winter 2008

Wharton

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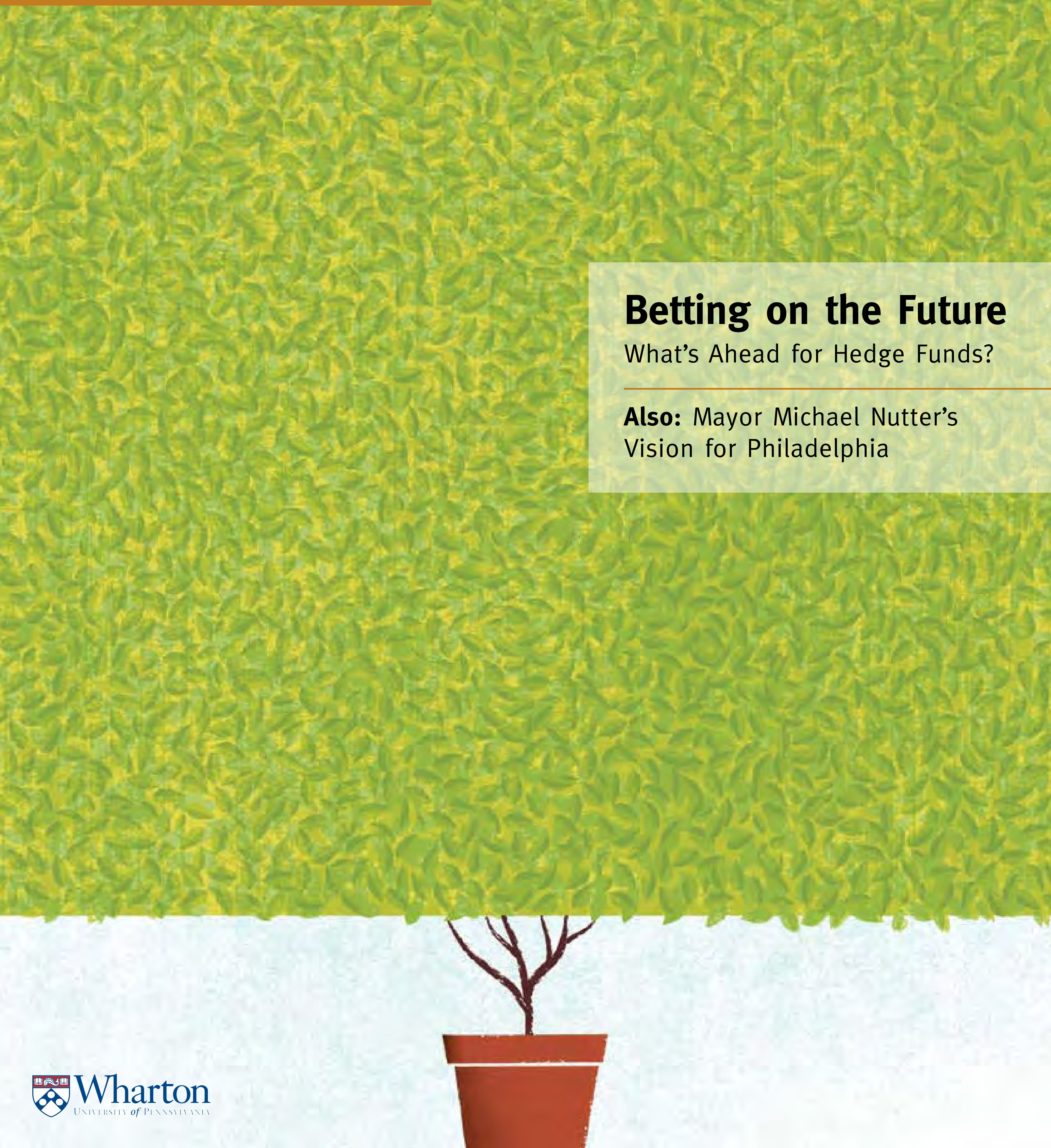

Betting on the Future

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JOHN CARLANO

JILLIAN MCGOWAN

New Alumni Affairs Director Named

Jillian McGowan is Wharton's new Director of Alumni Affairs and Annual Giving. McGowan joins the School from Trinity College Dublin, where she served as the institution's first Director of Alumni beginning in 1999. At Trinity, she successfully planned, implemented, and managed its first alumni relations program including the university's first alumni annual giving effort.

"A priority for me will be to partner with alumni to develop even stronger links between the School and our graduates," McGowan said. "Alumni can benefit in many ways from continued interaction with Wharton and indeed with each other. I look forward to developing a strategy to establish a strong, mutually beneficial relationship between the School, our alumni and our student population. I welcome input in that process."

Before joining Trinity College, McGowan held a number of marketing positions within the Hong Kong & Shanghai Banking Corporation (HSBC) and its subsidiaries in the UK. She holds a BA degree in European Studies from the University of Limerick and an MBA from Trinity College.

Wharton Undergrad Named Rhoades Scholar

Wharton senior **Joyce Meng** was among 32 American students to receive the Rhodes Scholarship last fall. Meng, a Joseph Wharton Benjamin Franklin scholar as well as a Wharton Research Scholar, said she is excited to study at Oxford University, where she plans to earn two master's degrees in economics.

Meng, who is captain of the debate team, plays ice hockey and is involved in several Wharton clubs, is the only Penn student to earn a Rhodes Scholarship this year. After her freshman and sophomore years, the Huntsman Program in International Studies and Business student worked at international finance firms in Taiwan and Hong Kong, respectively. Last summer, after interning for Goldman Sachs, Meng worked for FINCA International, a microfinance firm.

Along with four others — Wharton seniors **Jason Mischel** and **Julie Pearne**,

PHOTO COURTESY OF JOYCE MENG

JOYCE MENG, W'08

Wharton and Engineering sophomore **Alexander Yen** and 2007 Wharton alumna **Clara Chao** — she founded Youth Bank, a micro-business incubator in Lagos, Nigeria, that works to provide financial opportunities for urban youth.

"Joyce really represents the best of Penn," Provost Ron Daniels told the *Daily Pennsylvanian*. "She's a high achiever, she has a wide range of interests and she cares so much about making the world a better place." To apply for the Rhodes Scholarship, students must be nominated by their universities. This year, 764 students were endorsed by 294 different colleges and universities.

– Reported by *The Daily Pennsylvanian*

Finance Minister Says Now Is the Time to Do Business in India

The new face of Indian business is mature, confident, strong, hungry for growth and ready to be among the best in the world, India Finance Minister P. Chidambaram told a standing-room-only crowd at the first of Wharton's 2007-2008 Leadership Lectures last fall.

Addressing an audience in Wharton's Dhirubhai Ambani Auditorium, Chidambaram highlighted a range of topics including India's surge in economic power, the importance of a global economic community and the need to maintain a healthy relationship with its world partners.

"In recent years you've invited the CEOs of the

JIM GRAHAM

MINISTER P. CHIDAMBARAM

best U.S. businesses, Microsoft and Starbucks, Tyco and Intel, to speak at this series," Chidambaram said. "What do they have in common? Each one is a child of an innovative idea and a leader in its business. There are many Indian business leaders who would qualify to speak at this series on the grounds of innovation, and I am here today to speak on their behalf."

He also emphasized that Indian business must go from local to global, qualifying India's recent 9.4 percent GDP growth by saying, "If that growth does not impact the global community, it's not sustainable."

Despite his outward confidence, Chidambaram acknowledged that he has worries, particularly about events that are outside of his control. He listed potential problems including a sharp rise in crude oil or commodity prices, a recession in the United States and Europe, the "sub-prime mortgage problem" and what he called "bellicose speeches" in the United Nations.

Playing Across Three Continents

Last fall, Wharton MBA students in the microeconomics core course matched wits with INSEAD MBA students in France and Singapore through a cross-continent computer simulation. Playing the MGEC Markets Games, students tested their understanding of how to build cooperation and trust in business relationships.

A total of 234 teams (144 teams from Wharton, 60 teams from INSEAD Fontainebleau and 30 teams from INSEAD Singapore) played four markets games — Product Quality, Quantity Competition, Advertising, and Spatial Location. Each representing one firm, the teams tried to maximize their firms' profits.

"The thing that I found interesting was the intellectual exchange that occurred over each round," said **Heeyoon Chang**, WG'09. "It was surreal to think that there was another group of four or five 'friends' who were sitting in a group study room in Fontainebleau or Singapore strategizing as well, and the only way we could get to know them was through an input of some numbers."

Now in its second year of play across the schools, the game was rolled out as a pilot program to a limited number of teams last year. The two professors who initiated this collaboration — Wharton management professor Keith Weigelt and INSEAD economics professor Tim Van Zandt — said that the simulation was

TOMMY LEONARDI

WHARTON PROFESSOR KEITH WEIGELT DEBRIEFS WITH THE "PROOF" LEARNING TEAM IN PHILADELPHIA.

TOMMY LEONARDI

INSEAD PROFESSOR NIKOS VETTAS DISCUSSES SIMULATION RESULTS WITH HIS CLASS IN FONTAINEBLEAU.

very effective this year, with 66 percent of the students choosing the best performing strategy.

"This teaching experiment is a great example of the innovation coming out of this partnership," said Wharton management professor and Wharton/INSEAD Alliance Executive Director John Kimberly. The Wharton/INSEAD Alliance is a partnership that expands the knowledge resources and global reach of both schools across their four collective campuses in the U.S. (Philadelphia and San Francisco) Europe (Fontainebleau), and Asia (Singapore).

Initiative Tackles Corporate Political Influence

In the wake of a sea change about how corporations think about ethics, compliance and governance, the time has come to wrestle with corporate political influence, says Wharton professor William S. Laufer, the director of Wharton's Carol and Lawrence Zicklin Center for Business Ethics Research.

A new collaborative effort by the Zicklin Center and the Center for Political Accountability (CPA) aims to do just that. The effort will focus much greater attention on company political spending and activity and the role of corporate governance in overseeing and regulating this activity, according to Laufer and CPA executive director Bruce F. Freed.

"Too little attention has been paid to this subject," Freed said. "Growing company involvement in the political process through direct and indirect spending significantly raises the risks faced by companies and shareholders. It also has an impact that extends well beyond the corporation. All of this has important implications for corporate governance that the new CPA-Zicklin effort will examine."

