still maintaining time for their families and personal lives.

This myth was dispelled by Wharton alumni panelists and speakers, who were honest about the challenges but emphatic about the rewards. **Amy Errett, WG'88**, CEO of Olivia Cruises, spoke on the West Coast, while the East Coast panel included **Shelley Boyce, WG'95**, CEO, MedRisk; **Gladys Gabriel, WG'99**, purchasing director at IFF; and **Lillian Heizner, WG'01**, principal, Booz-Allen Hamilton.

Summer Program for International Undergraduates Grows

Penn's Summer Institute in Business and Technology, sponsored jointly by Wharton and Penn Engineering, is just four weeks long and two years old, but it has an impact on students from around the world.

Begun in 2004, after a request from Jiao Tong University in Shanghai, SIBT gives international undergraduates intensive courses in engineering entrepreneurship and management. Students also make site visits to companies, attend guest lectures, and receive optional coaching on oral and written communication.

The program attracts students from countries such as China, South Korea, Brazil, Croatia, and France. Visit **<www.mandt.wharton.upenn.edu/mtsi.htm>** for more information about 2006 admission. ◆

The Roy and Diana Vagelos Program in Life Sciences and Management, Wharton's latest interdisciplinary program, is poised to prepare undergraduates as leaders, managers, and researchers in biotechnology, pharmaceuticals, and other life sciences. Beginning in fall 2006, the joint program of Wharton and Penn's College of Arts & Sciences will allow students to pursue either a B.S. in Economics or a B.A. with a science major. 25 exceptional undergraduates each year will participate in a common core course, internships in both science and business, and an upper-level science research project.

The new program was funded by a $3 million gift from emeritus trustee Dr. P. Roy Vagelos, C'50, H'99, former CEO of pharmaceutical giant Merck and Co., and his wife Diana. The program will be directed by Wharton's Mark Pauly, Bendheim Professor and Professor of Health Care Systems, Business and Public Policy, Insurance and Risk Management, and Economics, and Philip Rea, Professor of Biology in Penn's College of Arts and Sciences.

New Undergraduate concentration in retailing. In November 2005, Wharton announced a new undergraduate secondary concentration in retailing. The new concentration will meet the demands of students and employers for deeper foundation for successful careers in retail. Undergraduate enrollment in the "Principles of Retailing" course has nearly doubled since the 1990s, necessitating the creation of a second section in 2004, bringing an annual enrollment in the course to over 90 students per year. And in the past two years, two clubs have been formed with a focus on the retail and fashion industries, each with over 70 members.

The new curriculum will be offered to Wharton undergraduate students and will be administered by the School's Jay H. Baker Retailing Initiative, which was established in 2003 through a $10-million gift from Patty and Jay H. Baker.

Wharton Undergraduates win Rhodes, Marshall fellowships. Thanksgiving celebrations started early for two Wharton undergrads who won prestigious fellowships shortly before the holiday break. **Brett Shaheen, W'06, C'06**, was announced as one of 32 American Rhodes scholars, who receive scholarships to Oxford University, while the Huntsman Program's **Aziza Zakhidova, W'06, C'06**, received a Marshall scholarship for study at a British university. Both are interested in pursuing the study of economies of developing nations and impoverished communities.

Undergraduate Division sponsors first Sophomore Reorientation. The Wharton Undergraduate Division held the first-ever "Sophomore Reorientation," an innovative, spirited initiative aimed at helping Wharton sophomores prepare for the year ahead. The program was conceived and designed by the Wharton Council, the Dean's Advisory Board, and the Undergraduate office as an effort to provide incoming sophomores with some of the "tools" they need to succeed, with a particular focus on the academic aspects of the year ahead.

"We wanted to do something to support the sophomores because like most sophomores across the country, our students experience a significant amount of stress and anxiety during their sophomore year," says Beth Hagovsky, director of student life for the Wharton Undergraduate Division. "An indirect benefit of the program was creating a sense of community among the sophomores as they came together to listen to the panelists and talk to the faculty. They realized that they were all in this together."

MBA Exec students visit president and business leaders in India and China. Students in the MBA Program for Executives (MBA Exec) at Wharton West traveled to India September 12-16 to meet with key business and government leaders as part of an ongoing effort to learn more about the country's growing influence in the international marketplace.

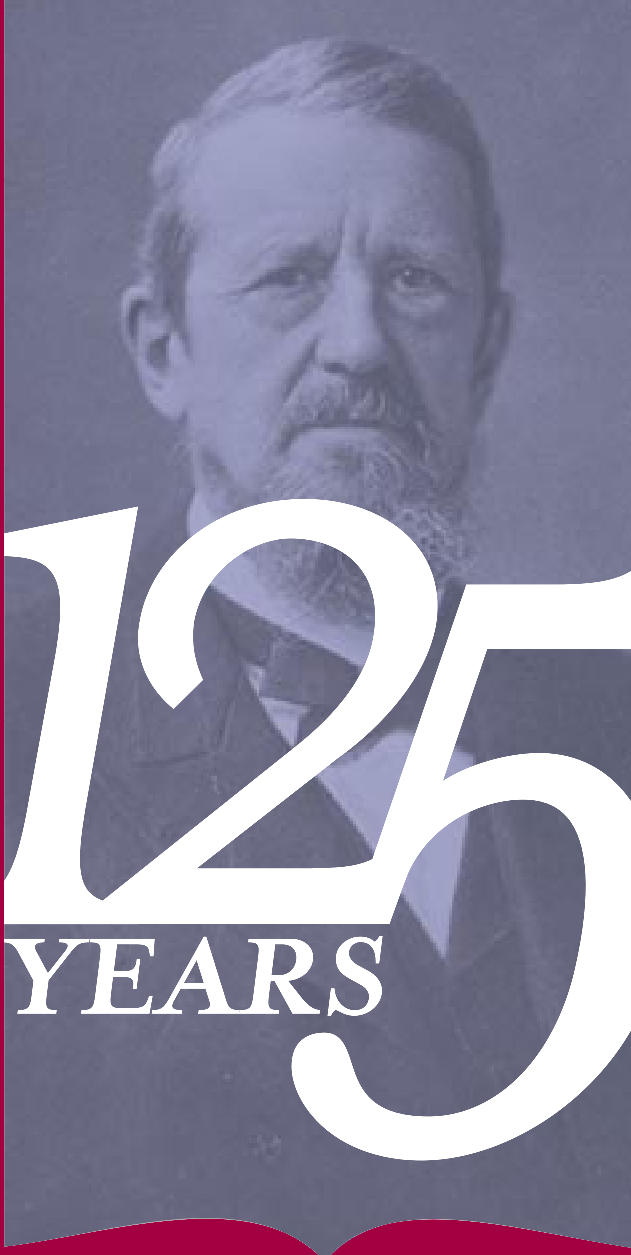
The international trip, part of the Wharton MBA Exec curriculum, provides an opportunity for students and international industry and government leaders to learn from each other about business trends in the region. Each year, the second year MBA Exec East and West Coast classes choose a location of travel as part of their MBA experience. This year's East Coast class chose China as its destination. The West Coast class chose India for the second year in a row.

The visit kicked off in Mumbai, where students visited organizations including Emcure Pharmaceuticals, Godrej Industries, Mahindra & Mahindra, McKinsey India, the National Stock Exchange of India Ltd., Qualcomm India, and Reliance Infocomm. In Bangalore, the students met with companies including Cisco, Hewlett-Packard GlobalSoft, and Infosys Technologies. In New Delhi, students met with the Confederation of Indian Industry, NASSCOM, the World Bank, and the president of India, Dr. A.P.J. Kalam.

New Members of Wharton's Board of Overseers. In September 2005, Wharton welcomed six new members to the Board of Overseers.
Richard B. Cohen, W'74, a University of Pennsylvania parent, currently serves as chairman and CEO of C&S Wholesale Grocers, Inc.
Craig K. Harding, WG'75, is the chairman and CEO of The Harding Group, a private equity firm that he founded in 1984.
Beth J. Kaplan, W'80, WG'81, is the managing director of Axcel Partners, LLC. Kaplan joined the Undergraduate Board in 1995 and assumed the role of chair in 1998.
Ira A. Lipman, chairman, president and chief executive officer of Guardsmark, LLC, previously served on the Board of Overseers from 1991 to 2004.
Alan B. Miller, WG'60, is the chairman, president, and CEO of Universal Health Services, Inc. His previous Wharton senior leadership experience includes serving on the Graduate Executive Board from 1996 until 2004.
Kenneth D. Moelis, W'81, WG'81, president of UBS Investment Bank, has been a member of the Undergraduate Executive Board since 1997.

New chairs for the Undergraduate and Graduate Executive Boards.
Brian D. Finn, W'82, will serve as the new chairman for the Undergraduate Board. He replaces Beth Kaplan, who formerly held the position. Finn is the president of Credit Suisse First Boston. He has been a member of the Undergraduate Executive Board since 1999.
Dolf R. DiBiasio, WG'69, will serve as chairman for the Graduate Board. Replacing Craig Harding, DiBiasio has been a member of the Board since 1995. DiBiasio served as executive vice president for AOL/Time Warner, Inc., overseeing the global strategy and investment of the company with the specific objective of adding to the growth and strength of the enterprise. Prior to his time with AOL/Time Warner, Inc., he was a senior partner at McKinsey and Co. ◆

WHARTON



Wharton was the first collegiate business school.

In the past 125 years, we invented the business curriculum, business textbook, business professor, and business student. Through the influence and actions of faculty and alumni, we've elevated industries, spread economic models, influenced capital markets, built companies, and created opportunities around the world.

In this month's *Wharton Alumni Magazine* and in issues to come, you'll hear directly from a few among 80,000 alumni innovators and leaders: Warren Lieberfarb, who led the creation of the DVD; J.D. Power III, whose market research firm defined independence; Michael Milken, who changed the bond market and the funding of cancer research; and David Yi Li, who restructured China Merchant Holdings and now leads UBS in China. Learn about how they've achieved innovation and results in their careers, and hear what they see as trends for the future in their industries.

Look for the stories of more influencers, entrepreneurs, leaders, and visionaries as we celebrate the 125th anniversary of the idea that inspired them all. Visit **<125th.wharton.upenn.edu>** to nominate a Wharton leader who fulfills the unique vision of Joseph Wharton.

Looking back, looking ahead

A Message from Dean Patrick Harker

In 1881, American entrepreneur and industrialist Joseph Wharton had the most radical idea in the history of business.

He proposed the establishment of the world's first collegiate school of business at the University of Pennsylvania. Joseph Wharton offered the vision of future generations of business leaders – trained through the scientific study of business – unleashing the power of their knowledge to advance society through economic development.

As we celebrate this major moment in the Wharton School's history, it's important to reflect on the impact of that radical idea. We're not only celebrating the 125th anniversary of the Wharton School. We're also celebrating the birth of business education, a global industry that produces more than 300,000 highly skilled managers every year and the knowledge that drives business growth. And it all started right here.

No other single idea — and no single institution — has had such a dramatic, transformational effect on the way business is conducted in the global market.

But the 125th anniversary of the Wharton School is not only a time to celebrate our unique heritage as the *origin* of business education. It's a time to celebrate our *continued leadership* to this very day in setting the standard for excellence that makes the School, our programs and our graduates still the most influential drivers of business growth and economic development — and an opportunity to tell that story to the world.

Our success rests squarely on the shoulders of the creative design Joseph Wharton outlined in his proposal to the Trustees in 1881. His vision for the School centered on three foundational values that continue to guide us today: first, an unfailing commitment to innovation; second, the application of broad expertise and outreach to the largest audience; and third, the need for a deep engagement with business practice.

Commitment to Innovation

Joseph Wharton did not create this institution simply as a distribution channel of accepted business knowledge of his day. From its start, *knowledge creation* was the basic foundational commitment of the Wharton School. He chose to base his school as part of a university – and not simply as an independent vocational academy – to ensure that serious, scientific scholarship in business issues would form the basis of instruction. He realized that business would advance most quickly and effectively in an environment where ideas are created, debated, refined, and retooled.

Wharton's innovative environment and its world-class faculty continue to generate the knowledge and ideas that are the building blocks of global business practice in virtually every industry. We are always expanding not only the *knowledge* that advances business, but also the ways that knowledge is best *communicated* and *implemented* in practice.

Broad Expertise and Outreach

Joseph Wharton understood that business growth is driven by individuals with a *broad range of knowledge* across disciplines, as well as specialized skills. He believed sustained economic growth required a constant flow of information, skills and talent throughout *every level* of operations in individual companies, industries and policy-making bodies. He also recognized that business education must not be limited to the privileged classes; borrowing the mass production model from his business experience, he encouraged expansive outreach to large numbers of students and business leaders.

Wharton offers academic programs across the e*ntire spectrum of business education* — for everyone from high school students, undergraduates, MBA students, and doctoral candidates, to senior executives. The expertise of our faculty creates opportunities to gain in-depth knowledge on virtually every major challenge facing global business today. As part of the University of Pennsylvania, we also share vast resources in business law, ethics, public policy, technology and the life sciences — more than any other business school.

Engagement with Business

As a partnership between a leading industrialist and a university, the Wharton School was founded with the core belief that serious scholarship of business issues must be based firmly in the *practical* experience of those who deal with the challenges of the competitive, rapidly changing business environment. This ensured that the knowledge created and shared is not only *relevant*, but could be *immediately* used to drive change and achievement.

Wharton's impact in the classroom and the world is fueled by our long-term relationships with leading companies and global policy-makers. Every year, we work with more than 1,000 companies, including more than two-thirds of the Fortune 500 and leading global firms, as well as government agencies around the world. This engagement in research, academic programming and curricular design enables Wharton to bridge the gap between theory and practice. It makes Wharton a unique environment where new knowledge grows in a real-world, real-time context.