Several new initiatives are planned including a conference and on corporate governance corporate political accountability in February. Upcoming research includes a study of how directors carry out their oversight responsibilities of company political spending and activity, a survey of the codes of conduct of S&P 500 companies and how they regulate political spending, and an examination of existing regimes for political disclosure and accountability of the U.S. and a range of foreign countries and companies.

For more information on the initiative or the conference, visit the Zicklin Center's website at **<www.zicklincenter.org>**.

N. KHETIWE RICHARDS

KENNETH MOELIS, WG'81

Finance Conference: Wall Street Risks, Rewards and Opportunities

If the capital markets are models of efficiency, how could the recent staggering mortgage-related securities losses happen? Two Wall Street titans — Lloyd Blankfein, chairman and CEO of Goldman Sachs, and **Kenneth Moelis**, WG'81, of Moelis & Co. — addressed that question at last fall's Wharton Finance Conference in New York City.

Despite having different perspectives — Blankfein rose through Goldman's fixed income, currency and commodities divisions, while Moelis is a veteran M&A investment banker — Moelis and Blankfein agreed that risk management is a corporate culture issue. To manage risks effectively over time, employees must put the firm's welfare and the preservation of important client relationships ahead of everything else.

In October, said Moelis, "firms got hit from *The Blind Side*" — a reference to a recent bestseller by Michael Lewis about professional football — "and a number of Wall Street leaders suffered career-ending injuries." Said Blankfein, "Risk is risk, and you can't be perfect at managing it."

The annual Wharton Finance Conference brings together industry practitioners, government finance officials, alumni, students and faculty to discuss issues in finance and present new ideas and research. This year's conference featured panel discussions on topics including mergers and acquisitions, the changing face of private equity and investment banking, and whether emerging markets are indeed still emerging. **For complete coverage of the Wharton Finance Conference, visit Knowledge@Wharton at <knowledge.wharton.upenn.edu>**.

Major Indian Bank Partners with Wharton

India's second-largest bank has partnered with Wharton Executive Education to launch a landmark leadership development program in India. In October, Wharton faculty delivered the custom program to ICICI Group senior executives at the company's training center near Mumbai. The intensive, eight-day leadership program worked with 60 senior executives there. "Indian companies, especially more progressive ones such as ICICI, have very advanced learning and development internally," said Sandhya Karpe, senior director at Wharton Executive Education. With a presence in 17 countries, ICICI Group has been named among the top 20 companies in the world for leadership development in a recent ranking by *Fortune* magazine. "Indian companies are now looking to take their executive education to the next level," Karpe said.

Whitney Young Conference Tackles Global Health Partnerships

Global health partnerships between pharmaceutical companies and NGOs and the realities of selling medicines across borders were among the myriad topics discussed during the 34th annual Whitney M. Young Jr. Memorial Conference held last November and December in Philadelphia.

Student and corporate attendees also addressed the state of private equity and how credit market turmoil may affect minorities in private equity to raise capital, building a business from the ground up, and what it takes for African American candidates to climb to the top of the corporate ladder in today's increasingly competitive business environment, among other subjects.

The Whitney Young Conference began as a lecture series in 1973 and has evolved into an annual three-day event consisting of a career fair, panel discussions, workshops and receptions, all produced and administered by the African American MBA Association, a Wharton student-run organization.

Prof. Bradlow Becomes Editor of *Marketing Science*

Marketing professor Eric Bradlow, the K.P. Chao Professor and Academic Director of the Wharton Small Business Development Center, became the editor of the leading marketing journal *Marketing Science* this January. Bradlow, who has been widely published in leading market-

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JOHN CARLANO

PROFESSOR ERIC BRADLOW

ing journals and is a fellow of the American Statistical Association, is also a statistical fellow of Bell Labs and was named DuPont Corporation's best young researcher while working there in 1992. An applied statistician, Bradlow uses high-powered statistical models to solve problems on everything from Internet search engines to product assortment issues.

Wharton Women in Business Conference

Tracy Shanbrun Lerner, W'81, has worked until the day she delivered each of her four children and immediately after their births. So it's not surprising that the founding partner of Chesapeake Partners L.P., a Baltimore-based hedge fund, has delegated the food shopping. But Lerner also eats breakfast and dinner each day with her kids and her husband **Mark**, W'80/C'80, and has never missed a play, concert or parent/teacher conference.

Lerner shared her wisdom on balancing a hectic career and family life at the 29th Wharton Women in Business Conference, held last fall in Philadelphia. A keynote speaker at the conference with Travelocity president and CEO **Michelle Peluso**, W'93, Lerner urged conference attendees to pursue their passions and prioritize what's most important to them. She also offered some of the helpful details that have allowed her to be present at home and at work, such as packing her children's lunch boxes in the morning while talking to her traders to agree on the day's strategy.

WWIB conference panels and workshops also addressed entrepreneurship, globalization, non-profit and socially responsible career alternatives, technological advancements and women and Wall Street, as well as negotiating to win and managing personal finances. Conference organizers also awarded the WWIB Kathleen McDonald Distinguished Alumna Award to **Eileen Naughton**, WG'87, Google's director of media platforms. Naughton develops and executes cross-platform solutions for sales, marketing and operations across Google's non-search businesses, including Google's content network and YouTube, and its newer efforts in audio, mobile, print and TV.

Alumni Gift for Entrepreneur in Residence Program

In recognition of a generous gift from **Robert Haft**, W'74, Wharton Entrepreneurial Programs has re-named its popular Entrepreneur in Residence program the "Robert Haft Entrepreneur in Residence Fall Series." At the same time, the Robert Haft Entrepreneur in Residence Fall Series has announced another semester of one-on-one sessions with the founders of successful growth firms. This year the program includes entrepreneurs such as **David Brailer,** PhD'92, of Health Evolution Partners, **Joel Cantor**, WG'89, of Cantor Development and **Jeff Fluhr**, W'95, of StubHub. Entrepreneurs in Residence meet with students for 30-minute sessions at which time a student can discuss ideas, opinions, and strategies for potential or actual business ventures.

The State of Business Journalism

Consolidation, cutbacks and competition from the web — these are the realities facing journalists from all over the world. Thirty-nine business journalists attending last fall's 39th annual Wharton Seminars for Business Journalists came together to discuss these and other issues, including the impact of blogs and citizen journalism, how global expansion has affected the standards of news organizations and whether a place remains for labor-intensive investigative reporting in today's age of shrinking budgets. Media outlets in attendance included CNN, *Marketplace*, *Les Echos*, CNBC, *Financial Times*, Nikkei, *New York Times*, *Nightly Business Report*, Reuters and the Associated Press. The seminars were sponsored by more than 20 companies and organizations such as Alcoa, Cephalon, Freddie Mac, Johnson & Johnson, Merck, NASDAQ, the National Press Foundation, Novo Nordisk, Southwest Airlines, Tyco International and Verizon.

Prof. Mitchell Wins Two Awards

Olivia S. Mitchell, the International Foundation of Employee Benefits Plans Professor, is the 2007 recipient of the Carolyn Shaw Bell Award. The award is given each year by the American Economics Association's Committee on the Status of Women in the Economics Profession (CSWEP) to an individual who has "furthered the status of women in the economics profession, through example, achievements,

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Events Calendar

JANUARY 2008

January 14-18
Executive Education: Women in Leadership – Legacies, Opportunities and Challenges
Location: Philadelphia
‹executiveeducation.wharton.upenn.edu›

January 17
Wharton Leadership Lecture: Doug Lattner, Chairman and CEO, Deloitte Consulting
Location: Jon M. Huntsman Hall, Philadelphia
‹spike.wharton.upenn.edu/mbaprogram/wll/›

January 18
Wharton Private Equity and Venture Capital Conference
Location: Philadelphia
‹www.wharton-pec.org/index.asp›

January 24
Wharton Leadership Lecture: Richard Zannino, CEO, Dow Jones & Company
Location: Jon M. Huntsman Hall, Philadelphia
‹spike.wharton.upenn.edu/mbaprogram/wll/›

January 28, 2008
Wharton Seminars for Business Journalists
Wharton West, San Fransciso
‹www.wharton.upenn.edu/media_room/journalists/›

FEBRUARY 2008

February 4-8
Executive Education: Creating Value Through Financial Management
Location: Philadelphia
‹executiveeducation.wharton.upenn.edu/›

February 21
Wharton Leadership Lecture: Gary Hirshberg, Chairman, President & CE-Yo, Stonyfield Farm
Location: Jon M. Huntsman Hall, Philadelphia
‹spike.wharton.upenn.edu/mbaprogram/wll/

February 21-22
MBA Student Conference: Wharton Healthcare Business Conference
Location: Philadelphia, Park Hyatt at the Bellevue
‹www.whcbc.org/alumni.asp›

February 25
Green Business Summit: Managing Risks, Seizing Opportunities
Wharton DC Club's 6th Annual Conference
Location: Washington, DC, World Bank
‹www.whartondc.com/article.html?aid=1064›

February 29
MBA Student Conference: Media and Entertainment Conference
Location: New York City, Leonard N. Stern Business School, New York University
‹www.mbamec.com/›

MARCH 2008

March 10-13
Executive Education: Strategic Persuasion Workshop – The Art and Science of Selling Ideas
Location: Philadelphia
‹executiveeducation.wharton.upenn.edu/›

March 12-14
Global Alumni Forum: New Directions for Latin America
Location: Lima, Peru
‹www.whartonlima08.com/›

March 14-15
Executive Education: Governing the Corporation – Global Perspectives in the Indian Context
Location: Mumbai, India
‹executiveeducation.wharton.upenn.edu/›

March 27
Breakfast Series Speaker: J. Alexander M. Douglas, Jr., President and COO, North America Group, The Coca-Cola Company
Location: Atlanta, Buckhead Club
‹www.alumniconnections.com/olc/pub/WRN/cpages/events.jsp?chapter=8›

APRIL 2008

April 24
Breakfast Series Speaker: Entrepreneurship Panel
Location: Atlanta, Buckhead Club
‹www.alumniconnections.com/olc/pub/WRN/cpages/events.jsp?chapter=8›

MAY 2008

May 16-18
Wharton Reunion Weekend
Location: Philadelphia
‹www.wharton.upenn.edu/alumni/reunion/2008/›

May 30-31
Global Alumni Forum: Vietnam – Star on the Rise
Location: Ho Chi Minh City, Vietnam
‹www.whartonhcmc08.com/›

JUNE 2008

June 26-27
Global Alumni Forum: The Importance of Leadership
Location: Cape Town, South Africa
‹www.whartoncapetown08.com/›

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

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JOHN CARLANO

PROFESSOR OLIVIA MITCHELL

increasing our understanding of how women can advance in the economics profession and the mentoring of others." In addition to her participation in committees and task forces related to women in business, Mitchell's influence as a mentor "has extended itself beyond her own students; she has given many her attention willingly and with enthusiasm," CSWEP officials wrote in announcing the award.

Mitchell also won the 2007 Pyramid Prize, with colleague Annamaria Lusardi of Dartmouth College. The $50,000 award was given for Mitchell and Lusardi's article "Baby Boomer retirement security: The roles of planning, financial literacy, and housing wealth," which was published in the *Journal of Monetary Economics*. The Fidelity Research Institute Pyramid Prize is given yearly to the author of published research the Institute believes best helps improve the lifelong financial well-being of Americans.

WRDS Conference Hosts Over 120 Participants

More than 120 Wharton Research Data Services (WRDS) users visited Wharton's Philadelphia campus in early October for the Second Annual WRDS Users Conference. The Wharton-developed WRDS program provides researchers worldwide with instant access to 12 terabytes of financial, economic and marketing data through a uniform, web-based interface. The WRDS community today includes more than 200 organizations such as the business schools of Stanford and Harvard, the Federal Reserve Bank of New York, and the Securities and Exchange Commission.

Profs. Bradlow and Fader Win Marketing Awards

Professors Eric Bradlow and Peter Fader, with PhD student Sam Hui and Herb Sorensen of TNS-Sorensen, won the EXPLOR Award in September at the American Marketing Association Marketing Research Conference. The award recognizes exemplary performance and leadership in online research, and it highlights innovative applications in online research and the most innovative uses of technology in applications that advance research, online or otherwise. At the same conference, Peter Fader also won the David K. Hardin Award for an article published in *Marketing Research* magazine that was chosen as best of the year by the magazine's editor and a committee selected by the editor. ◆

TOMMY LEONARDI

PROFESSOR PETER FADER

PROFESSOR KENNETH SHROPSHIRE

Prof. Shropshire Named Top Sports Educator

The Institute for International Sport recently named Professor Kenneth Shropshire, director of the Wharton Sports Business Initiative, one of the "100 Most Influential Sports Educators in America." Shropshire is the author of several award-winning books such as *The Business of Sports*, *The Business of Sports Agents*, *The Sports Franchise Game*, *In Black and White*, *Sports and the Law*, *Basketball Jones*, and most recently, *Being Sugar Ray: The Life of Sugar Ray Robinson, America's Greatest Boxer and Celebrity Athlete*. The Wharton Sports Business Initiative recently hosted 36 NFL athletes, including Drew Brees, Ahman Green, Takeo Spikes and Troy Vincent, in a business program to assist athletes in transitioning into the business world. ◆

BETTING ON THE FUTURE

What's Ahead for the Hedge Fund Industry?

BY RICHARD BEALES :: Not long ago, the idea that hedge funds were "generally run for rich people in Geneva, Switzerland, by rich people in Greenwich, Connecticut" captured the industry neatly. The funds attracted little attention, and the relatively few managers operated under the radar. Investors were wealthy individuals and families, themselves eager for privacy.

Just over three years ago **Clifford Asness**, W'88, co-founder of giant hedge fund AQR Capital Management, LLC and the man who coined the Geneva-Greenwich quip, was still wondering whether hedge funds could, in part at least, be a fad. "They are generally perceived to be the investment of choice of the rich and the informed, and they are more interesting and fun to discuss than your Vanguard index fund," he wrote in the first of a pair of 2004 papers discussing the role of hedge funds in investing.

Now, though, few would say hedge funds are anything but a fixture on the investing scene. The industry has doubled in size in the few short years since Asness wrote his papers. By last fall, the private investment vehicles managed more than $1.8 trillion of investors' money globally, up from less than $40 billion in 1990, according to Chicago-based Hedge Fund Research, Inc. Meanwhile, the number of funds has risen from about 500 in 1990 to 7,500. Asness's Greenwich-based fund group is one of the biggest, managing some $35 billion as of early 2007.

And hedge funds and their "alternative investment" cousins, private equity funds, are increasingly commonplace investment choices, not only for wealthy individuals and families but also for university endowments and pension plans, thus following in the footsteps of early investors, some of whom have achieved spectacular returns on alternative investments. Aside from returns, many hedge fund investments aren't too closely related to the ups and downs of traditional markets, something especially attractive to investors still smarting from losses on stocks in 2000-2002.

"There's been tremendous growth," says Richard Marston, Wharton's James R.F. Guy Professor of Finance. "I don't see it slowing down."

This headlong growth may prove to be an Achilles' heel for some hedge funds. Outsized returns could be harder to come by in the future, with ever increasing amounts of hedge fund money crowding into similar trades. And even as fund groups get bigger and become more institution-like, some may find it tough to stay nimble.

At the same time, lawmakers and the media are increasingly taking notice. The chance that big market-wide dangers — known as "systemic" risks — could originate with hedge funds is one reason regulators around the world are scrutinizing the industry. More prosaically, while hedge funds' high fees — and stories of their billionaire founders — attract talent to the industry, they also catch the attention of politicians and the press. Hedge fund managers aren't used to dealing with the glare of publicity, in fact quite the reverse.

Last summer's turmoil in financial markets may yet prove to have been something of a watershed. While few are blaming hedge funds directly for causing the volatility, their activities contributed to it at times, experts agree. In any event, the shock rattled regulators, investors and the funds themselves, perhaps catalyzing shifts in the industry.

Hedge Funds 101

WHAT EXACTLY IS A HEDGE FUND? Jack Gaine, president of the Managed Funds Association (MFA), a lobbying group for hedge funds, puts it this way: "A pragmatic definition would be a private investment pool with a limited number of high net worth individual and institutional investors on the one hand and, on the other, a manager with the utmost flexibility."

Gaine's definition doesn't do much to narrow down what exactly a hedge fund actually does, and that reality is a key feature of the industry. So is a measure of secrecy, although some fund managers are realizing that their increasing influence demands more openness. Ironically, U.S. regulations sometimes discourage this, because investment funds targeted only at the wealthy aren't allowed to advertise more broadly, and fund managers risk being accused of doing so if they say too much publicly.

Subject to the constraints agreed to with investors, hedge funds can operate in almost any market — equities, corporate credit, oil, gold, timber or insurance. As well as borrowing money, they can invest "long," like a traditional mutual fund manager, or "short," profiting if the value of the underlying asset falls. With rapid trading, they often punch above their weight in terms of market influence.

Then there are the famous fees hedge funds charge. "They are generally characterized by a fixed fee on the assets under management and an incentive fee," Gaine says. The archetypal hedge fund's annual fee structure is 2% of investors' assets plus 20% of any gains the fund managers generate, a regime known as 2-and-20. Funds don't usually give fees back to investors when they lose money, although most have a "high water mark" arrangement by which they have to recoup any losses before they can collect performance fees again.

With so much variety in what funds do, this type of fee structure may, in fact, be what sets hedge funds apart. "It's probably the most accurate definition you can come up with," says Marston. "It comes down to being able to charge an asymmetric fee."

REDUX PICTURES

CLIFFORD ASNESS, W'88

"They [hedge funds] are generally perceived to be the investment of choice of the rich and the informed, and they are more interesting and fun to discuss than your Vanguard index fund," says Cliff Asness, W'88.

Asymmetric and high, hedge fund critics say — among them Warren Buffett, the legendary investor and chairman of Berkshire Hathaway, who thinks hedge funds and private equity firms take a slice of returns so large that it will hurt investors, at least in the long run.

That leads to one perennial question over the future of hedge funds: whether the 2-and-20 fee structure can survive. In some ways, that's a question in its own right. But industry insiders see it as related to whether hedge funds can deliver good returns, after fees. For funds that perform well for investors, "if anything fees are going up, not down," says the manager of a prominent multibillion-dollar fund.

Some funds charge well above the average. Take, for example, SAC Capital Advisors, the Greenwich hedge fund firm founded by **Steven Cohen,** W'77. The firm manages about $15 billion, and charges fees closer to 3-and-40 than 2-and-20. But few investors are complaining — the fund has reported returns, net of fees, averaging more than 30% annually since it started in 1992. In fact, the fund rarely accepts new money, so investors are waiting to get in.

A key question, however, is whether past returns can be sustained. The average hedge fund's performance, as measured by HFR's fund-weighted composite index, seems to have declined while becoming more consistent. In the last five years, returns have been 20%, 9%, 9%, 13% and 9% (the last through September last year). Through the 1990s, annual returns above 20% and even better than 30% were more common, interspersed with the occasional low single-digit return.

The question is whether what hedge fund managers call "alpha" — returns over and above those on the broad market in which they operate, presumably due to skill exploiting inefficiencies in that market — is becoming harder to come by with so many funds chasing similar strategies. Asness of AQR and others have observed that some hedge funds may even be achieving only market returns, or "beta," albeit in non-traditional investment areas.

(There is a nascent but as yet unproven spin-off industry in which academics, Wall Street banks and fund groups are trying to replicate what some call "hedge fund beta" at lower cost using carefully designed portfolios of readily available financial instruments — potentially the exchange-traded funds of the hedge fund world. So-called 130/30 funds are also a step from a long-only approach towards a hedge fund model, with managers allowed to sell some stocks short within a primarily long portfolio.)

Industry insiders agree that hedge funds are the victims of their own success, with good opportunities likely to be spotted by more funds and exhausted more quickly. "It's harder; it's more competitive," says **Karen Finerman**, W'87, president of Metropolitan Capital Advisors in New York City.

Michael Steinhardt, W'60, managing member of Steinhardt Management LLC and a hedge fund manager from the early days of such enterprises in 1967 until 1995, agrees that this is probably the case. But he also doesn't think today's investors push their fund managers hard enough.

"[Some funds] could not exist without the softness, the weak nature, of so many of their institutional clients," he says. "I say that because they are sheep-like in their choices. They are not demanding enough in terms of return expectations, particularly [with] hedge funds and private equity."

His comment goes partly to what investors, and fund managers, have come to see as normal. "In those days, when the egregious 1-and-20 I was making was truly a rarity, I felt this extraordinary compulsion to be the best performing person in the world," he says. But he feels it's a different business now. "I think it's now a superior method of compensation for anyone who can do it — without much pretense even of achieving rates of return that remotely, in my mind, justify the kind of compensation that hedge funds charge."