Throughout the next 18 months, we will celebrate the many achievements and strengths of the Wharton School, our faculty and our graduates. Join us in Philadelphia for the celebration, or at any Wharton 125 events planned around the world.

TOMMY LEONARDI

Wharton Leader

Warren Lieberfarb:

Father of the DVD

While many gadgets have inventors, the DVD had a father. Warren Lieberfarb, W'65, is credited with the vision, persuasiveness, and persistence that took the DVD from an idea — "a high-quality digital movie on a CD" — to the fastest consumer electronic product adoption ever.

In the early 1990s, Lieberfarb, then the president of Warner Home Video, surveyed the digital future of entertainment. While analog videocassette sales and rentals were profitable, Wall Street analysts predicted decline. Lieberfarb believed that by producing a superior digital packaged product, the home video industry could jump out ahead of digital content delivery via cable, satellite, and DSL. Using the resources of his company, he forged a network of alliances among film studios, consumer electronics manufacturers, and technology companies. The result? The alignment of hardware and software to create an inexpensive, high-quality mass consumer product.

Consumers were waiting. Within five years of the first players becoming available, 30 million were sold in the U.S. and 22 million outside the U.S. It took VCRs 13 years to achieve the household penetration that DVDs did in only five.

Wharton Alumni Magazine sat down with the principal of Warren Lieberfarb Associates to hear how he envisioned the product that transformed home entertainment — and what creative and technological changes he sees in store for film and television in a digital world.

Before the DVD, other technically superior formats — Beta, Laser Disc — had been tried and failed. How did you see that the opportunity was finally there for a better option?

In looking at the potential, I saw a different business model as well as a different format. I took a page out of Andy Grove's book — only the paranoid survive. That reflects a technique of critical thinking and a form of analytic discipline to look at the risks as well as the rewards.

My experience in the launch and development of pay cable television in the 1970s and early work at Paramount led me to a fascination on how to improve the business models for motion picture companies bringing entertainment into the home. My basic point of view was that the economic returns to the risk-taker — the studio — on television had always suffered because there was a gatekeeper.

Originally, there were three networks that controlled distribution. Then the dominant networks for film on TV became the pay cable networks. When the VCR came into existence, the dominance of a single customer controlling distribution into the home was disintermediated by mom-and-pop video stores.

That empowered the viewer, but there was an essential flaw in the notion that people had to rent videos, therefore making two trips to the store for access to a night's programming.

I felt that what drives consumer adoption in many new businesses or services is convenience. Renting was synonymous to me to inconvenience. That idea led me to explore an alternative to the videotape at a price point that made purchase possible, instead of renting.

Wharton Facts

Wharton's full-time student body is the largest of any business school, with more than 4,800 students enrolled each year.

More than 30 percent of Wharton students are from countries other than the United States, and with more than 60 nations represented in its student body, a unique array of political, social and cultural perspectives enrich class discussions and lay the groundwork for greater understanding of global business issues.

It wasn't just that I recognized the advantages to a digital home video model, but the disadvantages of the current one. I saw the threats to it and simultaneously the solutions, and that led me to the journey on co-developing the DVD.

Co-developing the format was a key to the success of the DVD where other formats had failed. How did you get other companies on board?

The most challenging experience I've been through was not convincing the Japanese, Korean, and European electronic companies to develop a successor to the VCR. It was not working with key players in the technology industry, such as IBM, Intel, Microsoft, and Apple. It was working with Hollywood.

In my opinion, Hollywood, as the content creator that is the highest-profile and riskiest in the entertainment/media chain, has been most averse to risk. This aversion is manifested in any changes to the distribution paradigm. The industry has always been pulled into distributing their products in any new media rather than being the pusher because studios fear that any change will have a negative effect in the short run. Most of their mindset is based on short-run profitability because of the risks inherent in financing movies.

I was able to succeed because I had Time Warner behind me. I used our ownership of cable systems and the Time Warner filmed entertainment libraries to leverage studio participation. The reason that Paramount got into DVDs was because [its parent company] Viacom owned Blockbuster. Therefore, if Blockbuster sought change in their economics with Warner properties, a quid pro quo was available. Likewise if Fox and [its parent company] News Corp. sought improvements in how its cable properties were carried on Time Warner Cable, I was able to represent that those changes in dial position would not be forthcoming unless there was a reciprocal alignment with our strategies.

Hollywood necessitates tenacity, perseverance, and willingness to accept a lot of blows and be seen as an outcast. There's not only resistance to change due to risk-aversion, but ingrained technophobia. Although the industry is driven by technology in production, post-production, and distribution, particularly in the digital era, there is a limited appreciation on how to evaluate technology alternatives. At core, the senior management are creative executives, not technologists.

> "I felt that what drives consumer adoption in many new businesses or services is convenience."

Once you had the studios on board, the consumer adoption of DVDs was rapid. Why?

As soon as the studios were making their products available in DVD simultaneously with VHS and offering people a price point that facilitated either purchase or rental, consumers were given an option that was not widely available on VHS. This was coupled with the open licensing of the DVD technology, which allowed price competition for hardware, with Chinese manufacturers being new entrants.

The combination of low-cost players and numerous features that differentiated the product — video quality, sound quality, interactivity, compatibility with PC, navigation tools, added content that made sense to consumers. The chicken and egg came together — the hardware and software were aligned.

Now that DVDs are the standard, digital on-demand and downloadable formats seem to be next.

It's inevitable that physical media of the DVD will ultimately be challenged by the electronic delivery into various home and portable displays.

Studios will try to design ingenious ways to have their cake and eat it too. The margins of a physical item are higher, and DVDs are still differentiated from on-demand content because of the extras. There are advanced content applications via second video screens that have been developed as part and parcel of the interactive specifications that for now are only available in physical media, but a lot of the added content is as easily available in electronic media — bits are bits.

The industry will initially offer the new movies on a pay-per-view model, but the library of movies — the back catalog — would probably be optimized by a subscription rather than an a la carte model, monthly or annual terms.

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Undergraduates can choose from 17 concentrations, MBA students, from 18, and doctoral candidates, from 11.

More than 200 elective courses are available in our degree programs.

Wharton Leader

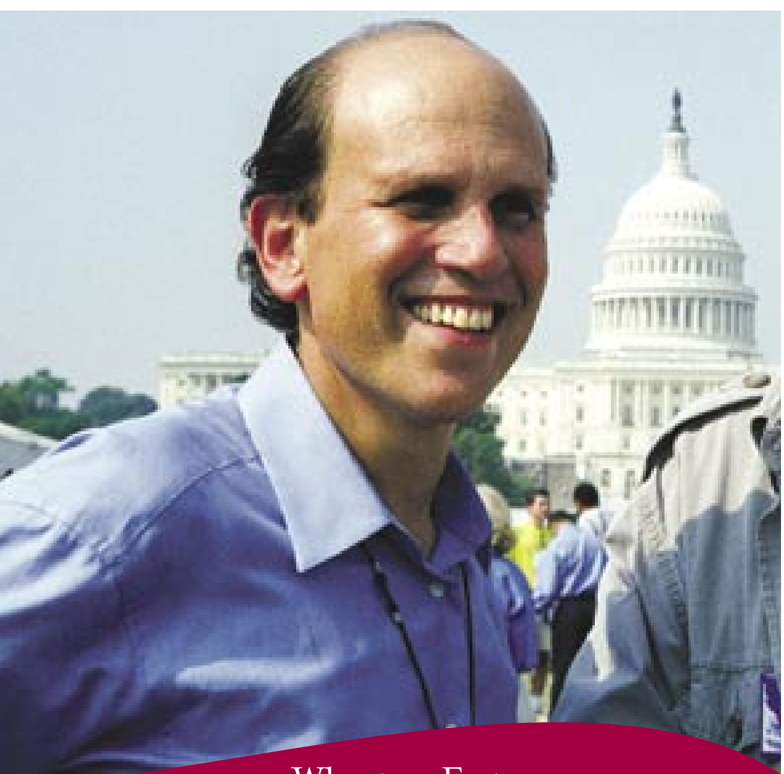
Michael Milken:

Financier for a Cure

More than 30 years ago, philanthropist, financier and Wharton School alumnus Michael Milken, WG'70, began applying the innovations he developed during his studies at Wharton to revolutionize modern capital markets, bringing new financing strategies to fund companies. The thousands of companies he financed created millions of jobs, and the financing markets continue to bear his imprint.

Just a few years after starting in business, Milken began using his business innovations in philanthropy. Today he is ranked not only as one of the leading economic innovators in this country, but also as one of the most generous living Americans. During the past 30 years, he and his family have given more than $750 million to medical research and education. Their Milken Family Foundation has created models in how philanthropy can advance education, youth programs, inner cities solutions, pediatric neurology, and treatments for various forms of cancer.

Milken recently spoke with *Wharton Alumni Magazine* about how he is using new business models to fund and drive medical research toward cures and treatments for serious diseases.



You created a revolution in capital markets and now you have had this extraordinary success funding medical research. How does your approach differ from the traditional approach and why does it work?

It took 20 years to figure it out, so there was a lot of trial and error along the way. I began working on this aggressively in 1972 when my mother-in-law was diagnosed with breast cancer, and then really in earnest in the mid-1970s when my father was diagnosed with a melanoma.

The approach has been to recruit human capital. The concept is that getting the best people gets the best results. How? I have three key approaches to encouraging the most talented people to participate.

The first thing we did this was to change the awards process. With our foundations, a person can apply for grants knowing that we promise to read only the first five pages of their application. They could submit a nine-foot-tall stack of papers, but we're only going to read the first five pages. And we promise to let them know if they're going to be funded in 60 days and give them their money within 90. Many people who were very busy, or Nobel Prize winners who wonder why they should get involved with a lengthy or difficult application process, or people that had a unique idea, would not normally apply for grants from the National Institutes for Health or the National Cancer Institute because they have no proven data to give them. By allowing them to present their ideas to us in five pages, people didn't have to prepare for months for this mission, and they had quick responses on whether they'd be funded or not. This strategy really worked well. It's gotten people involved who might otherwise not have gotten involved in these forms of research.

The second approach is that we literally did fund things based on the future, not the past. So we funded ideas, from the standpoint of worthy venture medical research, to get someone started. Once their work is underway they can then be funded by the National Institutes of Health or the National Cancer Institute or in some cases biotech companies or pharmaceutical companies.

The third thing is that we collaborate and make them share. We interact with these individuals anywhere from one to four years, we hold them accountable for what they're doing, and we bring them together periodically with others to share their information.

Wharton Facts

Annual Global Alumni Forums bring together Wharton graduates, business leaders and policy-makers to discuss the top issues of global business and to build lasting partnerships focused on the development of regional and global markets.

With our campuses in Philadelphia and San Francisco, and bases in Europe and Asia through our partner INSEAD's campuses in France and Singapore, Wharton operates around the world, delivering degree programs and executive development courses.

This was a difficult proposition for some researchers. Many people felt their work so important, they were waiting to get it published, they were waiting for credit, and they didn't want to share it. In those cases, I told them that if their work was so important, I'm sure they wouldn't have a difficulty getting funding from someone else. I told them our funds were for individuals whose work wasn't that important and needed our funding. Within a year everyone was willing to share their information.

I think bringing together a critical mass at individual centers is a very important piece in innovation. Creating a therapy consortium, where institutions would share with one another, has made a big difference. When it began, people felt they were competitors. We explained to them that for the patient there are no competitors.

"Creating a therapy consortium has made a big difference. When it began, people felt they were competitors. We explained to them that for the patient there are no competitors."

Looking back now a few decades, are you able to see mistakes that you made, lessons you may have learned, strategies or processes you have been able to develop?

One of the things we've always done is identify key researchers in a laboratory and give them awards, so they don't have to take a vow of poverty. That's been our thrust and strategy.

In general this has been very effective, with one exception: When we give senior people these awards, I would have to say that 30 years later, the benefits of that decision are hard to justify. I don't believe that was a good social investment. When I look at what was done by our young investigators, they were far more productive than the people near the peak, near the back ends of their careers.

If you look at Nobel Prize winners, if you look at my own work, most of the ideas, say for today's modern capital markets, came out of my studies at Berkeley and Wharton. Most Nobel Prize winners get Nobel Prizes in science or economics for the work they did within five years of going to school. They might get the recognition 30 years later, but the ideas occurred much earlier. Today we're much more focused on young investigators who are still deciding what to do with their career. The average age of a first grant from the National Cancer Institute is somewhere between 42 and 44 years of age. Well, that's long after a person's has reached their peak in knowledge, in terms of going to school, getting a PhD, MD. It's extremely discouraging, if you're 29 or 30 years old, you've spent 12 years in a university setting, and the average age is another 10 to 15 years before you're going to get a grant. Our goal was to encourage these individuals.

The second mistake we made was that early on, I felt that giving a researcher an inspirational speech, an award ceremony, and money was enough. We discovered later there was a lot more work that had to be done to help people. This was primarily supporting interaction for them between nonprofits and for profits, dealing with bureaucratic issues and getting clinical trials going.

Scientists and business people are often dispassionate about the people affected by their work, whether they are conducting basic scientific research or weighing a financial decision. Your funding of cancer research has at times seemed very personal. Is this a benefit?

It is personal, and not just for me. I would say at least one in two people went into medical philanthropy because of their personal disease, their children's disease, their brother or sister, their parents, or a friend. Many of them were successful entrepreneurs or businessmen, and have completely diverted their careers or partially diverted what they were doing to drive organizations that are disease specific. I always say it is personal. I've lost 10 relatives to cancer. I lost my father to cancer. I've lost four relatives to brain tumors. My children had certain health challenges. I've spent nights lying on the floor in hospitals like others have.

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With more than 80,000 alumni living and working in 140 countries around the world, the Wharton School has the largest international business school alumni network. Our alumni lead major global firms, run successful entrepreneurial ventures, serve in positions of political and social leadership, and provide volunteer and philanthropic support in their communities.