If returns do come under pressure across the board, investors may eventually force fees down. But average hedge fund fees have been remarkably stable for years. Some observers suggest this is partly because better performing funds keep charging their 2-and-20 or more, while those that don't deliver good enough net returns quietly close up shop.

Investor be Wary

WITH SO MANY FUNDS TO CHOOSE FROM, picking the winners is becoming all the more challenging. Aside from achieving good enough returns, avoiding fund blow-ups — the inevitable occasional consequence of risk-taking by hedge funds — is a key objective of many investors, especially as more endowments and pension funds with responsibilities to their beneficiaries move into hedge fund investing.

In the mutual fund world, a single percentage point divergence from a benchmark annual return — say the S&P 500 stock index — is considered relatively large. In hedge funds, and even among funds that claim to pursue a similar strategy, the return difference between a fund that does well and one that does poorly can be 10 or 15 percentage points or even more.

That's why investors queue up to get into funds with track records like Steven Cohen's at SAC. But it's also why Marston says hedge fund investments are not for everybody. "Somebody with one or two million dollars ought to think twice before they get into this business," he says.

KAREN L. FINERMAN, W'87, RUNS HER OWN HEDGE FUND, METROPOLITAN CAPITAL.

SHIHO FUKADA

Gaine at the MFA also emphasizes that investors should be wary. His organization doesn't view hedge funds as a retail product. He cautions that smaller institutional investors, too, need to do plenty of research to assess hedge funds before they invest.

One way to do so is by entrusting money to funds of funds, through which HFR reckons more than 40% of hedge fund investments have been made. In exchange for more fees — themselves sometimes a target of criticism — these groups screen individual funds and help investors select and gain access to a portfolio of funds that suits them.

Even after careful selection, investors shouldn't expect too much, Marston says. He notes that with about $20 billion in assets, Yale's endowment — headed by chief investment officer David Swensen, who has pioneered alternative investments with great success — has the scale and experience to have a reasonable chance of picking winners. Yet according to its 2006 update, the Yale endowment expects just a 6% annual return after inflation on hedge fund investments, or less than 10% in absolute terms.

"That ought to be an eye-opener for investors," says Marston. "They're going to earn something between fixed income and domestic equity … [with returns] not correlated with domestic long-only equity." In other words, that non-correlation, which applies most of the time, should be as much of an attraction as the size of the expected returns.

Scale versus Agility

AMONG THE MOST POWERFUL TRENDS in the industry is a developing bifurcation, with the largest funds accumulating assets and the smaller ones becoming niche players. As the industry matures and the nature of its investors changes, some hedge funds are becoming at least as interested in size as in returns. Finerman at Metropolitan Capital says that, for some, "the business model has changed from the goal being superior returns to the goal being an asset-gathering machine."

If anything, hedge fund data groups say, this has accelerated since last summer's market turbulence, with bigger funds seen by some investors as better positioned to weather such periods.

The trend partly reflects the increasing significance of relatively risk-averse endowment and pension fund investors in hedge funds. With their own fiduciary responsibilities to worry about, they often demand scale, stability, comprehensive computer systems, increased transparency and other features that can be difficult for smaller funds to manage, or even afford.

It also owes something to the natural accumulation of assets by bigger funds, both through returns on investment and new money coming in. After all, they are large partly because of strong historical returns.

With many funds now managing billions after only a decade or so in business, there's also the question of turning what in some cases began as a business based on one person's reputation into an enduring institution — a process that also calls for giving the original principals a chance to partially cash out. Hence the public sale of shares in some hedge fund and private equity firms, including Fortress Investment Group LLC and Blackstone Group. At the time of writing, Och-Ziff Capital Management Group LLC, a big hedge fund manager, was readying an initial public offering. Reports have also surfaced in recent months suggesting that funds such as AQR and SAC have considered IPOs or sales of stakes to other, larger financial institutions. Neither fund would comment for this article.

TOP HEDGE FUND STRATEGIES

Hedge funds can have a single broad strategy or operate several different strategies under one roof, as so-called multi-strategy funds do. Most can use borrowed money to leverage up their investments. "Quant" funds, which use quantitative computer models to select investments and often trade at very high frequency, employ versions of the same strategies — picking stocks for equity-market-neutral portfolios, for example, or identifying relative value opportunities.

STRATEGY	SUMMARY	ASSETS ($bn)*	SHARE OF ALL FUND ASSETS
Equity hedge or equity long/short	Holds long equities hedged with various kinds of short positions	501	28%
Relative value arbitrage	Uses various techniques to identify relative pricing discrepancies between equities, debt, options and futures	258	14%
Event-driven	Aims to profit from corporate events such as mergers and acquisitions, spin-offs, bankruptcy and so on	239	13%
Macro	Invests across markets and in a range of securities based on "top-down" analysis of economic and other trends	195	11%
Distressed securities	Takes long or short positions in corporate stocks, bonds and other instruments around distressed situations such as bankruptcy	97	5%
Sector-specific	Focuses on investments in securities of companies in specific sectors such as energy and finance	95	5%
Emerging markets	Specializes in corporate debt and equity and government debt in emerging economies globally	81	5%
Others	Includes other equity strategies, fixed income, convertible and merger arbitrage, etc.	344	19%
Total hedge funds		1,810	100%

* At September 2007. Source: Hedge Fund Research, Inc.

– Richard Beales

This "institutionalization" can suit both the founders of funds and many of today's investors. IPOs tend to open a window into the often-secretive world of hedge fund investing, another source of comfort to some investors and even to regulators. Another outward sign of this shift is the long-term debt some funds, including Chicago-based Citadel Investment Group, have put in place to reduce their dependence on collateral-based loans from Wall Street.

But where does this trend leave the smaller funds? Steinhardt says that when he ran his hedge fund, "there was a clear diseconomy of scale." He says fund managers in the 1970s or 1980s would not have wanted to manage more than $100 million or $250 million, because the scale would make it harder to find opportunities with big enough return prospects.

Growing and more accessible global markets have made big bets easier to make, and large funds can and do make good returns. But Finerman, who manages about $500 million of investor money, still believes smaller funds have some advantages. "For us, the advantage of our size is our nimbleness and the ability to be in so many names that for us have adequate liquidity — we can be in and out without really moving the price," she says. Larger funds need to put more money into trades and that may close some options to them, she adds.

Finerman says providing an adequate operational infrastructure for her fund is not a problem, but concedes that in the hunt for talented people it can be hard to win against big fund groups with deep pockets.

Gaine adds a personal concern about this trend. If you're "the little guy in the garage with the dog and the neighbor" and a great investing idea, how do you get started when many investors want scale, carefully monitored processes and hefty disclosure from day one?

Tougher Talk about Regulation?

REGULATORS ARE INCREASINGLY KEEN on similarly institution-like behavior. The MFA and other hedge fund alliances recognize the need for consistent standards and practices. Generally, funds see this as helpful provided it is voluntary — although many funds are, in fact, regulated by the SEC in the U.S. or the Financial Services Authority in the UK, sometimes to a greater extent than is realized, in some cases under laws that are decades old. Even back in the early 1990s, former fund manager Steinhardt and others had a brush with U.S. regulators over Treasury bond trading.

Regulators tend to champion high levels of disclosure to protect investors, although this applies primarily in the retail arena, where most hedge funds don't operate. "In general, as long as you can be sure it's only big guys playing with big guys, there's not an awful lot of reason to have the range of regulation we often see," says Richard Herring, the Jacob Safra Professor of International Banking at Wharton. "It starts to get tricky when retail investors are involved."

That's not yet happening in the U.S. Indeed the MFA wants to raise the minimum net worth threshold for investment in hedge funds — but this is more of an issue in parts of Europe. Finerman thinks retail investors will eventually want to invest in U.S. hedge funds, too.

Meanwhile, Herring says hedge funds need to be alert to what he calls "back door retailization."

"What do you do when a group of state policemen invest the life savings of the troop and the thing crashes?" He says managers need to think carefully about ensuring that investors are suitable for their funds, or they may find regulation "will be thrust upon them."

Regulators also want hedge funds to be more transparent about what they do, especially over matters such as the valuation of illiquid securities — one of the issues at the root of last summer's credit crunch.

Various industry groups have proposed ways to improve and standardize practices. But many managers agree with Herring's view that it's not clear what kind of prescriptive approach would actually be helpful to investors. For example, he says, "The intensity with which they trade means a balance sheet disclosure is temporarily meaningful at best." He adds that some hedge fund strategies are proprietary and won't work if they become publicly known.

It's unclear whether regulators will push this agenda, especially since funds, egged on by investors, are already largely disclosing more and following better-defined processes than they used to.

And regulators are likely most interested in potential systemic risks. The New York Federal Reserve, for instance, engineered a bailout of the Long-Term Capital Management (LTCM) fund in 1998 because its losses threatened banks and other lenders, an event regulators are keen to avoid looking ahead.

Herring says that, on the one hand, hedge funds can have the flexibility and often the courage to take the other side of markets when traditional investors are selling. "That's a very good thing" for the health of the system, he says. The danger is another LTCM — in the form of trouble at a big fund or a group of funds all with similar market bets.

This could have happened last summer when credit briefly all but dried up — something that could have triggered major problems for hedge funds, because many of them rely heavily on borrowed money. But as it turned out, the bigger losses appear to have been taken by banks and Wall Street brokers.

For now, that tends to vindicate the U.S. regulators' strategy to date, which is to scrutinize regulated banks and brokers that lend to hedge funds, indirectly controlling the funds' borrowing and risk-taking capacity.

Nonetheless, "If we have another blow-up that has the systemic implications of LTCM, I think there's going to be tougher talk about regulation," Herring says.

MARINA GARNIER

STEVEN COHEN, W'77, FOUNDED SAC CAPITAL ADVISORS, A GREENWICH, CONN. HEDGE FUND THAT MANAGES ABOUT $15 BILLION.

"Some funds could not exist without the softness, the weak nature, of so many of their institutional clients," says Michael Steinhardt, W'60. "I say that because they are sheep-like in their choices. They are not demanding enough in terms of return expectations, particularly [with] hedge funds and private equity."

An Alluring Career Option

FOR THOSE WITHIN IT, the hedge fund industry can be a pot of gold. In 2006, three top fund managers each took home more than $1 billion, according to *Alpha* magazine. The top 25 earners garnered more than $14 billion among them.