Major companies that participate in our executive education program bring their own live case studies to Wharton professors for answers.

J.D. Power III:
Consumer Research Pioneer

Once upon a time, market research was a fairly straightforward endeavor: questions were asked, answers tabulated and then reported. The Internet has changed all that. Today's research-hungry corporations want instant answers, and a slew of online upstarts are happy to promise those answers — for less money.

No one knows this better than J.D. "Dave" Power, WG'59, known as the customer satisfaction guru by the business press. After 37 years as an independent, Power this spring decided to sell his information-services business for an undisclosed sum to The McGraw-Hill Companies, parent of Standard & Poor's, McGraw-Hill Education, and *Business Week*. The 73-year-old statistician, whose name has become synonymous with automotive-quality rankings, vows he'll stick with the rapidly growing company that still bears his name. Power gave up the CEO title a few years ago, but he remains founder and one of the most influential figures in the global auto industry.

"You don't sell to trees, you sell to people."

Power began his career doing market research for companies such as Ford and General Motors. Bored and frustrated with the way management massaged his research to justify their decisions, he left the auto industry in the mid-1960s for chainsaw maker McCulloch Motors Inc., which was having trouble cracking the consumer market. Power advised the company to expand its product line of lumberjack saws to include lightweight models for do-it-yourselfers after spotting a basic flaw in McCulloch's operations: The company forecast chainsaw sales based on the number of lumber trees it could find. "I said, 'You don't sell to trees, you sell to people,'" Power told McCullough executives. Power's research also showed that the saws needed to be smaller, less expensive, and able to tolerate long periods of idleness. McCulloch listened, and sales took off.

Power set off on his own in 1968. Toyota was his early client, initially asking Power to survey the forklift market and begin his long relationship with Japanese carmakers. Today, Power is often credited with accelerating the popularity of Japanese cars in the United States. "At the time, Detroit didn't think Japan could produce anything other than motor scooters," he says.

Though he's best known for rating auto companies based on surveying tens of thousands of consumers a year, Power today rates companies in categories as diverse as cellular communications, satellite and cable TV, hospitals, banks, home builders, hotels, and airports. And as competition has heightened, his firm's services have expanded to include proprietary tracking studies, media studies, forecasting, and training services, as well as business operations analyses, and consultancies on customer satisfaction trends.

Based in Westlake Village, CA, JD Power and Associates today has 750 employees in 12 offices worldwide and generates more than $190 million a year in revenues, according to published reports — a fivefold increase over the past decade. The firm has expanded in China, India, and other burgeoning economies. The cost of this expansion, Power admits, is a major reason behind his decision to sell.

During a recent interview with the *Wharton Alumni Magazine*, Power offered some thoughts about the future of his industry, the wisdom of the consumer, and becoming an employee again after nearly 40 years.

What are the biggest issues facing the market research services industry?

The biggest issue is that as we move into the information age, we're finding a lot of questionable information out on the Internet claiming to be research. Lots of people are able to do surveys, but the industry has developed over the years with certain standards that, these days, are often not adhered to. There are many people conducting surveys who don't understand sampling methodology or statistics. A research firm might put out a quick survey on the airline industry, for instance, interjecting personal opinion into the analysis. We've never done that. There's a lot more information going out that's often misinterpreted. Everyone is an expert now. It's the Wild West when it comes to surveys. Can we stop that? No. It's only going to increase.

One way we've responded is by teaming up with McGraw-Hill. They will help us move into the information age faster than our competitors while still living by the standards that we originally developed. Our industry is entering a new era. Globalization, technology, and information — and using them strategically — are the issues defining the future.

Wharton Facts

Wharton faculty also work with local and national governments across the world, helping to draft economic policy, advising on policy implementation and training top leaders.

Recent faculty projects have included work with the United Nations, China, South Africa, India, Israel, Chile, Bolivia, Peru, Ukraine, Kazakhstan, Uzbekistan, Poland, Indonesia, Turkmenistan and Turkey.

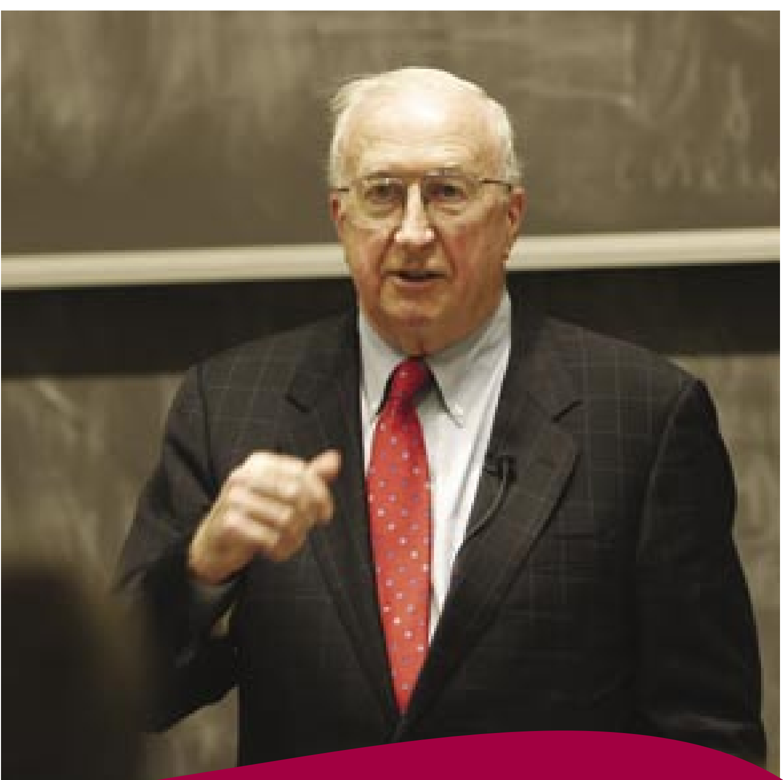
In your industry, how do mature companies stay innovative?

That's a very good question. I believe that the standard marketing research survey company of 30 or 40 years ago is obsolete today. We see this with the consolidation of the industry, with major companies from Europe swallowing up smaller research firms here to get into the U.S. market. That will likely continue.

But companies like ours need to get out of the survey research business and move into the solution business, the information business. When we merged with a much larger organization, we looked for a company that would help us change, allowing us the ability to still do the work we like to do, but also take us into the information age.

We see today that what we've done in the U.S. is now being accepted on a worldwide basis. The automobile companies are looking for the same information in all of their markets. And because they are all becoming global, opening up markets in places like China and India, they are looking for global information on an instantaneous basis. That's what we want to provide. If other market research firms are to survive, they too will have to adopt this instantaneous mindset.

In a global environment, management has to have the information across all of their markets. Until recently, they might have a distributor in a particular market handle the market research for that market. But these days that won't allow managers to make decisions on a global basis. Each market is different. We have to use different but complementary techniques. Our clients are changing. We have to change too.



TOMMY LEONARDI

As it grows ever larger, how will JD Power and Associates stay in touch with the little guy, the consumer?

Technology will help us with that, but we must embrace the technology. More surveys are done on the Internet, and we have to manage the language differences and other challenges. Our Consumer Center (found on the JD Power and Associates website) also keeps us on-mission by allowing consumers to check our ratings on everything from homes to health care and to voice their opinion online. We also offer Consumer Center websites in Germany, India, the U.K, and Canada.

When we started, my vision was that we have to give the right information from the eyes of the consumer. In Detroit, where I got my market research baptism, I found that the data was changed as it passed up the line of the organization. We used to say that they tortured the data until it confessed. I felt that they weren't listening to what we were presenting. And so I decided that the only way to tell it like it is to be independent.

We found that the customer is a lot smarter than the automobile industry gave them credit for. We started feeding the information we gathered back to the industry, and some companies listened and modified what they were doing, especially the Japanese companies that were coming into the U.S. market and eventually took it by storm. They listened, and when I would go in with results, they wanted more. The more information they got, the more they requested, and that's a mindset. Industrial companies that have been around for 100 years or so are the ones that are the slowest to change.

Even today, we see this. But managers are waking up. The domestic companies today want our information and they don't want it massaged before they get it.

What has it been like for you personally to sell the company you founded nearly 40 years ago?

I am definitely nostalgic, but I have been preaching that we have to change. McGraw-Hill will allow us to be ourselves, but give us the financial strength to keep growing. We were growing at such a fast pace that it was difficult for me to

Continued on page 22

Wharton's research is supported by the world's leading companies. This academic-industry partnership combines scholarship and best practice analysis to promote and advance small business development and entrepreneurial ventures; ethics and corporate governance; the financial services industry; health care; insurance, risk management, and pension and retirement plans; the real estate industry; retailing; and the development and commercialization in new technologies, ranging from information management tools to biotechnology applications.

Wharton Leader

David Yi Li:
Bridging State and Private Economies

China is renowned for its ancient culture and its thousands of years of philosophical riches.

The country's economy, however, is still a gangly adolescent, according to David Yi Li, WG'03, the chairman and country head of UBS China.

After all, it was only 25 years ago that China began its transition from a planned to a market economy. And though it has maintained a historic nine percent growth rate for the past quarter-century, to Li's mind, China's blossoming in the world economy is only just beginning.

Li's own journey, from professional soccer player to a senior executive at China Merchants Holdings (International), one of the county's largest state-owned-enterprises, to his current role as head of the China division of one of the world's largest investment banks, in many ways reflects his country's economic voyage.

Economic reform, begun by Deng Xiaoping in 1979, was a historical turning point for modern China. Then, everything was state owned: Local barber shops, corner restaurants, financial institutions and even the Shaanxi Professional Soccer Club, where Li played professionally for four years.

Now, the private sector contributes to one-third of China's GDP. By many estimates, it will be up to half within five years, and surpass three-quarters within a decade.

Accompanying the rise of the private sector will be the continuing rise of Chinese consumer demand, says Li. That means China's next big economic move will be away from export-oriented manufacturing toward a more lucrative service market. Moreover, China's phased entry into the World Trade Organization, to be completed by 2007, has broadened the range of its economic development and deepened its reach.

The upshot, says Li: Tremendous opportunity for international financial service institutions.

Few have as good a perch from which to describe China's growth, both internally and in the global market, as Li does. A Chinese national, he is steeped in traditional culture, armed with a bachelor's and law degree from mainland universities and an MBA from Wharton, and can boast of senior professional roles across continents. The combination puts him in a unique position to build bridges between East and West.

Li's ability to strategically grow a Chinese business through financial acumen is a large part of the reason why UBS hired him. Before joining UBS, Li restructured China Merchants Holdings from a multifaceted investment firm to a leading port company focused on its core port operations, largely through asset swaps, acquisitions and divestitures. During his four-year tenure at the state-owned-enterprise, net profit more than doubled and its share price almost quadrupled.

At UBS, his main focus is to steer the global bank toward strategic local opportunities, such as its recent acquisition of Beijing Securities Co. Ltd, a prestigious but financially troubled securities firm. The transaction made UBS the first international financial institution with direct ownership of a full-functioning local securities firm and was intended to serve as the launching pad and operations platform for all of UBS' business in China.

Helping Chinese businesses make inroads into overseas markets is as critical a component of the bank's success in

Wharton Facts

More than a half million readers from 189 countries tap into our faculty expertise through our online portal, Knowledge@Wharton. It is the only business school knowledge resource offered without charge and in four languages (English, Spanish, Portuguese and Mandarin Chinese).

Global sales of Wharton School Publishing books and materials offer executives timely, in-depth analysis of business issues and strategies by leading scholars, executives and policy-makers.

China as is finding mainland opportunities for UBS.

As the man who stands at the nexus of the two worlds, Li is in constant demand. It also means he doesn't get much rest. Though based in China, he spends most of his time — weekends, weekdays, the middle of the night — meeting with clients all over the globe.

"I sleep five, maybe six hours a day. It's a very intensive job," Li says. "Some local companies who want to do business overseas have to get UBS' support. If they want UBS' support, they have to get me to understand their business first."

But getting local businesses to understand and operate by international rules often poses more cultural barriers than helping the global investment bank seize mainland opportunities.

"American and European companies have already been doing business internationally, in Taiwan, Korea and Japan, for a long time, so they know they have to understand the local culture. They already know it's a vital part of being successful," says Li.

Many Chinese companies, Li explains, don't have the same experience to draw upon.

"China only opened its doors 20 or 25 years ago. It's historically short. Chinese companies that want to do business internationally still have a lot to learn."

The learning curve could be China's Achilles heel, Li warns. China's challenges are numerous, including a legal system that has yet to catch up with its economy, cracks in social welfare because of unbalanced urban and rural growth, and environmental threats as its quench for oil and raw materials grow seemingly unchecked.

"There are tremendous challenges that China is facing to modernize the nation with over 1.3 billion population and relative scarcity of resources. The challenges may include problems in preserving the environment and improving balanced education and healthcare in the rural areas," said Li.

"Due to the size of the nation and its population" he continues, problems in any one of those areas "could be of grand scale and inter-related, and could cause great damage in China's continuous development."

"If you try to do business here but only follow international legal practice, in some ways you couldn't get anything done."

"The hope is that the country and its leaders are sufficiently wise and capable of solving these problems gradually," Li says.

Still, the challenges of managing China's growth are daunting. By international standards, the country's capital markets are still inefficient and enormously risky, with mountains of bad loans on the books of state-owned banks. And global investors are losing patience with rampant intellectual-property theft.

Leading economists point to yet another threat to China's booming growth: A potential deceleration in world demand. If the U.S. consumer slows down — and some economists worry about a recession, given rising interest rates and energy costs — the global repercussions would be swift and loud.

China's growth so far has been largely on the coattails of the American consumer, producing the televisions, t-shirts and toys that U.S. consumers hungrily charge on their credit cards. The U.S. trade deficit with China widened to a record $20.1 billion in September, compared to $15.5 billion a year ago. With more than one third of China's exports going directly to the U.S., there is no question that the countries' economies, not to mention their currencies, are inextricably linked. A slowdown in U.S consumer spending could endanger China's booms, whose factories are already showing signs of overcapacity.