Indeed, for those who enjoy money and investing, working for a fund is an alluring option. Finerman, for instance, always knew she wanted a career in investing; thus, Wharton was the only school she applied to. "For someone with laser-like focus on being in capital markets there was no other alternative."

Finerman is one of just a few women heading hedge funds. "It's really only a handful," she says, adding that she believes the balance will change over time. "It's a very male-dominated world, but I'm comfortable in it. I can be a little different, and that can sometimes work to my benefit."

TOMMY LEONARDI

RICHARD HERRING,
JACOB SAFRA PROFESSOR OF INTERNATIONAL BANKING

For some, the thrill of making money for investors and themselves and the belief that they fuel the capitalist engines of growth and prosperity are satisfying enough. Steinhardt says he persuaded himself he was doing something of economic importance. Now, with the benefit of hindsight, he isn't so sure. "I would grudgingly think hedge funds are not in any way ennobled in their effort to get rich."

Even so, there's no denying that his hedge fund days have made him wealthy enough to devote plenty of money and much of his time to philanthropy from his office overlooking New York's Central Park.

Of course, there's a danger that the recent accumulations of wealth in hedge funds and private equity provoke a backlash — something Gaine of the MFA says he has so far seen mostly in the form of calls for higher taxation on alternative investment managers, whose compensation, particularly in the case of private equity, is often taxed at the capital gain rate rather than the higher income tax rate.

But even if higher taxes come to pass, they aren't likely to dent the attractiveness of the industry much, whether for budding hedge fund managers or for investors, experts say.

A Bumpy Road Ahead

BACK IN 2004, Asness pointed out that in considering then novel-seeming hedge funds, investors should consider that at one time, they might have asked: "Why mutual funds now? Why money market funds now? Why index funds now?"

"Why hedge funds now?" is a question that isn't asked much any more, but the industry is still maturing and shifting. Investor expectations may need to adjust, as may fund managers' hopes of collecting generous fees without having to divulge much about their methods, industry observers say.

"The road will not be short, and certainly not free of bumps," Asness says. He added that "bump" was a euphemism for "some people losing a lot of money at some point." But investors shouldn't be surprised by the occasional hedge fund blow-up, provided they were told about the kind of risks being taken.

Herring has another view of the future, with some big funds diversifying into other financial services as Citadel, for example, is doing. "We may see some of them reinventing themselves as other kinds of institutions," he says. Does that mean even high-flying Goldman Sachs bankers need watch their backs? Herring puts it this way: "It's not just commercial banks that may need to worry about disintermediation." ◆

Richard Beales is associate editor at Breakingviews, an online financial comment site. Breakingviews articles are available at www.breakingviews.com and also appear in the Wall Street Journal *and a range of European newspapers.*

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Nutter greets his supporters after giving his primary election-night victory speech at the Warwick Hotel.

Michael Nutter

A Man With a Vision for a New Philadelphia

By Natalie Pompilio, Photos by Ryan Donnell

The day started around 9 a.m. at the Philadelphia Zoo. The Man Who Would Be Mayor pulled a free t-shirt over his long sleeve shirt and tie, stepped to the microphone, and welcomed walkers to the charity walk-a-thon.

Two hours later, he was on Independence Mall, one of the many politicians on hand for the groundbreaking of a new museum. An hour after that, he was in South Philadelphia, standing in the pulpit of a church, asking the congregation for their votes — and their prayers.

And so it went one Sunday one month before the election that would propel **Michael Nutter**, W'79, into City Hall.

In truth, he didn't have to work this hard. His post was as good as won: Democrats have helmed the city since 1952, and the party enjoys a 5-1 voter registration advantage. Post-primary analysis showed Nutter's victory over four other candidates was also notable because he garnered more white votes than any other African American in city history.

But Nutter, 50, a married father of two, said he campaigns on two speeds — "fast and faster."

"I don't take anything for granted," he said. "Everything that got me here, it doesn't make sense to slow down now."

What got him here are dozens of handshakes and photo ops, hours on the telephone seeking contributions, speaking appearances and debates and policy meetings. He resigned his seat on the Philadelphia City Council a year ago to focus, a bold move considering many thought he had no chance. He had to.

"I have to give 100 percent to what I'm involved in. The only way for me to do this and do it well and do it right was not to have any other responsibilities," he said.

Then he put it in business terms: "This is all about risk and reward. In terms of what I accomplished, it was a good business decision. In terms of having money in my pocket, it was not a good business decision. When you're passionate about something, you often have to make these tradeoffs."

Few thought he would pull it off. At one point last year, it seemed Tom Knox, a businessman who spent more than $10 million of his own money on his mayoral campaign, was headed towards a Democratic primary victory. Knox had started advertising on television and radio in August 2006, the first candidate out of the box, and never stopped. Knox portrayed himself as a political outsider in a city where political insiders were under fire.

He finished second.

And, if not Knox, then it seemed the likely winner would have been U.S. Rep. Bob Brady, the city Democratic chairman with the strongest union support, or U.S. Rep. Chaka Fattah, an early front-runner who had name recognition and an unrivaled election machine. Or, if not them, then State Rep. Dwight Evans, who had earned the praise of Ed Rendell, the popular Pennsylvania governer and former Philadelphia mayor.

But Nutter? He was respected by some City Hall watchers and had the endorsements of the city's two mainstream newspapers, but two months before the primary, a poll showed that almost half of Philadelphians had never heard of him.

"Three weeks or four weeks out," City Hall watcher Zack Stalberg said, "no one would have predicted Nutter would be the winner."

Serious About Doing the Right Thing

Nutter grew up in West Philadelphia, attended prestigious St. Joseph's Preparatory, and arrived at Penn in the mid-1970s with an eye on a pre-med degree. Instead, he ended up at Wharton, graduating in 1979 with a degree in entrepreneurial management.

"My Wharton experience helped shape my view of running this city as a corporation," Nutter said. "It's a $4 billion corporation called the City of Philadelphia: 22,000 employees, 17 members of City Council as a board of directors, and I have a million and a half shareholders, the citizens of Philadelphia, who work hard, pay their taxes and expect a return on their investment."

He wasn't a great student, he admits. "I kind of split my time between going to class and working in a nightclub. Some days and many nights the club was more interesting than the library… Like Mark Twain, I was a very firm believer in not letting my schooling get in the way of my education."

An investment broker when he won his Council seat in 1991, Nutter was known as a smart, outspoken politician. He was the guy who did his homework, asked tough questions, wasn't afraid to be a lone voice in the woods. Often considered a "reformer," Nutter and another City Councilman led the fights to establish the Tax Reform Commission and to reduce wage and business taxes.

He tackled controversial issues, like a citywide smoking ban and ethics reform bills that would eventually shape the race he won. "A one man city council," is how one admirer described him in a 2005 article.

He was also considered a little too boring, a little too serious. The word "wonk" was — and is — often used to describe him.

Supporters say Nutter's focus in a good thing. He may be serious, but he's serious about doing the right thing. Stalberg — chairman and CEO of the Committee of Seventy, a non-profit, non-partisan organization dedicated to improving life in the Philadelphia region — recalled the morning Nutter called him at 5:45 a.m.

"I thought it was some emergency," Stalberg said. "He just starts to talk about an issue he cares about and finally I said, 'Michael, it's not 6:00 yet. Can I shave before I talk about this?' I think he knew it wasn't 6:00 yet, but he wanted to talk about it."

And he is funny, those close to him say. "He was always hysterical in high school," said City Councilman Jim Kenney, who knows Nutter from St. Joe's Prep. "He's funnier than people give him credit for. We used to call each other from across the room during Council. I would call him up and say ridiculous things to make him laugh in the middle of the debate and he would text message back. It was like being in a classroom."

How Nutter communicates what he does is not as important as what he's saying, observers say. Nutter, political consultant Larry Ceisler said, understands nuances, that issues are not just two-sided, and he presents himself clearly.

"Even though he has sort of a monotone speaking voice and isn't the most inspiring person in the world, Michael communicates very well and people understand where he's coming from," Ceisler said. "I watched the forums and Michael was the only one who truly enjoyed campaigning and understood why he was there. He would get to an event early, he'd enjoy the people and he actually understood the process."

Indeed, on that fall day a month before the election, Nutter worked the crowds like the professional politician many consider him to be. He signed autographs, posed for pictures, drew people into conversations. Many people assumed he was already mayor, calling him by the title.

"Do you enjoy your job, Mr. Mayor?" Shaleeta Pressley, 20, asked Nutter after he'd signed her t-shirt.

"I do. I'll like it even more when I get down there," he said.

At another point in the day, a man called out to Nutter.

"Mayor, mayor, mayor," he said, "just do me a favor. Just do a better job than Street. Please."

Nutter smiled. "That won't be hard," he said.

Voters' dissatisfaction with Mayor John Street played a big part in the Democratic primary. A federal investigation of pay-to-play politics in city contracting resulted in two dozen convictions. Although an FBI bug was placed in Street's office, he was not indicted.

Still, the convictions tainted Street's administration. Those, coupled with the city's rising murder rate — some national media have called it "Killadelphia" — and Street's general aloofness — one political insider called him "a Sphinx" — had quashed the mayor's popularity. A 2007 poll showed that 77 percent of voters wanted the city to go in a different direction.

Nutter's camp used that dissatisfaction — and television advertising — to his advantage. Although Knox was the first to hit the airwaves — and the other candidates followed — Nutter's campaign was strategic, holding its ads until the seven weeks before the election and then buying airtime consistently until the end. One newspaper headline said of his victory: "A perfect storm of ads, timing, issues fuels Nutter win in Philly."

One of the first ads told voters that City Hall needed cleaning out and Nutter was the person principled enough to do it. Neil Oxman, Nutter's media consultant, said some people were shocked by the message and the implied attack on Street, who wasn't in the running. Still, they responded to it, he said.

"That propelled us from last place to second place within ten days," Oxman said.

"THIS IS ALL ABOUT RISK AND REWARD. IN TERMS OF WHAT I ACCOMPLISHED, IT WAS A GOOD BUSINESS DECISION. IN TERMS OF HAVING MONEY IN MY POCKET, IT WAS NOT ... WHEN YOU ARE PASSIONATE ABOUT SOMETHING, YOU OFTEN HAVE TO MAKE THESE TRADEOFFS."

That ad campaign may have turned voters' heads, but the 30-second spot that had people talking was the one featuring the candidate's daughter, Olivia. (Nutter also has an adult son.) In it, the smiling 12-year-old, who bears a strong resemblance to her father, gives viewers a tour of her life, including an introduction to her dog, her favorite food and the public school where her father drops her off every day. "My dad's pretty cool for an old guy," she says. Nutter speaks once, to wish his daughter a good day as she gets out of the car.

"That sort of humanized Michael," Oxman said. "The only thing people really knew about him was his comments from City Council. He wasn't well known. He'd never run citywide. He had a particular problem with African American women voters. And when we put that ad on, his polls shot up."

Nutter's personal touch also helped. Limited by campaign finance rules he'd helped craft, Nutter raised his money the old-fashioned way.

"He would spend six hours a day on the telephone doing it and that made the biggest difference," Stalberg said. "He touched a lot of people individually. After they give money, they're more likely to vote for him. They're also impressed by his work ethic, and it takes a lot of work ethic to ask for $50, $100 at a time."

On the night he won the May primary, Nutter stood with his wife and daughter by his side and addressed a packed ballroom of supporters at a downtown hotel. He put his achievement modestly.

"We had a really decent couple of weeks," he said. "We had a really good day."

A Cheerleader for the City

Now Nutter the councilman must become Nutter the mayor. He'll go from running a council office to running a city.

"It's a different mind set," Kenney said. "He's going to have to allow people around him to deal with problems and challenges. He has to avoid the temptation of all intelligent people to micromanage. A big part of the mayor's job is being a cheerleader."

Economic leaders like Joseph Zuritsky, CEO of the Philadelphia-based Parkway Corporation, hopes that cheerleading will bring new jobs to the city.

"He's a good representative of the city of Philadelphia," Zuritsky said. "A new mayor will improve public relations

In the last few days leading up to the Mayoral primary, Nutter makes his case to the news media.

and I think we're going to see a resurgence of people wanting to do business here."

Nutter knows business: He served as Chairman of the Pennsylvania Convention Center Board from February 2003 to April 2007, leaving the unpaid position to focus on his mayoral campaign. While there, he helped craft a pivotal labor-management agreement and spearheaded the Center's $700 million expansion.

In addition, Nutter said he wants to eliminate the gross receipts portion of the business privilege tax over time

"MUCH TOO OFTEN HERE IN PHILADELPHIA, WE'VE BEEN READY TO ACCEPT ANY OLD THING, SECOND OR THIRD BEST, BECAUSE WE HAVE THIS COLLECTIVE SELF-IMAGE, SELF-ESTEEM, PROBLEM THAT SOMEHOW WE ARE NOT WORTHY OF BETTER."

and reduce the net income portion. He also wants to see a reduction in the city's wage tax, which affects not only residents but people who work in the city and live in the suburbs. The combined business tax burdens currently mean it costs more to do business in Philadelphia than in six other major cities, including Boston, Los Angeles and Washington, according to a 2006 study done by the *Philadelphia Business Journal*. Only New York places a higher burden on its businesses.

"Michael recognizes that the city can't take care of its services unless there is a growing job base and the attraction of new businesses to the city," Zuritsky said. "His attempts to reduce the business privilege tax and wage tax will have an excellent impact on attracting and holding existing jobs."

The only danger, Zuritsky said, is that people may expect too much.

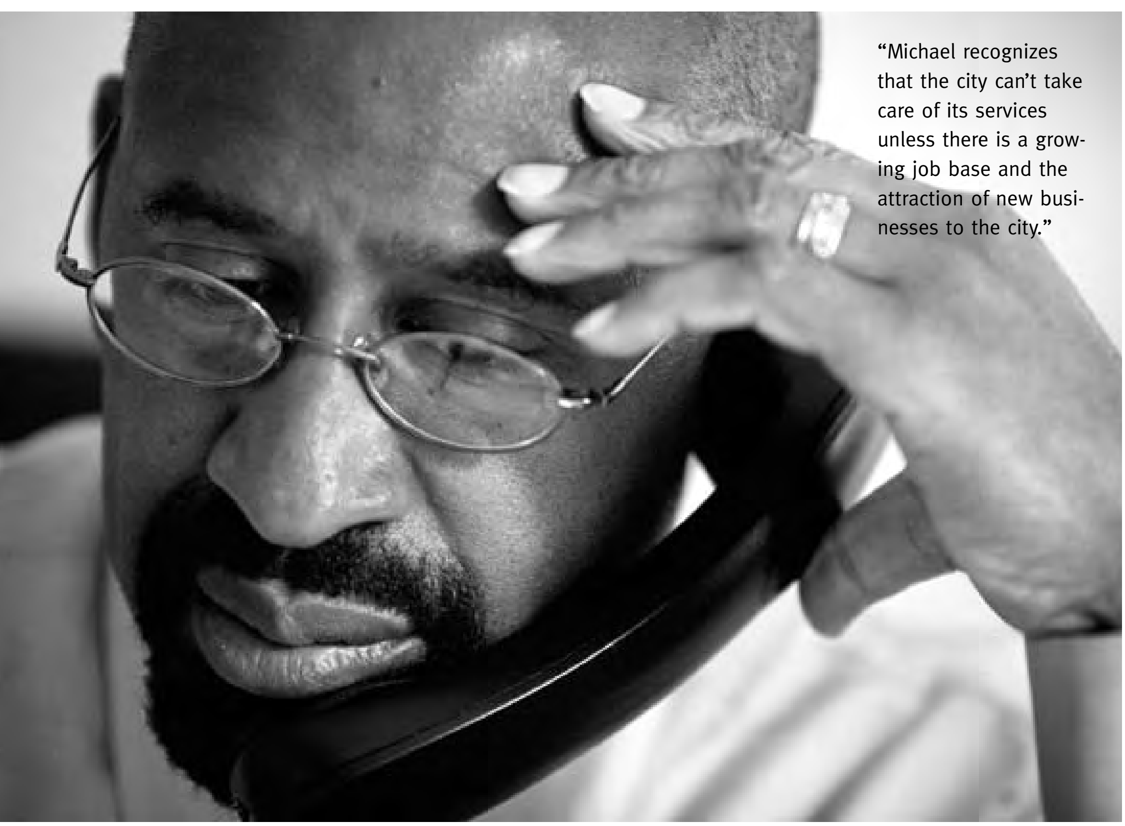
"There are limitations in what Mike can do," Zuritsky said. "If he handles himself in the right way and works with City Council, he can do a lot and overcome a lot of the problems he's inherited."

Working with the council could be a challenge. Indeed, Nutter was often the one to butt heads with Street, earning him a reputation as a lone wolf and a voice in the darkness. Nutter said he has learned to compromise, but there is only so far he'll give.

"I don't believe that ultimately having anything is better than nothing. In the political environment, people will often say, 'I'll settle for the sake of getting something' and I think that undermines the point," Nutter said. "Much too often here in political life, here in Philadelphia, we've been ready to accept any old thing, second or third best, because we have this collective self-image, self-esteem, problem, that somehow we're not worthy of better. I want to change those standards and set high expectations for ourselves: the public officials and our public."

Kenney predicts Nutter will have a workable majority of Council support. Although he backed Brady during the primary, Kenney said he was looking forward to working with a Nutter administration "with an enthusiasm I haven't had in the last few years."

"We can't be obstructionists or naysayers," Kenney said. "The Council and the Mayor need to show a united face. Sadly, over the last four years, we haven't done that."



"Michael recognizes that the city can't take care of its services unless there is a growing job base and the attraction of new businesses to the city."

Nutter heads down his driveway at the start of the day.

The fact that Nutter often did stand alone works for him now. During his first year, he faces tough negotiations with the city's four largest unions when their contracts expire in June. The final contracts will shape the city's financial future for years to come, and Nutter will likely seek significant concessions on health benefits and pensions.

"He wasn't supported by anybody with the exception of the papers and the people. He had no unions, no elected officials, nobody," Ceisler said. "It's actually an advantage to him because he goes into office owing no one."

Asked about what changes to expect during the first year of his administration, the first thing Nutter says is: "It will be cleaner." Literally, in that he'll call for a citywide clean-up.

And figuratively, as he attacks the crime problem and further cleans up the mess that was City Hall in the Street administration. During the primary season, he proposed police use "stop and frisk" procedures in high-crime areas, a concept that worried some civil libertarians. To rebuild confidence in government, he wants to crack down on no-bid contracts and bring new blood into politics. Part of that, he said, would be introducing graduates of Wharton and other area colleges to public service.

"They'll find the same challenges here," Nutter said. "While the financial rewards might not be comparable, I think the human rewards are almost immeasurable."

He also wants to turn Philadelphia into what he called "an education city." Two numbers, he said, are key to the future of the city: 45 and 18. The first number refers to the percentage of public school students who drop out. The second is the percentage of residents that have a four-year degree.

"We cannot survive as a city … if those two numbers stay the same," Nutter said.

And, he said, he wants to make the city fun again. He wants city dwellers to be proud of their home. Part of doing that will fall to him: Philadelphians love a leader who is out there embodying the spirit of the city. Ed Rendell did it. John Street did not. The city needs someone who fits its view of itself.

Stalberg thinks Nutter may have the goods: "I think there's a good chance Nutter will grow into that role and really present a great positive image for Philadelphia and make Philadelphians feel good about themselves again." ◆

Former Philadelphia Inquirer *reporter Natalie Pompilio writes and lives in Philadelphia.*

PHOTO . TOMMY LEONARDI

PROVIDING ANSWERS

Wharton's Joel Waldfogel's Views on New Economic Research — and Why Free Markets Aren't Always Best

By Meghan Laska

Can watching soap operas improve women's rights in developing countries?

This is just one of the diverse topics that business and public policy professor Joel Waldfogel tackles in a monthly column he writes for Slate.com. "I think of myself as an empirical economist who works on industrial economics and law and economics, and then I have interests that are just for fun," says Waldfogel. In the column, which falls under the "fun" category, Waldfogel typically explores new economic research that is both interesting and provides compelling answers to a real question.

This ability to provide such answers, whether for Slate.com readers or scholars and executives looking for provocative new ideas, is one reason colleagues across the country describe Waldfogel as "one of America's most interesting economists." The chair of the Business and Public Policy Department since 2006, Waldfogel's current academic interests tend to fall into two main categories: the effects of agglomeration on product availability and intellectual property piracy issues. He also recently finished a book, *The Tyranny of the Market: Why You Can't Always Get What You Want*, which debates long-held arguments that free markets are best for everyone.

For his Slate.com column, Waldfogel pores over recent working papers in economics and asks himself how many of those papers would interest a general audience. "My job is to take it and translate it in a way that's faithful to the research, but write about it in a way that is interesting and hits on some important topics," he says.