"A slow-down in the U.S. as well as other areas around the world will, to a different extent, have a negative impact on China's continuous growth as the world's factory," Li says.

But, says Li, despite its intricate ties to the U.S. economy, China is boosting its immunity to global ups and downs.

"China's reliance on exports is becoming less and less significant. With the WTO agenda rolling out and the conscious desire and decision from the Chinese government to maintain long term growth and prosperity, we will be able to see that the domestic market will play a bigger role" in the country's economic stability, Li says.

That, in turn, spells a bigger role for financial institutions to serve a population increasingly hungry for credit lines, in-

Continued on page 23

The Executive Education division offers more than 40 open enrollment programs and can easily create customized programs in management, strategy, marketing, corporate governance, finance, and industry-specific topics.

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1881

The pioneering of Joseph Wharton creates the world's first collegiate business school.

1896

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1921

The MBA Program enrolls its first class.

1933

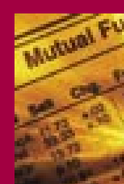
Frances Perkins is appointed U.S. Secretary of Labor by President Franklin D. Roosevelt, becoming the first woman cabinet member. Perkins studied at Wharton between 1907 and 1910.

1953

The Securities Industry Institute is established, the first and longest running custom executive program among business schools.

1962

Professor Irwin Friend leads a milestone study of mutual funds.



1971

Simon Kuznets, former Wharton professor, wins the Nobel Prize in Economics for his method to measure the Gross National Product.

1980

Professor Lawrence Klein wins the Nobel Prize in Economics for creating econometric forecasting models that help predict global economics trends.

1990

Wharton leads a "wave of change in management education" with the revolutionary redesign of its undergraduate and MBA curricula.

2001

The Alfred P. West, Jr. Learning Lab establishes Wharton as a leader in creating technology-enhanced learning tools for 21st century management education.

2005

Wharton's global network expands to more than 80,000 alumni in 140 countries.

Lieberfarb *Continued from page 13*

A number of different copy-protection technologies are being used for DVDs, with varying success. What do you see as the biggest challenge to studios?

Regardless of copy-protections, studios are very vulnerable and significantly at risk through piracy. And the expense and cost of the movie-going experience is challenged by the quality of the home display, home audio systems, and the resolution and audio characteristics of the DVD.

The communal experience of sharing the magic of the big screen, particularly for certain movies that have a spectacular character to them, will continue, but in my opinion that experience will be challenged by piracy and pricing — the high cost of movie going.

In 2005, box-office receipts were down while DVD and on-demand revenues are rising. Some people are now proposing releasing DVDs the same time as the theatrical release.

I think a better alternative would be secure, high-definition downloads simultaneous to the theatrical opening, but with digital rights management technology coding the movie such that it can be played only for a limited, studio-selected number of times or number of days. The protection on the files would keep them from being forwarded or copied.

The distinction between the theatrical release and video release will disappear, but the video release will be electronic. The use of VRM will enable studios to control and price it to minimize the cannibalization of revenues during that time period.

The benefit of using the theatrical advertising not just to draw people into the cinema but to draw usage in the home is very seductive. Thus the media can be leveraged against the much larger audience that goes to the movies.

Do you think this will change the kinds of entertainment that is made?

Yes, I do. As we develop a home model that scales the media budget, we will be appealing to a demographic whose tastes and interests might be very different than the younger generations that find cinema-going a great escape from staying at home.

I look at this home model as creating an appetite for investing in story- and character-driven movies that appeal to the pre-, post-, and actual baby boomers who were the core audiences who brought about the creative resurgence of cinema in the 1960s and 1970s, but whose tastes are not being met in today's market.

Advertising-dependent television has been dominated by the youth market, as well as theatrical films. The home distribution will create access to a new market because in lieu of the constraints of distribution — the theaters and networks as gatekeepers — distribution will be ubiquitous on the Internet.

The economics are yet to be decided because until you know the consumer reaction, it's hard to predict the production budgets. But arguably the costs of production would go down, because technology is transforming production and post-production as well, lending the medium to more productions of specialized programming.

It's clear that the television model is also going to change. The disruptive technology of the personal digital video recorder, downloads to portable devices, and video on demand is going to challenge consumer audiences. The movie model is going to change based on this continued progression of personalization where the user is the programmer and no one else.

If you create a distribution model that is direct between the content and consumer and it's not filtered through the economics of running a cinema or selling advertising, the content will determine the length and format, not business metrics. There are no magical number of pages in a book, so I don't know why there has to be a magic number of minutes for a movie or a television program.

Access to content at your schedule, your location, your device will be the next generation of the dissemination of entertainment. As someone who loves movies, that's something I look forward to.

Interview by Kelly J. Andrews, editor of Wharton Alumni Magazine.

Milken *Continued from page 15*

Today I try to talk to anywhere from one to five individuals who have been diagnosed with cancer a day. This gives me a focus on the person who has just been diagnosed, who obviously is on the edge. I try to understand what they're thinking, what they're learning, and it also gives a fresh perspective on how a person reacts and what knowledge is available. Last week a young man who I knew well died of cancer. This was despite all of our efforts and despite who I believe was the best doctor in this field and despite his access to treatment. Everything we could do in 2005 was still not enough for him. The numbers of people touched by disease are so large it might seem like it's not personal, but I think everyone, every person who is sick and needs care, is personal.

There are other philanthropists trying to affect health. What is unique about your work?

Some people have chosen other paths. The Gates Foundation particularly has been focused on bringing medical care and solutions that are proven to people that haven had access to them, in Africa, for example. My focus here has really been to search for medical solutions to problems that have not been solved. I find that intellectually stimulating, emotionally stimulating, personally rewarding, and very challenging.

You launched FasterCures / The Center for Accelerating Medical Solutions in 2003 as an "action tank" to save lives by saving time in the discovery and development of new treatments and cures for all serious diseases. What have you achieved, and what are you working toward?

I believe we've instilled a sense of urgency that I feel is extremely important. There's a new realization in medical research that things need to be done quickly, and that they can be done quickly. For example, a university can forgo the grant process and technology transfer paperwork and simply get funding for research from donors and in the process, possibly save a few years.

Another things we've done is to take the best practices, whether they be in multiple sclerosis or lung cancer, and apply that to other disease categories. We do this by having meetings with what we consider to be the strongest, most focused groups in disease specific areas, and then open ways for them to share with each other. This has led to advances in digitizing medical records, which makes data available across disease categories. It also helps get patients into clinical trials in a more collective way.

We've also been looking at the economic effect of curing a disease. Forget the emotional effect. The pure economic effect of what it is worth to a society to eliminate a disease is tremendous. For a minor disease it's measured in the billions, a major disease in the trillions.

The last area we've been working toward is the internationalization of this effort. There are enormous financial and research resources outside the United States. It's quite possible that India can do clinical trials more efficiently than we can here. They have a great medical care program in many parts of India today which rival the United States. So whether it's Japan, China, India, Norway, Sweden, Finland, Netherlands, Australia, the United Kingdom, all of these countries are involved in the process of finding cures. I'm actually quite optimistic that what is going to occur outside the United States is going to couple with what we do here.

Interview by Martha Mendoza, a working journalist and a winner of the 2000 Pulitzer Prize for investigative reporting.

Power *Continued from page 17*

keep my hands on everything. Cash flow becomes more of a problem as you get bigger. We didn't want to slow down our growth, and so we decided to look around.

I didn't want to merge with a traditional survey research firm because I feel that most are still operating in the industrial era. The whole survey research industry is changing dramatically. The days of mailing out the questionnaires and tabulating the results over a six-month period are over. That's why we are transforming the company. Unfortunately you get older, but I want to be around as long as I can.

It's an interesting time, because for the first time in 37 years, I am an employee. When I went home recently and opened the employee manual I'd been sent, I saw that, because of my 37 years in this business, I qualify for five weeks vacation. I haven't had more than a week of vacation in nearly 40 years. So these are the happy things.

Compiled by frequent contributor Nancy Moffitt, with additional information from BusinessWeek, the Associated Press and Wharton's Get it Started online newsletter.

125th Anniversary Faculty Tour Schedule

2006
Wharton marks 125 years of innovation and leadership in management education and research

MUMBAI
05-07 January 2006
Global Alumni Forum

PHILADELPHIA
18 January 2006
featuring: Patrick Harker
On-Campus Kickoff

NEW YORK
01 February 2006
featuring: Jeremy Siegel
Wharton Economic Summit

PHILADELPHIA
11-12 February 2006
Wharton Follies Reunion
30th Anniversary

ATLANTA
16 February 2006
featuring: Kenneth Shropshire
Sports Business

MIAMI
23 February 2006
featuring: Peter Linneman
Real Estate

CLEVELAND
08 March 2006
featuring: Raphael Amit
Entrepreneurship

SEATTLE
09 March 2006
featuring: David Reibstein
Marketing

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Li *Continued from page 19*

surance policies and investment vehicles such as mutual funds and retirement accounts.

"The opportunity in China for international financial institutions of all forms is tremendous," and carries more potential than any other industry, Li says.

Private equity and venture capital investment in China continues to rise. Foreign direct investment topped $60 billion in 2004, and by mid-October, merger and acquisition activity in China had reached $42.2 billion.

UBS has played a leading role in that flow. In 2003, UBS became the first institution approved as a Qualified Foreign Institutional investor, allowing it to trade in Chinese shares and bonds on behalf of foreign clients. In 2004, the bank topped the China mergers and acquisitions league tables, and in March 2005 obtained a license to conduct derivatives transactions to help clients manage interest rate and currency risks.

The inflow of foreign capital is expected to play a critical role in modernizing China's capital markets and banking system, which until now have been renowned for their cronyism and corruption.

Yet, says Li, it will take time for the country's legal and capital markets infrastructure to evolve. He urges patience to those who expect overnight transformation, and encourages flexibility in navigating the country's business culture, where the success of a deal can often hinge on approval from key members of state councils rather than particular provisions in a contract.

"We know that the regulatory and legal system is very important in the U.S. But in China, the legal and regulatory system is not very mature. If you try to do business here but only follow international legal practice, in some ways you couldn't get anything done," Li said.

"At Wharton we talked a lot about business ethics," he continues. Outside the classroom, however, says Li, the lines are not as clear. "It's a dilemma. You have to make difficult decisions base on your experience, your judgment. It can be very tough."

The challenge, Li says, both for global companies looking for opportunities in China as well as Chinese companies looking to expand overseas, is not to get stuck in one way of thinking.

"China will be able to sustain its fast growth for a prolonged period beyond 2025. The biggest job right now is not how to grow. The important thing is how to combine or smooth the different cultures. It's very important. For the long run, for a responsible vision of building a business or an investment, you have to build a bridge. To construct a bridge, you have to understand both cultures." ◆

Interview by Ritu Kalra, W'96, a reporter with the Hartford Courant. *She worked as an investment banker and bond trader after graduating from Wharton and before attending journalism school.*

The Innovation-Through-Acquisition Strategy:

Why the Pay-off Isn't Always There

If you can't beat them, buy them.

That was the mantra of leading technology companies in the tech boom days of the 1990s, when innovation was moving at such a frantic forward pace that even industry leaders like Cisco couldn't keep up with the latest advances. Faced with the prospect of falling behind the competition, top companies began buying up smaller firms — and their promising, if untested, technologies — to stay on the cutting edge.

For a while, the strategy seemed to be a good one, or at the very least, a popular one. Companies spent $3.5 trillion on acquisitions between 1992 and 2000, making those eight years the most active M&A period in history. Then the tech bubble burst and M&A activity came to a screeching halt. Acquisition leader Cisco, which purchased 70 companies between 1992 and 2000, bought just two in 2001. It became evident that while some purchases helped acquirers reap benefits, many failed to create the intended value. **Saikat Chaudhuri, W'97, E'97**, a Wharton assistant professor of management, believes he knows why. His research is especially timely given the recent growth in M&A activity in the tech sector and other innovation-driven industries.

Companies who once were acquisition-crazy, says Chaudhuri, soon realized that while buying technologies was easy, making them pay off was not. Indeed, researchers looking at mergers and acquisitions in tech fields have acknowledged for years that the challenges of successful acquisitions are significant, as are the challenges of post-acquisition integration. Yet they have also suggested that the strategy of buying young companies with early-stage technologies in emerging markets is a good way of hedging against the possibility of missing out on major technological advances. Further, they have generally agreed that once a purchasing company finds an integration strategy that works well, this strategy can be applied to almost any acquisition.

But after spending two years studying the M&A activity of three top communications equipment and software firms, Chaudhuri says those assumptions are wrong. "What I did was reframe how we look at acquisitions," he notes.

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Four Major Challenges

By examining the challenges of the innovation-through-acquisition strategy in detail, Chaudhuri's work offers suggestions to managers on what kinds of target companies are worth pursuing and what strategies should be used to integrate those companies once they have been bought. Chaudhuri, an alumnus of Penn's Jerome Fisher Program for Management and Technology, continued his engineering education at Stanford and his management education at Harvard before returning to Wharton to pursue his research interests in technological innovation, mergers and acquisitions, and organizational adaption.

Innovation acquisitions, according to Chaudhuri, present four major challenges at the product, organization, and market levels: integrative complexity due to technological incompatibilities, integrative complexity due to the "maturity" of a target company, the unpredictability of a product's performance trajectory ("technical uncertainty") and the unpredictability of that product's market ("market uncertainty"). Different target companies present different degrees of these variables, he says, and so each acquisition presents its own benefits and drawbacks. For instance, by buying a company whose products are based on a different technological platform, a purchasing company can gain new technological functionalities and capabilities. But such a deal would also pose a significant integration challenge because the platform disparity would have to be resolved. Chaudhuri points to Microsoft's purchase of Hotmail as an example. At the time of the deal, Microsoft was based on Windows, Hotmail on UNIX. "It took a few years to integrate those functionalities seamlessly," he says.

Similarly, acquiring an older, more mature firm can offer stocks of proven competencies as well as optimized processes, but poses greater integration challenges due to entrenched work routines and cultures and more cumbersome task reallocations. Microsoft's acquisition of Great Plains to link front-end applications with enterprise resource planning (ERP) applications is a case in point, Chaudhuri notes. "The idea behind the deal is to have seamless integration between the back-end ERP applications — like manufacturing planning, supply chain management, HR management and financial accounting — and front-end Windows and Office applications. But since Great Plains' relationship-based consulting approach, supporting processes and IT systems are very different from Microsoft's infrastructure (which is geared towards selling packaged software), these differences are naturally taking time to be reconciled."

The important takeaway from these deals is not the difficulty Microsoft had in overcoming the integration complexity, says Chaudhuri, but rather the fact that the problems could be, in fact, overcome. Through detailed planning and piecemeal execution, Microsoft has been working through the product and organizational differences.

"If you get there early, you might dominate a new area. But it also might be a premature commitment to a market that may not evolve," says Saikat Chaudhuri.

While "complexity" challenges in innovation acquisitions are real, visible and significant, it is the "uncertainty" variables — the unpredictability of markets and product success — that present the larger challenge for purchasing firms. According to Chaudhuri's research, technical incompatibilities between two merging companies slowed the time it takes to get a product on the market, but did not hurt financial performance; target maturity was positively correlated with performance. Technical and market uncertainty, however, were shown to both slow the time to market and result in diminished financial returns.

Impact of Complexity and Uncertainty

In one of two papers that resulted from his research project — "The Multilevel Impact of Complexity and Uncertainty on the Performance of Innovation-Motivated Acquisitions" — Chaudhuri says that while "companies have been able to recognize, and have learned how to manage and even exploit, integrative complexity," they have been unable "to cope with product and environmental uncertainty in these innovation acquisitions.... The findings suggest that companies tend to give attention to those innovation acquisitions which are complex, but underestimate, or are unsure how to handle, those deals surrounded by uncertainty. Existing acquisition processes appear to be geared towards managing complexity rather than uncertainty."

When a company buys a target with unfinished products, it brings the possibility of securing promising technologies and the ability to influence their progress, he says. "But there's also the risk that the technologies just won't develop as expected, and less knowledge about the technology means that less focused planning can be done upfront in resource allocation and integration." He cites the example of Nortel's purchase of the startup Xros, which had pioneered an early prototype of a photonic switch that the acquirer hoped would form the backbone of an all-optical network. "Unfortunately, the micro-mirror system never became stable enough to turn into a fully functional product, even after much engineering effort," he says.

SAIKAT CHAUDHURI

Chaudhuri observes that "with markets, it's a similar situation. If you get there early, you might dominate a new area. But it also might be a premature commitment to a market that may not evolve." He again uses Nortel as an example. "Nortel acquired Qtera, a startup developing an ultra-longhaul optical transport product, intending to sell equipment to the many telecom carriers who were furiously building networks globally. Soon after, however, the telecom service providers realized that the projected growth in demand for bandwidth was grossly optimistic, and stopped spending on next-generation, long-haul transport devices, upgrading their existing platforms instead."

Flawed Strategy

Among his more important findings is Chaudhuri's contention that "buying companies with early-stage products and entering uncertain markets had substantially adverse effects." That's significant, because it flies in the face of the notion that buying these "uncertain" products and companies is a good strategy simply because it might pay off down the road. "Contrary to what everyone expected — that doing things early is good — the uncertainty was actually so high that it had tremendously negative consequences for a firm," he says, "including fairly established and successful firms." Even companies that had been making acquisitions for years and could easily handle older firms and those with different technological platforms — both of which increase integrative complexity — could not effectively do anything to account for uncertainty.

That's because "complexity is intrinsically predictable," Chaudhuri notes. "If one places sufficient resources and project management strategies in the right places, it's possible to manage the complexity. You can learn how to do it. But uncertainty, by its very nature, requires constant adjustment. This type of flexibility is tough to achieve, especially in the middle of integration activity."

So the question becomes: Is the entire innovation-through-acquisition strategy flawed? Should companies abandon it entirely?

No, says Chaudhuri. The strategy itself can be a valuable one, if applied correctly. For managers, that means first, targeting and buying only the right companies, and second, using smart strategy to integrate them into their company's structure. As he writes: "Fundamentally, the challenges in conducting acquisitions surrounded by high levels of product and environmental uncertainty lie in selecting the right technologies and markets, and adjusting to new information as external conditions evolve. The managerial implications are that technical and organizational complexity can be planned for and thereby handled effectively, while it may perhaps be safer to delay acquisitions" to a time when the uncertainty of technologies and markets has lessened.

In other words, purchasing firms can help themselves by only buying those companies that bring along limited uncertainty. Even highly complex deals with low uncertainty may be attractive, Chaudhuri says. "One of the options, and one of the immediate implications of the research, is to delay acquisitions until uncertainty is reduced. The disadvantage, of course, is that [the longer a company waits], other players will likely become interested as well, and the price will go up. There's a very clear tradeoff there."

"Uncertainty, by its very nature, requires constant adjustment," says Saikat Chaudhuri. "This type of flexibility is tough to achieve, especially in the middle of integration activity."

Cisco, once the leader in innovation-through-acquisition, appears to be doing just that. Chaudhuri says the company has adopted a wait-and-see approach to technology acquisitions. "My advice would be to wait as long as possible for uncertainty to be reduced, but to go ahead and engage in these more complex acquisitions."

After all, there are still valuable targets to be had. And companies should not shy away from pursuing those that fit the profile, Chaudhuri suggests, so long as managers are prepared to craft an integration strategy specific to the deal.

Always a Tradeoff

With few exceptions, companies and researchers have assumed that one integration strategy can be employed for any number of deals, and have tried to find "optimal models to follow," particularly during the tech boom. But Chaudhuri says his research provides convincing evidence that a rethink is necessary. Instead, companies must be flexible when bringing a new company under their wings. Different acquisitions will demand different approaches. Sometimes, it may be best to blend operations of the two companies immediately; other times, keeping them separate may be preferable.

As Chaudhuri notes in the second paper from his research project, "Managing Innovation-Driven Acquisitions: Contingent Effects of Integration Strategies on Performance," the findings "suggest that each of the challenges inherent in innovation-targeted acquisitions can be managed with aligned integration strategies, where levels of organizational integration, process adoption, and product knowledge sharing are aligned with the nature of the specific complexity or uncertainty variable."

For instance, if a large firm buys a small company about to complete development of an exciting new product, it may not be in the best interest of the purchasing company to rush the integration process. Rather, the better move may be to allow the smaller company to continue operations as usual, until the new product is ready. In fact, Chaudhuri found that in such situations where a purchased company brings to its new parent a product with high levels of technical uncertainty, the buyer sees improved financial performance by employing a strategy of low organizational integration, low levels of process adoption from the target and delayed product knowledge sharing.

"In that case, since the technologies are still uncertain and the group is still working on it, lower integration allows the group to keep working … and gives it the flexibility it needs to adjust to evolving requirements," Chaudhuri says. "Your intent here is just to get [team members] to build the product. They don't need any distractions, so joint product work and knowledge sharing are also not beneficial." At the same time, he says, since the larger company likely has a set of processes that have been proven effective in bringing new products to market, simultaneously giving the target team such methodologies and tools is helpful in yielding a positive outcome.

The trick is to find the right integration strategy for the right deal, by understanding the "explicit tradeoffs involved." Chaudhuri's research identifies these tradeoffs. "A high degree of integration enables scale and coordination efficiency, but can potentially disrupt routines underlying capabilities and lower flexibility. Adoption of target processes by the acquirer preserves codified knowledge, but sacrifices scale and replicability. Knowledge sharing expands knowledge bases, but distracts resources from operations," Chaudhuri explains.

The bottom line? Making an acquisition work is just as difficult as finding the right company to buy in the first place. "It's necessary to figure out what works and under what conditions," Chaudhuri says. "You have to look at what the inherent challenges are to determine whether to buy the firm, and then design the appropriate strategy to manage it." ◆

Originally published by Knowledge@Wharton November 2, 2005

Finding Clarity (and Growth) In an Age of Transformation

Wharton School Publishing introduces two new titles that address global business forces.

Powerful Times: Rising to the Challenge of Our Uncertain World

By Eamonn Kelly

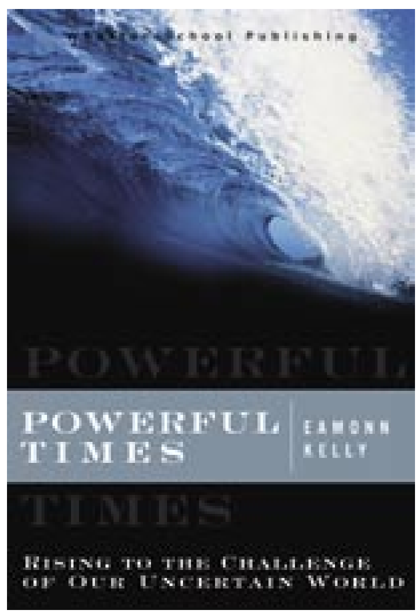
The world has always been uncertain. But, says Global Business Network CEO Eamonn Kelly, *not like this*.

Technological, financial, social, economic, cultural, and political systems are accelerating towards ever-greater complexity and interdependence, says Kelly. The changes we see are paradoxical: as humans, we seek patterns, but our simplifications obscure more than they clarify, and our "either/or" mindsets risk catastrophe. No single actor — no person, institution, ideology, marketplace, religion, region, or nation — is powerful enough to control the future. Meanwhile, deep, fundamental dynamics may be unraveling much of what we've taken for granted since the Enlightenment dawned some 400 years ago.

In his new Wharton School Publishing book *Powerful Times*, Kelly aims to help leaders make sense of this extraordinary moment in history, and safely navigate its shoals. That's no small goal. But Kelly brings a powerful tool to bear: the scenario planning approach GBN has used to help hundreds of companies and governments manage the future.

Paradoxes Create Dynamic Tensions

Scenarios organize perceptions about the future into stories that are easy to understand and work with. They make it easier to consider alternate futures and reflect diverse perspectives. By recognizing the potential for sharp discontinuities, they encourage decision-makers to consider the unthinkable — invaluable in an era when the unthinkable is occurring with frightening regularity.



To frame his scenarios, Kelly identifies seven "dynamic tensions": paradoxical forces he sees reshaping the world. For instance, the secular worldview continues to spread, largely driven by "rational" business practices. But, of course, fundamentalism is also resurging — from the madrasahs of Pakistan to the megachurches of California. Progress in computing, biotech, and nanotech is accelerating. These fields are becoming "mutually catalytic," and promising to transform human beings at the most fundamental levels. Meanwhile, the "pushback" grows.

From a geopolitical standpoint, while the U.S. is positioned to retain military dominance, it faces new vulnerabilities, both perceived and real. Meanwhile, writes Kelly, overall global prosperity appears to be widening. But 21 countries lost ground in the 1990s — and, even in the developed world, millions feel more vulnerable than they have in generations.

Some of Kelly's dynamic tensions are less familiar, but also vitally important. For example, while value will continue to migrate towards the intangible — services, experiences, relationships — improving physical infrastructure will take on ever greater urgency. The world is growing more transparent, thanks to a deepening web of computers, networks, sensors, and surveillance systems. However, "conspiracy theories and falsehoods will travel the world instantaneously," and the technologies of transparency will also promote more sophisticated theft and fraud.

Meanwhile, beneath it all, arguably the greatest dynamic tension of all: the troubled relationship between humans and their planet — a relationship complicated by massive migrations, demographic shifts, and the intertwined issues of energy and climate.

For some, successfully navigating these tensions may seem unlikely, if not impossible. However, Kelly is reasonably optimistic. He sees significant progress in two key areas: "how we *relate* — the realm of governance — and how we *create* — the realm of innovation."

Top-down, Taylorist organizations are being supplanted (or at least supplemented) by structures that are more fluid, self-organizing, decentralized, and collaborative. In Kelly's view, the move from organizational "citadels" to "webs" — while not inexorable — is currently moving more rapidly than many decision-makers recognize.

Kelly also envisions the gradual emergence of de facto "global governance." Not sinister black helicopters or overweening centralized bureaucracies, but the organic result of "experimentation across a diverse range of processes, approaches, policies, actions, and actors that are overlapping and interlocking in a complex and evolving system."

Down at "street level," Kelly uncovers some surprising innovations in local governance. In British Columbia, 160 randomly selected citizens recommended important changes in the province's electoral processes. In Zeguo, China, the local Communist Party secretary offered detailed briefings about several proposed municipal projects to 257 citizens, then polled them on which projects should proceed. In Brazil, Guatemala, and Mexico, enlightened local governments are experimenting with new ways to involve citizens year-round, not just on election day.

Meanwhile, notes Kelly, we'll increasingly look beyond large Western corporations and institutions for tomorrow's most important innovations: those that improve sustainability, extend learning, and address the unmet needs of 4 billion people. Many of them will come from "places finding their power... those parts of the world that are ready to 'come of age' as creators, to be exporters as well as importers of breakthroughs."

Three Scenarios for the Future

Which brings us to the scenarios themselves. Kelly outlines three in detail. The first, "New American Century": "The U.S. employs a combination of diplomacy, military power, and market-driven incentives to transform the global order... Bold, risky moves pay off... faltering steps toward democracy in Afghanistan and Iraq become more surefooted..." Europe and China back America's geopolitical leadership, competitive capitalism prevails, and "the global economy is operating by a clear and shared set of rules based on the Western model." Even in 2020, however, the world faces deep, unaddressed problems of equity, health, water access, and environmental sustainability.