The soap opera paper, he says, is a great example. Titled "TV is Good for You," the August 2007 column discussed a new study that showed that cable television — which has recently come to remote Indian villages and airs Indian soap operas — was helping to shape women's attitudes there in positive ways with regard to autonomy, violence toward women and male gender preferences in children. "The soap opera study was fascinating to write about. If those results hold up then that is a really important finding that could help women's rights in India," he says.

"BREAD AND BUTTER" INTERESTS

When he's not writing for Slate, Waldfogel spends most of his research time on what he calls his "bread and butter" interests, one of which he recently turned into a book published in October by Harvard University Press and depicted by one reviewer as "a provocative statement on why free markets don't necessarily make everyone better off."

In describing *The Tyranny of the Market*, Waldfogel explains that about 10 years ago, he began looking at radio listening across different-sized cities. He found that "bigger markets have more stations and more variety, so there is something closer to what everyone likes. In general, people benefit one another by consuming in the same market, which is an agglomeration effect."

But people don't benefit equally, he found. When he divided the population by demographic groups, different patterns emerged. In cities with larger black populations, a higher share of blacks listened to the radio. And likewise, those cities with higher white populations had higher concentrations of Caucasian listening. So, he says, the bigger one's own group, the greater the tendency for members of that group to listen to the radio.

"If members of different groups turn out to have different preferences, then you won't be helped by people who don't share your preferences. You are only helped by people like yourself who share your preferences. The question is, are there stations near what you like? I call this the 'Who benefits whom' phenomenon. As there are more people who share your preferences, you derive more benefit from products."

In other products like daily newspapers, there's typically only one product, he says. It can be positioned to appeal to one group or another. The larger one group is, the less the product is targeted to the other.

Waldfogel says this is the product market analog to what John Stewart Mill called the "tyranny of the majority" in the voting context. "If you decide what kind of product you will have by voting, then you will have a product that appeals to the median person. As you are farther away from that median person, the less happy you will be," says Waldfogel.

"So a big part of Milton Friedman's argument in *Capitalism and Freedom* is that markets are great because they avoid the strains on social cohesion that government entails. But markets don't actually avoid that problem. When there are big fixed costs, markets only bring forth products with large followings."

For example, Waldfogel says, "if you are unlucky enough to have a terrible disease, you would be much better off having one that affects many people because the costs according to the drug industry are such that it costs almost a billion dollars to bring a drug to the market. You can't bring a drug to the market unless there are a lot of people who also need that drug."

What consumers get depends on how many people share what they want, which is not the traditional way that economists have thought about markets, he notes. "Most people have said that we can get what we want because we want it, but that is only true in theory and when production can take place on a relatively small scale and without big fixed costs."

There are a few solutions, including increasing markets through international trade or the Internet, as well as technological progress to lower fixed costs. Waldfogel explains that if the market is enlarged people need not rely on nearby buyers to provide the demand to bring things to market. Waldfogel addresses this issue in *The Tyranny of the Market*, using research from a paper he co-authored with Wharton real estate professor Todd Sinai. The paper looked at African Americans' tendency to use the Internet, finding that in general, "there is a digital divide in which black people overall use the Internet less. However, that divide is smaller in places where blacks are more isolated, as they go online to find the products they want."

Another solution is government intervention. He points to regional air service as an example. "It used to be tough to get direct flights between smaller cities. One technological change was regional jets that have become more common, making regional air travel more feasible, but there also are subsidies that were left intact when the airline industry was deregulated for smaller markets that help cover the costs of air travel for intercity service. Similarly, there are orphan drug laws that subsidize the development of drugs for small disease populations."

So what is the right balance between a free market and government interventions? Waldfogel maintains that "there has almost been a religious faith in the market and I agree that the market is wonderful, but what the market does on its own does not define the limits of what we want done in our society. Economic theory predicts that markets will 'get it wrong' sometimes, and so we can't dismiss all sorts of government intervention out of hand. A decision to use the market versus government interventions will have consequences and we ought to be open to a discussion about what set of outcomes we prefer. We shouldn't always just leave it up to the market."

A LOVE OF MUSIC

Waldfogel has also tackled intellectual property piracy issues, an interest born of his love of music. As he watched the Napster era unfold, he began to wonder how music production might be affected if people stopped paying for it. Would certain types of music stop being made?

"I wasn't all that concerned about classical music because I figured those guys weren't downloading it," he quips, noting that he personally likes traditional alternative pop and is a self-described "Radiohead guy."

"But I wondered just how valuable music was to people and how much social welfare we would forgo if the music industry suffered. From an economist perspective, there was all this area under the demand curve and I wanted to know what would happen if all this music went away," he says.

Waldfogel observes that most people in the music industry say with certainty that free music sharing is harmful to them, but he points out that there is an active academic debate about this. "It's been relatively hard to document the harm and some prominent studies actually don't find harm," he says.

In his own research on the issue, Waldfogel has found that people who download more unpaid music tend to buy less. "I see some behavior that would be harmful to the industry, but at the same time a lot of what is downloaded is stuff that consumers would not otherwise have purchased. So there is something for everyone in those findings."

"If you look around at the number of people wearing iPods all the time, you'd think we are at an all-time high in how useful music is to people and how much value people are getting out of it, yet at the same time revenue to the music industry is way down," he says, adding that the music industry is working on figuring out a clever solution to this discrepancy.

While his research shows both positive and negative consequences arise from music downloading, his work on free movie viewing shows very different results. Unlike music

JIM GRAHAM

"A decision to use the market versus government interventions will have consequences and we ought to be open to a discussion about what set of outcomes we prefer. We shouldn't always just leave it up to the market."

where a person can download hundreds of songs and listen to them all day while doing other things, movies require undivided attention. So even if they are free, people still need blocks of time to enjoy them.

"Even students have limited time they could spend watching movies, so maybe it's not surprising that in data I've gathered, people who watch one more movie without paying watch about one less paid movie. It's literally a one-for-one displacement, which is a really high rate," he says, noting that for music, one unpaid song reduces by only a quarter the number of paid songs, a one-for-four displacement.

And last spring, Waldfogel surveyed Penn students about their Internet television viewing from sites like Youtube.com as well as network-authorized websites like ABC.com to see if people who spent more time on such sites decreased the time they spent watching traditional television. "I found that people who have increased web consumption across the past two television seasons have very little in the way of decreased conventional TV consumption, and if you consider web viewing of network authorized sites like ABC.com, then the overall viewing of network controlled distribution channels actually goes up," he says.

An explanation for the difference between outcomes for movies and television consumption is that the Internet has become a "giant Tivo," says Waldfogel. "You can go to the web any time and watch almost any TV show on your computer any time you want. This makes it possible to watch programming you otherwise would not have been able to watch, then whetting your appetite to watch other episodes of that show. Where with a movie, once I see a movie I typically don't want to see it again or go out and buy it. It's plausible that free distribution of TV shows could actually stimulate interest in traditional TV."

YULETIDE ECONOMICS

While Waldfogel spends most of his time on more serious topics such as markets and IP piracy issues, he does have a favorite pet project that began with his introduction to the gift-giving rituals of Christmas.

"I'm Jewish, and I first encountered Christmas through my wife, [Wharton management professor] Mary Benner, and her very generous family. I ended up getting a lot of well-intentioned gifts, but they weren't things I would have chosen for myself, which got me wondering if this was a widespread phenomenon," he recalls.

So in the early 1990s, he began surveying his students at Yale, where he was teaching at the time. What he discovered was that the difference in what the giver spent and what the receiver valued was a "dead-weight loss."

"If I go out and buy a $100 sweater for you, and it's only something that you would value at $30, then I have essentially destroyed $70 worth of value and that is a dead-weight loss," explains Waldfogel.

He maintains that the gifts that really concern him are those given under circumstantial obligations like birthdays where you have no idea what the person really wants. "I think a gift card or gift to a charity in that person's name would be a really good idea."

Over time, Waldfogel has done more surveys, which have confirmed those results. Not surprisingly, he's found that in doing this type of research, he's gotten a lot less gifts over the years. "Maybe that is payback for not appreciating their gifts or maybe it's payback for my bad behavior in writing about it," he quips.

A VIBRANT COMMUNITY

While Waldfogel's PhD is in economics from Stanford University and he began teaching economics at Yale University, it was his business interests that brought him to Wharton in 1997.

"The first five years of my career were spent working on law and economics, and I still have some interest in that," he says. "But I also became interested in industrial economics and how businesses and markets work. Wharton has much more of a focus on actual phenomena as opposed to ideas divorced from phenomena."

"My colleagues at Wharton have a vibrant applied economics community that stretches across its departments — Real Estate, Insurance, Operations and Information Management, Finance. It's a fun place to be and is very active."

His closest colleague at Wharton, of course, is his wife Mary, an assistant professor in the Management Department. "Mary is important to me in many ways, but one of those ways is that she has a different academic discipline. Her area is organization theory, and because of her I benefit from a lot of different perspectives about economics and business." ◆

Meghan Laska is a senior associate director in Wharton's Office of Communications.

Replacing Old-Fashioned Infrastructures and the Power of Identity

Two new titles from marketing pioneer Yoram (Jerry) Wind and organizational design guru John Kimberly

Competing in a Flat World: Building Enterprises for a Borderless World

By Victor K. Fung, William K. Fung and Yoram (Jerry) Wind

In the "flat world," success is less about what the company can do itself and more about what it can connect to. In *Competing in a Flat World: Building Enterprises for a Borderless World*, Victor and William Fung team with Jerry Wind, author of the best-selling *The Power of Impossible Thinking*, to reveal how "old-fashioned" infrastructures and huge employee bases can be replaced with fluid, ever-changing networks that can design, manufacture, and deliver almost anything, anywhere.

The authors provide specifics from the company that pioneered "flat world" success, Li & Fung, which produces more than $8 billion in garments and other goods for the world's top brands and retailers — without owning a single factory.

Success in this world is based on a set of principles that are based on Li & Fung's "network orchestration," described for the first time in *Competing in a Flat World*. The authors examine how these principles can be applied in manufacturing, services and other industries, and make the case that networked, global enterprises — from Wikipedia to open-source software to manufacturing supply chains — are fluid and complex. These network orchestration principles are what holds these loosely linked enterprises together, allowing companies to balance firm-centric and network-centric views and build value through specialization.