In a second scenario, "Patchwork Powers," Kelly posits a spaghetti-like future, where power and influence are spread across many regions, nation-states, and international bodies. China comes of age: economically, scientifically, and militarily. The E.U. becomes "cogent and strategically vital," even as Europe maintains steady, unspectacular economic growth. The U.S., weakened by economic fragility and chastened by overseas failures, reluctantly accepts a new, multipolar global order.

Kelly's third scenario, "Emergence," may be the most radical. Conventional institutions largely fail: neither the U.S. nor the U.N. can meet their new challenges. Tensions within the European Union become insurmountable, and China suffers successive waves of internal political and cultural strife. Meanwhile, coherence "of a sort" emerges from the bottom up. As nation-states fade, cohesive city regions vie for influence. Innovation flourishes locally, where people and communities find new, low-cost ways to solve their problems. The bad news? Growing international lawlessness; more failing states; and the growing risk of bioterrorism: for every "next Singapore," a "next Somalia."

All three scenarios posit major shifts in economic power; even New American Century envisions China achieving unprecedented success, albeit by Western rules. In fact, the emergence of new regions is a theme that recurs repeatedly throughout *Powerful Times*. Observes Kelly: "Some of our most basic assumptions about the rules of the global economic game will increasingly come under attack in the coming decade."

The 86% Solution: How to Succeed in the Biggest Market Opportunity of the Next 50 Years

By Vijay Mahajan and Kamini Banga with Robert Gunther

One such assumption appears especially obsolete: the belief that profits can only be made in developed markets. Thanks to the work of C.K. Prahalad (*The Fortune at the Bottom of the Pyramid*, 2004), Stuart Hart, and others, many companies are abandoning this view. In fact, some now see emerging markets as their most promising source of rapid, sustainable growth.

If the opportunity is immense, executing on it is immensely challenging. How do you sell electronics without reliable electricity? How do you distribute consumer goods without reliable transportation? What does your brand mean to your new customers? How do you introduce innovations that align with their deeply held values and beliefs?

In *The 86% Solution*, recently published by Wharton School Publishing, Vijay Mahajan and Kamini Banga offer specific, realistic guidance for profiting in developing markets — and some very creative strategies.

The title refers to the 86% of the world's nations with average annual per capita GNP below $10,000. Begin by designing products that reflect local environment and culture, say the authors. In building a car for rural India, Hindustan Motors recognized its true competition: not Ford, but the traditional cattle-drawn bullock cart. Hence, the boxy Rural Transport Vehicle: slender enough for narrow streets, with a tight turning radius, high clearance, excellent shock absorbers, eight gears, and folding seats for hauling up to two tons of cargo — *or 20 people*.

How do you sell "time-saving" laundry detergent where hand scrubbing is a powerful symbol of familial love? You reformat it as a bar of soap, adding superior hard-water performance. Now, mothers throughout the developing world can continue to show their love in time-honored ways — and get cleaner clothes, too.

Many obstacles can be recast as opportunities, say Mahajan and Banga. For instance, where infrastructure or technology doesn't exist, you may have an opportunity to "leapfrog." (Classic example: the breakneck growth of wireless networks throughout Africa, where reliable wired phone service is scarce.)

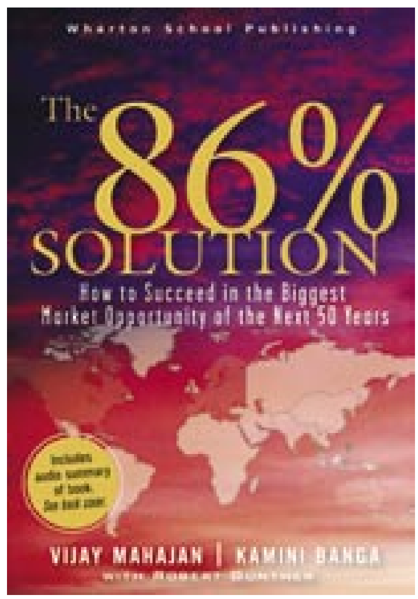
Similarly, you can sometimes gain competitive advantage by building your own distribution systems, or effectively leveraging idiosyncratic channels that already exist — such as the tiny shops known as *sari-sari* stores in the Philippines, *tiendas de la esquinas* in Mexico, and *paanwallas* in India. Create multiple levels of distribution, the authors recommend — and exploit temporary "distribution bubbles" such as carnivals and market days.

Finally, don't neglect the "ricochet economy": global social networks connecting emigrants with friends and family back home. Increasingly, companies are marketing products that can be paid for in North America, but delivered to relatives half a world away.

Mahajan's previous work has earned a lifetime award from the American Marketing Association. So it's not surprising that he's especially strong on marketing issues. In particular, he carefully walks you through the tradeoffs associated with localizing existing brands; buying and harnessing local brands; or building new local brands from scratch.

Diverse Emerging Markets

Unlike some recent writing in this area, *The 86% Solution* goes beyond reaching "the poorest of the poor." The authors certainly introduce techniques for marketing to impoverished customers. (For instance, they discuss single-use packages, a.k.a. sachets, which account for roughly $1 billion of Hindustan Lever's sales on the Indian



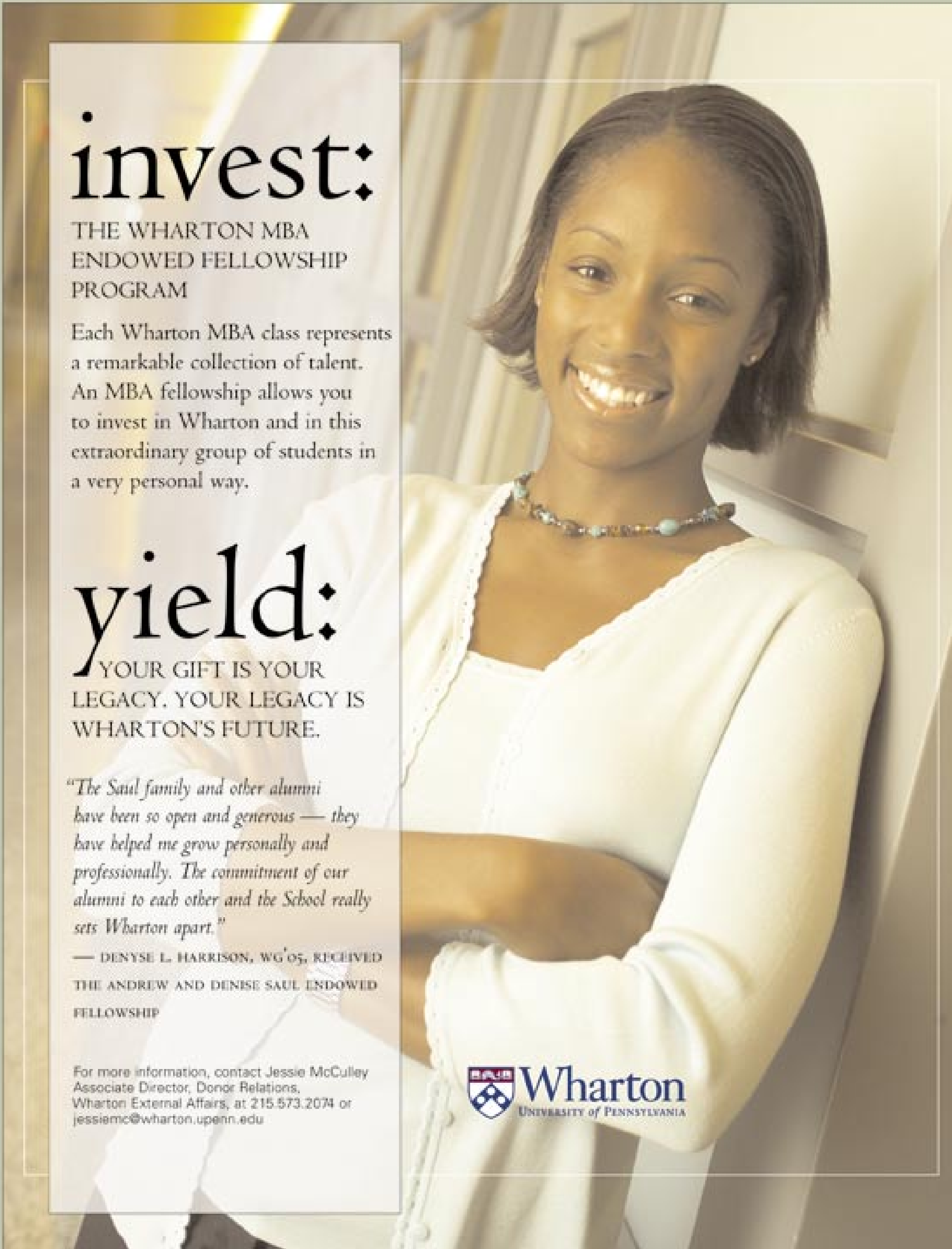
subcontinent. That's roughly equivalent to the revenues of leading Indian IT outsourcer Infosys.) But they also offer guidance on accurately segmenting emerging markets, so you can reach fast-growing middle classes and the newly affluent.

The 86% Solution's diverse case studies range from room-temperature "ready-to-eat" meals to MTV's localized programming initiatives ("The Osbournes" makes even less sense in India). "Day-in-the-life" snapshots add humanity to the authors' strategies and statistics. Here are devout Muslims wearing chadors and plastic surgery bandages. Photographers earning their livings with battery-operated HP cameras and printers. Unilever distributors working on foot in rural villages. Here, too, are South Koreans watching the flat-screen TVs built into their LG refrigerators (which also contain web-connected video cameras, so they can oversee their children from work).

While all these customers fit into the 86% sector, they obviously inhabit very different markets. Still, there are commonalities. For instance, most emerging markets are disproportionately young — and more brand-aware and quality-sensitive than you might expect.

Emerging markets are evolving rapidly, and in certain respects, their evolution can be predicted. Mahajan and Banga offer seven strategies for "developing with the market": from uncovering opportunities associated with the "growing pains" of development, to exporting locally-made products back to North America.

Simply stated, *The 86% Solution* heralds a new era for western business leaders: the moment when you can go beyond watching powerful new markets emerge, and start profiting from the opportunities they already offer you. ◆


invest:
THE WHARTON MBA ENDOWED FELLOWSHIP PROGRAM
Each Wharton MBA class represents a remarkable collection of talent. An MBA fellowship allows you to invest in Wharton and in this extraordinary group of students in a very personal way.
yield:
YOUR GIFT IS YOUR LEGACY. YOUR LEGACY IS WHARTON'S FUTURE.
"The Saul family and other alumni have been so open and generous — they have helped me grow personally and professionally. The commitment of our alumni to each other and the School really sets Wharton apart."
— DENYSE L. HARRISON, WG'05, RECEIVED THE ANDREW AND DENISE SAUL ENDOWED FELLOWSHIP
For more information, contact Jessie McCulley
Associate Director, Donor Relations,
Wharton External Affairs, at 215.573.2074 or
jessiemc@wharton.upenn.edu
Wharton
UNIVERSITY of PENNSYLVANIA

Alumni Association Update

Happy Anniversary to Wharton

VIGE BARRIE
CW'74, WG'76

DEAR FELLOW ALUMNUS:

2006 is an important year for Wharton. It is the 125th anniversary of the founding of the School and of the inauguration of management education. The School and the Alumni Association have planned a full year of events, conferences, and other festivities to celebrate this milestone, starting with a global conference in Mumbai on January 6-7. This event will be followed later in the year by global conferences in Rio de Janeiro and Istanbul. The Alumni Association Board will be participating in these events, and we look forward to meeting many of you.

Anniversaries are a time of celebration, and also a time to review our goals and accomplishments. As Wharton marks its 125th year, it is appropriate for the Alumni Board to review its mission, as well as the process by which we recruit new members and their defining characteristics. This year we have initiated a system to identify students who demonstrate a long-term commitment to the School while they are still on campus, to facilitate their transition to leadership roles after graduation. Likewise, we are developing programs to identify, acknowledge and honor those alumni leaders who have consistently contributed their time and talents to their Clubs and to other School programs over the years.

As part of our ongoing commitment to strengthen the Alumni Association, our Nominations Committee has begun soliciting nominations for this year's open positions on the Board. To build a world-class alumni organization, it is essential that we recruit alumni who share our vision and willingness to devote significant energy and time to achieve the Association's goals. We continue to raise our expectations for Board membership, seeking alumni who have a significant track record in alumni volunteer leadership through local or affinity clubs, reunions, student involvement or development initiatives. We seek nominees who are willing to serve as alumni ambassadors, to assume responsibility for major board projects, to regularly attend board meetings, and to make a financial contribution at the Benjamin Franklin Society level. We will be contacting all club presidents for nominations, and we encourage all interested and qualified alumni to contact Dawn Downing in the Alumni Affairs and Annual Giving Office (downingd@wharton.upenn.edu or 215-898-5571) to submit a nominee for consideration or to obtain an application for self nomination.

In building our world-class Alumni Association Board, we will also make the path to Board membership a more transparent and accessible one. We are surveying all possible opportunities for alumni participation, from club leadership to campus presentations, from board sub-committee membership to externship sponsorship. We plan to create an inventory of opportunities this year to better communicate volunteer pathways and to establish a pipeline of committed volunteers for our Board.

In closing, I urge you to join us in celebration of the 125th at the global conferences, at local club events, and on campus. In preparing for next year's board elections, I also urge you to forward nominations to the alumni office. As always, I welcome your suggestions and comments. It is only through alumni commitment and support that the Wharton network will grow and flourish.

Vige Barrie
CW'74, WG'76
Chair, Wharton
Alumni Association
315-859-4623 office
vbarrie@hamilton.edu

Club Spotlights:

THE WHARTON CLUB OF BOSTON

While Boston is the home territory for another business school, the Wharton Club of Boston keeps the Wharton flag flying for more than 4,000 Wharton alumni in New England.

Recently **Richard D. Lane, W'76, WG'81**, assumed the club presidency from **Jennifer Nichols, WG'91**, who concluded a five-year run. During Nichol's tenure, the Club developed partnerships with local business school clubs (e.g., Sloan, Kellogg, Chicago) to cross-promote events and expand networking opportunities with free and discounted admission to other clubs' events listed on the Wharton Club website, **<www.whartonboston.com>**.

On October 14, the Club held a kickoff to welcome Lane in his new role. He spoke to the group about his vision, which includes improving the Club's website with its online partner AlumniMagnet. Another important goal for Lane is to expand the roster of future events to engage Wharton alumni who have been out of school for many years.

Wharton Club of Boston events are include:

- National and local speakers, including William Winkenwerder, Jr., assistant secretary of defense for health affairs; Eric Kriss, Governor Romney's administration and finance secretary; and Wharton professors Jeremy Siegel and Peter Fader
- Business and career events such as Entrepreneurship & Fundraising and Choosing a Career with Passion
- Community service events including the Boston Food Bank and renovating homes for Rebuilding Together
- Sporting and social events like happy hours and (the World Series-winning!) Red Sox and Celtics games

WHARTON CLUB OF BOSTON

Peter J. Bollier, WG'79, PARTNER AT 3i, A GLOBAL VENTURE CAPITAL FIRM AND Richard Lane, W'76, WG'81, CLUB PRESIDENT AND MANAGING PARTNER AT BROADBAND INITIATIVES, LLC, BROADBAND INITIATIVES, LLC, AT A WHARTON CLUB OF BOSTON EVENT.

WHARTON CLUB OF WASHINGTON, DC

Anthony Williams, MAYOR OF THE DISTRICT OF COLUMBIA, SPOKE AT THE JOSEPH WHARTON AWARDS DINNER HELD BY THE WHARTON CLUB OF WASHINGTON, DC.

THE WHARTON CLUB OF WASHINGTON, DC

Since 1968, the Wharton Club of Washington, DC, has provided members with access to the unique people and resources of the U.S. capital. Now under the leadership of **Alan N. Schlaifer, W'65**, the Club has increased membership more than 100% since last year!

In November 2005, the Club held three programs that demonstrate its wide range: a reception hosted by the Ambassador of Lithuania at that country's historic embassy; a breakfast with Dr. Cynthia Glassman, SEC Commissioner (who holds an MA and PhD from Penn); and a luncheon with NHL Commissioner Gary Bettman.

Other successful initiatives include the Leads Council, which helps members get strategic input from other members, while generating added revenues for their businesses. The Professional Development series has dealt with topics critical to career success — from how to make a career transition and using a career coach, to overcoming obstacles

WHARTON CLUB OF WASHINGTON, DC

Kent Kresa, CHAIRMAN EMERITUS, NORTHRUP GRUMMAN CORP, GAVE THE KEYNOTE SPEECH AT THE WHARTON CLUB OF WASHINGTON, DC'S 4TH ANNUAL CONFERENCE THIS PAST MARCH.

in your career and secrets of working with recruiters. One of the more recent career-oriented initiatives is a Transitions Group for those considering a new career path, a return to the workplace after a hiatus, or part-time paid or volunteer work during retirement.

For 37 years, the Club has held Joseph Wharton Award Dinners — the longest continuous event among the entire Wharton network. Honorees include leading alumni such as Former Supreme Court Justice **William J. Brennan, W'28**, top executives, entrepreneurs, former government officials, and Wharton deans and professors. The funds raised by the dinners provide financial aid for Wharton students from the DC area.

To view the roster of events for 2006, visit **<www.whartondc.com>**.

THE WHARTON CLUB OF NEW JERSEY

Members of the WCNJ recently celebrated the first three years of the club and the transition to the next generation leadership team during festivities at The Maplewood Club.

Founding President **Jonathan "JP" Perelman, W'79**, offered welcoming remarks and entertained attendees with a creative and hilarious video commemorating the history of the Club. (The ability of incoming President **Ken Wolf, W'87**, to smoke a pipe and drink wine simultaneously may well be the signature moment of his administration.)

Incoming Club officers **Jess Germansky, W'80, EMTM'02**, (vice president, events and programming) and **Eddie Monteiro, W'01, E'01**, (executive vice president) recognized the contributions of the founding board, including **Ray Cohen, W'67, WG'68**; **Sharon Kornstein, W'80**; **Raj Kumar, WG'83**; **Bob Stein, W'71**; **Gregg Stover; WG'90**, and founding Officers **Frank Arcoleo, WG'93**; Perelman; **Andy Shaiman, WG'83**; **Stan Weilgus, W'66**; and Wolf. JP was specially recognized with a coffee mug inscribed, "I founded the Wharton Club of New Jersey and all I got was this lousy mug!" More seriously, JP was presented a plaque symbolizing the appreciation in his role in the Club's creation and growth to over 250 members with more than 2,000 event participants in just three years.

In his first public appearance as new president, Wolf introduced newly elected board members **Peter Benton, WG'98**, **Mark Hurwich, WG'78**, and **Dushyant Pandit, WG'79**. Germansky gave special thanks to **Greg Botvinik**, who organized the evening. Wolf closed the evening with brief (at least that's what he promised) remarks on the Club's new strategic plan, the creation of a new Marketing Committee, and news on upcoming events. The evening concluded with a rousing chorus of "Drink a Highball."

Will You Be There?

Wharton 125 Events are scheduled for 20 cities around the world. Don't miss the chance to meet with fellow alumni and hear Wharton professors speak at these anniversary events. Visit **<125th.wharton.upenn.edu>** for a complete list.

2006 Reunions will be celebrated at Wharton's Philadelphia campus May 14-16, 2006. Classes of 2001, 1996, 1991, 1986, 1981, 1976, 1971, 1966, 1961, 1956, 1951, 1946, 1941, 1936, and all MBA Exec graduates, visit **<www.wharton.upenn.edu/alumni/reunion/2006/>** for more information.

The Wharton Follies Reunion is sure to inspire scintillating conversation and a spontaneous song or two. The event, honoring the 30th anniversary of the Follies, will take place in Philadelphia February 11 and 12. Contact Rebecca Stone in Wharton Alumni Affairs (**rcstone@wharton.upenn.edu** or **215.573.9096**) or **visit <125th.wharton.upenn.edu>**.

For a complete list of alumni events, visit the Alumni Events Calendar at **<www.wharton.upenn.edu/alumni>**.

Club News

MBA EXEC ALL-CLASS REUNION EVENTS HELD IN NEW YORK AND WASHINGTON

While alumni of the Wharton MBA Program for Executives are active members of the full

Wharton Around the World

Following are a few of the many Wharton Club events held in recent months. Visit ‹www.wharton.upenn.edu/alumni/› for a complete listing of upcoming events.

The Wharton Club of Chicago's November 4 cocktail reception featured Chicago Board of Trade CEO Bernie Dan.

The Wharton Club of Northern California relaxed October 11 during an evening with Bruce Cryer, president and CEO of HeartMath, who spoke about how to transform stress into the power to change performance.

The Penn/Wharton Club of Toronto celebrated the season on December 7 with a year-end party at the Ontario Club.

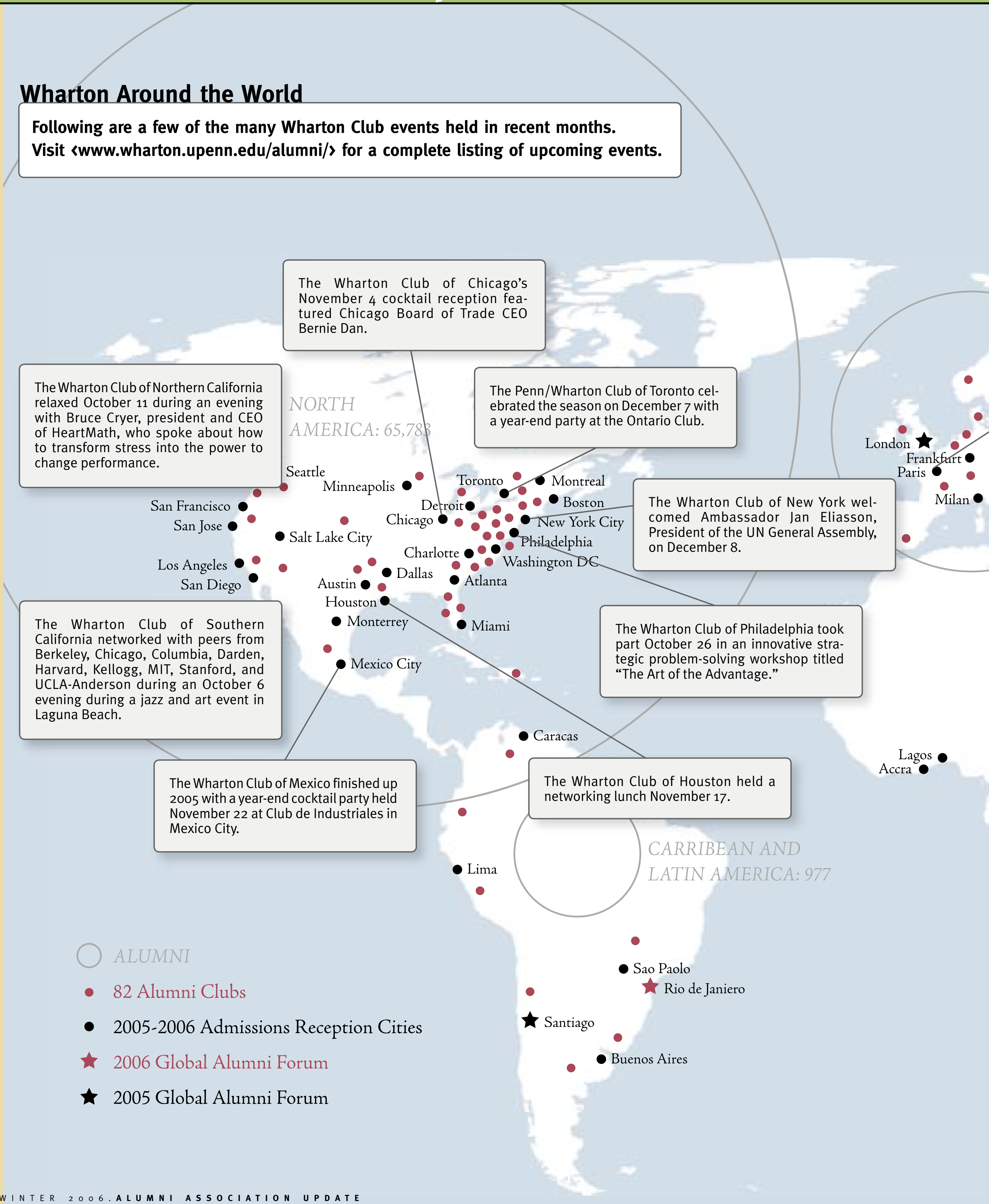
The Wharton Club of New York welcomed Ambassador Jan Eliasson, President of the UN General Assembly, on December 8.

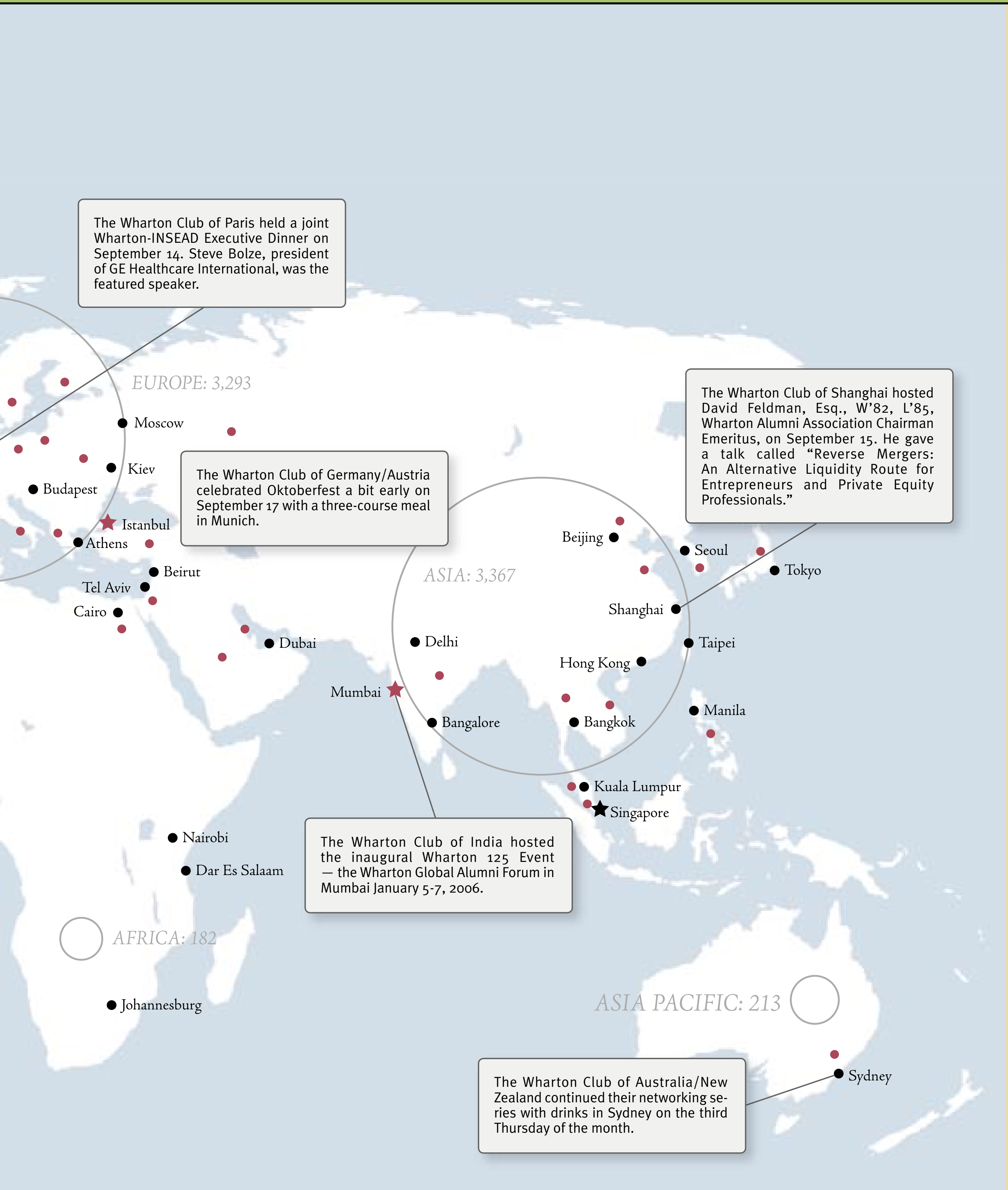
The Wharton Club of Southern California networked with peers from Berkeley, Chicago, Columbia, Darden, Harvard, Kellogg, MIT, Stanford, and UCLA-Anderson during an October 6 evening during a jazz and art event in Laguna Beach.

The Wharton Club of Philadelphia took part October 26 in an innovative strategic problem-solving workshop titled "The Art of the Advantage."

The Wharton Club of Mexico finished up 2005 with a year-end cocktail party held November 22 at Club de Industriales in Mexico City.

The Wharton Club of Houston held a networking lunch November 17.




The Wharton Club of Paris held a joint Wharton-INSEAD Executive Dinner on September 14. Steve Bolze, president of GE Healthcare International, was the featured speaker.
EUROPE: 3,293
Moscow
Kiev
Budapest
Istanbul
Athens
Beirut
Tel Aviv
Cairo
The Wharton Club of Germany/Austria celebrated Oktoberfest a bit early on September 17 with a three-course meal in Munich.
The Wharton Club of Shanghai hosted David Feldman, Esq., W'82, L'85, Wharton Alumni Association Chairman Emeritus, on September 15. He gave a talk called "Reverse Mergers: An Alternative Liquidity Route for Entrepreneurs and Private Equity Professionals."
Beijing
Seoul
Tokyo
ASIA: 3,367
Shanghai
Dubai
Delhi
Taipei
Hong Kong
Mumbai
Bangalore
Bangkok
Manila
Kuala Lumpur
Singapore
Nairobi
Dar Es Salaam
The Wharton Club of India hosted the inaugural Wharton 125 Event — the Wharton Global Alumni Forum in Mumbai January 5-7, 2006.
AFRICA: 182
Johannesburg
ASIA PACIFIC: 213
Sydney
The Wharton Club of Australia/New Zealand continued their networking series with drinks in Sydney on the third Thursday of the month.

ALUMNI AFFAIRS STAFF

Hari Ramsubramani, WG'03; David Brotman, E'81, GEE'84, WG'03; Howie Kaufold, director of the MBA Program for Executives; and Alex Bangash, WG'04, ATTENDED THE MBA EXEC ALL-CLASS REUNION IN NEW YORK.

Wharton network, two recent events allowed graduates of the program to network with those who shared the intensive MBA Exec experience. All-class reunions for MBA Exec grads were held November 1, 2005, in New York at the Citigroup Executive Center and November 7, 2005 at the Washington, DC, Four Seasons.

"The kick-off events held in New York and Washington, DC, have enabled this passionate constituency to become more involved in the life of the School," said **Scott A. Wieler, WG'87**, president and CEO, Signal Hill Capital Group, LLC, as well as a co-head of the MBA Exec Leadership Committee. "Virtually all 30 classes and each reunion class have engaged at some level."

The two locations were chosen because of their high concentrations of MBA Exec graduates, while far-flung alumni will converge May 13, 2006, at Wharton's Philadelphia campus for an All-MBA Exec reunion.

Nicole I. Meyer, WG'97, a managing director at Citigroup who hosted New York reunion, looked forward to more events. "The strength of this community is just now coming into focus," she said. "From that night alone, I collected a dozen cards and am already in conversation with three people on a professional basis. There's an immediate connection among MBA Execs. I think this is the start of something big for us professionally, personally, and for the School."

Affinity Club Spotlight

WHARTON AEROSPACE CONFERENCE

Space has no geographical limits — and neither does Wharton Aerospace, an affinity club started by **Michael Langman, WG'98**, of Rockwell Collins, and **Ellen Chang, C'88, WG'98**, of Northrop Grumman, and drawing membership from many locations. Langman and Chang, with the support of Alumni Affairs, have created an annual conference that has attracted attention in executive suites across the aerospace industry.

The Wharton Aerospace Conference brings together industry leaders and alumni within the aerospace and defense industries. "In 2004 Ellen and I decided we would form an industry-based alumni group that would become the envy of alumni associations at other schools,"said Langman. They contacted Alumni Affairs Director Monty Harris about the idea, and Harris provided a contact list of aerospace alumni and made Huntsman Hall available for annual events. Chang

WHARTON AEROSPACE

Ellen Chang, C'88, WG'98, CENTER, IS ONE OF THE ORGANIZERS OF THE WHARTON AEROSPACE CONFERENCE. SHE IS PICTURED AT LAST YEAR'S WHARTON AEROSPACE CONFERENCE IN JON M. HUNTSMAN HALL WITH Mike Francis, DEFENSE ADVANCED PROJECTS AGENCY; Mark Lovenguth, EMTM'00, Boeing; Vincent Oakley, Northrup Grumman; and Rob Berkovits, Northrup Grumman.

WHARTON AEROSPACE

Stephanie Hwang, W'01, AN INDUSTRY ANALYST AT MERRILL LYNCH AND William A. Walkowiak, WEV'84, INVESTOR RELATIONS DIRECTOR, EDO CORP., NETWORKED AT THE WHARTON AEROSPACE CONFERENCE.

said they were pleasantly surprised at the high turnout rate among invited alumni, and especially that all four aerospace CEOs who were invited agreed to speak.

Wharton Aerospace 2006 will be held on the Wharton campus on February 10, 2006, with an anticipated audience of 150 alumni. The event will include keynote speeches by the CEOs of three leading aerospace/defense companies; career development sessions with the aerospace practice leadership of search firms; and a panel on Network Centric Warfare that will be conducted by some of the leading thinkers and practitioners in what is the hottest emerging topic in the defense industry.

Wharton Aerospace is open to alumni in the aerospace and defense industries. To learn more about the 2006 event, contact Chang at **Ellen.Chang.WG98@wharton.upenn.edu** or Langman at **Michael.Langman.WG98@wharton.upenn.edu.** Wharton Aerospace thanks its event sponsors Russell Reynolds, Heidrick & Struggles, L-3 Communications and EDO Corporation.

Interested in starting a new affinity group for your industry? It's easier than you think — contact Monty Harris at **MontgomH@wharton.upenn.edu**.

Alumni Association Update

Career Resource Directory

Wharton MBA Alumni

As a Wharton MBA alum, you have access to resources for managing your career at **‹mbacareers/Wharton.upenn.edu/alumni›**.

Wharton Alumni Job Board — A global online job posting board with more than 6,000 postings year-to-date and 1,200 open positions at present
Career Search© — Online company contacts for more than one million companies
Career Tools® — A user-focused career resource portal
ExecuNet© Career Letter — A monthly e-newsletter with job market information and career tips
Factiva® — A comprehensive collection of business data compiled by Dow Jones and Reuters
Lippincott Library — Access to numerous websites covering all aspects of business and managing a professional career
Information about and access to executive search firms
More resources including non-U.S. international resources including specific industry and geographic sites;
links to free and fee-based career and self-assessment sites
a list of career coaches who can help alumni;
ability to meet with a Wharton Career Management advisor

MBA Career Management also greatly appreciates your thinking of Wharton students and alumni for your talent needs. Contact them for recruiting on campus or posting positions, **‹employer.wharton.upenn.edu/recruiting/index.cfm›** or **‹MBARecruiting@wharton.upenn.edu›**.

Wharton Undergraduate Alumni and Wharton Doctoral Programs Alumni

As a Wharton Undergraduate or Wharton Doctoral Programs alum, you are welcome to use all of the services offered by Penn Career Services, with the exception of On-Campus Recruiting (OCR). (Alumni within one year of graduation are eligible for OCR with special permission from their counselor.) Penn Career Services include:

JOB OPPORTUNITIES

PennLink — Online job-listing service. Call 215.898.4827 to obtain your password. Career Services will verify your alumni status. **‹www.vpul.upenn.edu/careerservices/pennlink.html›**
Career Fairs — Alumni are welcome to attend career fairs held on Penn's campus. **‹www.vpul.upenn.edu/careerservices/college/careerfairs.html›**
Posting Jobs — Alumni interested in recruiting Penn students and alumni can get more information on our Employers webpage. **‹www.vpul.upenn.edu/careerservices/employers/employerinfo.html›**

CONTINUING EDUCATION

Graduate/Professional School Advisors are available to offer guidance about applying to master's or doctoral degree programs **‹www.vpul.upenn.edu/careerservices/gradprof/gradprofmain.html›**

OTHER RESOURCES

Career Discovery and Planning (including Myers Briggs Type Indicator and Strong Interest Inventory) — For alumni who are seeking to develop in their current careers or explore other careers. **‹www.vpul.upenn.edu/careerservices/discovery/careerdisc.html›**
Credentials Service — How to have Career Services maintain a file of letters of recommendation on your behalf.
General Services — Alumni are welcome to schedule an appointment with a counselor (in person of over the phone) to discuss their careers. Topics might include general career counseling, resume/cover letter critiques, career change, etc. Reach the Career Services office via phone at 215.898.7533 (undergraduate alumni) or 215.898.7530 (doctoral alumni). Please visit **‹www.vpul.upenn.edu/careerservices›** for additional information.

MENTORING OPPORTUNITIES FOR ALL ALUMNI

Wharton Undergraduate Externship Program — Allows Wharton undergraduate students to shadow alumni at work to observe a "day in the life" in a given career field. Go to **‹www.vpul.upenn.edu/careerservices/wharton/externship/ExternshipHostInformation.pdf›** or call 215.898.7533 for more information.

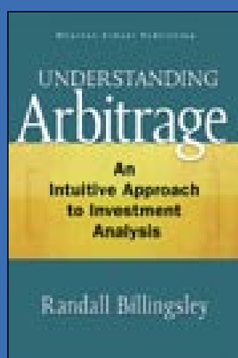
Penn Career Network — A database of Penn graduates who have volunteered to answer career-related questions for Penn students and alumni. Accessible from the Alumni section of the Career Services website at: **‹www.vpul.upenn.edu/careerservices›**.

Wharton School Publishing

The words **action, ideas,** and **impact** best represent what Wharton School Publishing provides—practical knowledge that can be applied by business leaders to make real changes in their professional lives. Wharton School Publishing is an extension of Wharton's long-standing commitment to excellence in business education, thought leadership, and the creation and dissemination of knowledge. A Wharton faculty review board reviews all titles to ensure that they are timely, important, conceptually sound, empirically based and implementable.

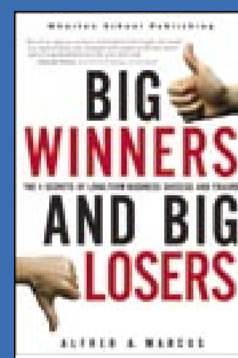
Wharton alumni can take advantage of significant discounts and special offers by registering at the Wharton School Publishing website: **www.whartonsp.com/alumni**. Books can also be purchased directly through Amazon.com (U.S.A., U.K., Canada, etc.) or Barnes & Noble.com, and at other major booksellers.

New and selected titles: Winter 2006

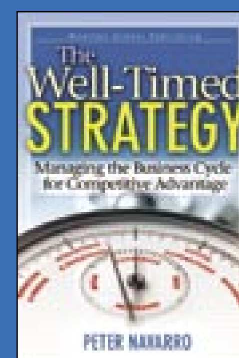


Understanding Arbitrage
An Intuitive Approach to Investment Analysis
Randal Billingsley

Powerful Times
Rising to the Challenge of Our Uncertain World
Eamonn Kelly

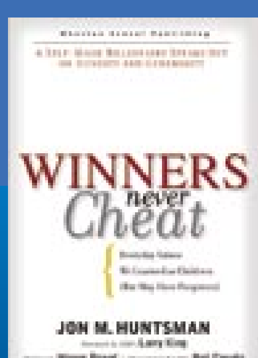


Big Winners Big Losers
The 4 Secrets of Long-Term Business Success and Failure
Alfred Marcus



The Well Timed Strategy
Managing the Business Cycle for Competitive Advantage
Peter Navarro

Wharton School Publishing Bestsellers



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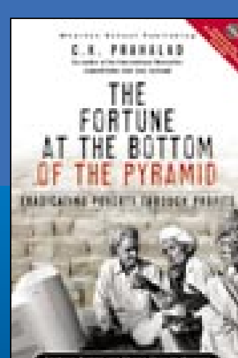

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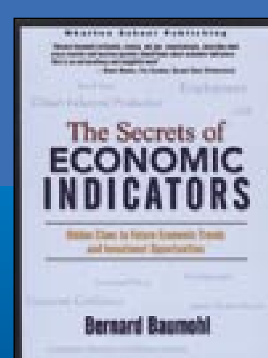

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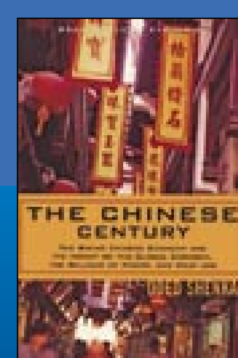

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