Li & Fung's experience with companies such as Ecko Unlimited, The Limited and Gymboree are highlighted throughout the book as examples of how to employ this strategy. Examples from companies such as eBay, Wikipedia, Boeing, and Build-A-Bear Workshop further demonstrate the orchestration model.

Co-author Victor K. Fung is the Group Chairman of the Li & Fung group of companies, which includes major subsidiaries in trading, distribution and retailing, including publicly listed Li & Fung Limited, Integrated Distribution Services Group Limited and Convenience Retail Asia. He also is chairman of the Greater Pearl River Delta Business Council, the Hong Kong Airport Authority and the Hong Kong University Council.

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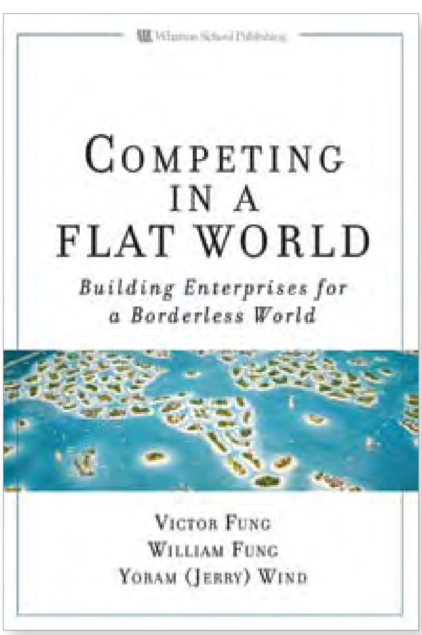
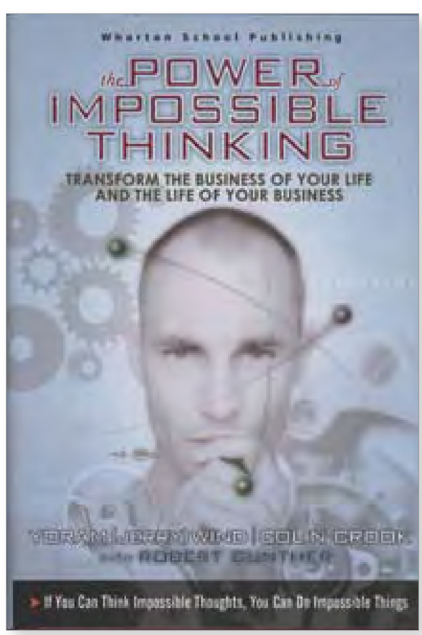




William K. Fung is Group Managing Director of Li & Fung Limited, and has held key positions in major trade and business associations. He is the past chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Hong Kong Committee for Pacific Economic Cooperation Council (PECC). Fung is a member of the Trade Development Council.

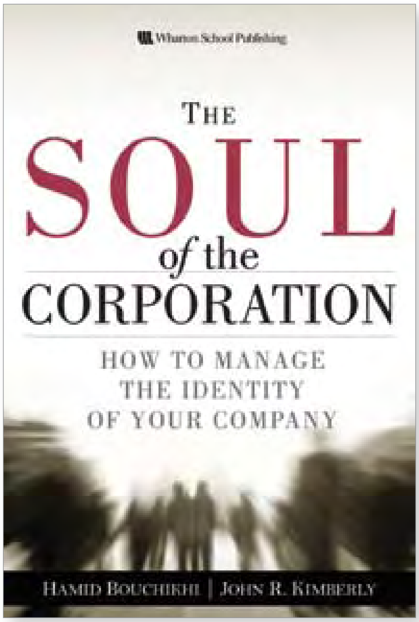
Yoram (Jerry) Wind is the Lauder Professor and Professor of Marketing at Wharton. He joined the Wharton faculty in 1967, with a doctorate from Stanford University. He is founding director of the SEI Center for Advanced Studies in Management, the founding academic director of the Wharton Fellows Program and founding editor of Wharton School Publishing. He has published more than 250 papers and articles and over 20 books including *The Power of Impossible Thinking* in 2005. Wind has consulted and conducted research for more than 100 companies.

The Soul of the Corporation: How to Manage the Identity of Your Company

By Hamid Bouchikhi and John R. Kimberly

In the burgeoning Age of Identity, competitive advantage is shifting from what a product is to the identity of the firm that markets it. More than ever, a firm's identity shapes the results it can achieve. *The Soul of the Corporation: How to Manage the Identity of Your Company* by Hamid Bouchikhi and John R. Kimberly offers managers a systematic, accessible, management-oriented way to understand, control and leverage their organization's identity.

Drawing on stories from organizations such as McDonald's, Lenovo, Ford and the Catholic Church, *The Soul of the Corporation* argues that while identity can be an extraordinarily valuable asset, it can also become a huge liability if not managed well. Using the strategies illustrated by the authors, managers will discover how their organization's identity is related to and different from its organizational culture, brand positioning and reputation. Methods for managing the unconscious shared beliefs that give an organization coherence as well as how to face the identity challenges that arise in mergers, alliances, spin-offs and acquisitions are also addressed.



The Soul of the Corporation offers business leaders a set of actionable ideas and guidelines that can be used to enhance their ability to diagnose and manage identity issues. Business leaders should be aware of the following, for instance:

- *Be sure that the organizational identity projected through branding efforts is real.* If it is not real, if it is mere sloganeering, competitors or other unfriendly stakeholders may turn these branding efforts against you. Failure to observe this rule has exposed the British Petroleum Company (BP) and its top management to a storm of criticism since the 2005 explosion at the Texas City, Texas, refinery where 15 workers lost their lives.
- *Ensure the consistency of corporate branding efforts targeted at various stakeholders.* The risk of adapting each message to its recipients is that multiple, and sometimes conflicting, images may be projected, leading to confusion in the marketplace.
- *Carefully align your own behavior and decisions with the organizational identity claims you make inside and outside the firm.*
- *Strive to realize synergies between handling identity at the level of the organization as a whole as well as at the level of individual brands under which your firm's products and services are marketed.*

Co-author Hamid Bouchikhi is a professor of strategy and management and the director of the New Business Center at ESSEC Business School in Cergy-Pontoise, France. John R. Kimberly is the Henry Bower Professor of Entrepreneurial Studies at Wharton as well as professor of management, health care systems and sociology. ◆

In Global Entrepreneurship, One Small Initiative Can Make One Huge Difference

Entrepreneurs love to grumble about the roadblocks and delays created by bureaucrats. Government officials, they say, are slow, bumbling and concerned only about hewing to their rules and clocking out at 4:55 p.m.

But in a study of global entrepreneurship, Raffi Amit and Mauro Guillen, both Wharton management professors, have found that a simple, if smart, bureaucratic initiative mattered critically in determining a country's level of entrepreneurship. Specifically, countries that created electronic business registries saw far higher levels of new business formation than those with traditional paper ones. Even the announcement that a country planned to establish an online log led to a jump in business registrations.

How could such a small change make such a big difference? "It represents the removal of red tape," says Amit, an expert in entrepreneurship and academic director of the Goergen Entrepreneurial Management Program. "Red tape is the big barrier to entrepreneurial activity. It takes three months in some places to register a new company vs. doing it in 10 minutes on a website. An electronic registry removes all the intermediaries and the need to pay bribes."

In other words, bureaucrats are obstructionist — at least until they start operating a server.

In cooperation with two staffers from the World Bank — Leora Klapper and Juan Manuel Quesada — Amit and Guillen gathered data from 84 countries in every region of the world. Their goal was to gauge levels of entrepreneurship and, as much as possible, explain why developed countries exhibit much higher levels of entrepreneurship than developing ones. Their research is summarized in a paper titled, "Entrepreneurship and Firm Foundation Across Countries."

Economists, starting with the famed father of entrepreneurial studies, Joseph Schumpeter, have long understood that entrepreneurs contribute a great deal to economic vitality. John Maynard Keynes even chalked up economic surges to their "animal spirits." But explaining why some countries produce so many more of these critical economic actors than others has proved tougher. Solving that riddle could be a key to jumpstarting growth in the developing world.

"One of the reasons why people at the World Bank are interested in this is that they believe one of the most effective ways to reduce poverty is to encourage entrepreneurship," says Guillen, who is director of the Joseph H. Lauder Institute for Management & International Studies. "The rich countries in the world, for two or three decades after World War II, made many attempts to help development. Their programs were mainly about investing in big infrastructure projects and they mostly failed." The hope is that fostering entrepreneurship will succeed where investing in fish farms didn't.

Differences in the rates of entrepreneurship around the world are stark. At one extreme, Asia produces only 1.6 businesses per thousand people, while at the other, industrialized nations create 64.2 per thousand, Amit, Guillen and their co-authors say. On top of that, new businesses continue to enter the economy at a faster rate in developed countries than in developing ones. Industrialized countries see average entry rates of more than 10% a year, while developing ones see an average of about 7% to 8.5%.

More Than Public Databases

As the scholars dug deeper, they found that the bureaucratic hurdles business people love to hate explained these regional differences. "The fewer procedures required to start a business, the greater the number of registered firms — and the higher the entry rate," they write. "There is also a significant relationship between the cost of starting a business (as a percentage of gross national income) and business density and the entry rate." Where businesses are costly to launch — in both time and money — you see fewer of them. An electronic registry helps to cure these sorts of headaches.

In many countries, registries serve as more than just public databases. They become the nexus of policies relating to entrepreneurship. "The business registry is at the frontline in the effort to assure that businesses operate transparently and within the bounds of the law," the scholars write. "It acts as a guarantor of a solid, legal business environment by fostering transparency." Its information can also help to shape economic policy by giving policymakers scads of data about employment and the strengths and weaknesses of an economy's sectors. And of course, it better enables governments to levy taxes on businesses.

Improvements brought by electronic registries show themselves quickly. Guatemala, Sri Lanka and Jordan each saw more than 20% increases in their number of new business registrations within just a few years of implementing their electronic systems. "In Jordan and Guatemala, the growth of new firms begins before the implementation of the reform, usually about four years earlier when the modernization plan was announced and initiated," the scholars write.

A criticism of this study might be that electronic registries don't actually capture levels of entrepreneurship but merely the movement of businesses from the informal sector — sometimes referred to as the underground economy — to the formal one. (Once it becomes easy to register, informal firms decide to do so.) Amit and Guillen argue that this sort of nitpick misses the point. If a government manages to encourage existing firms to register by cutting red tape, then it has still improved its entrepreneurial ecosystem. And chances are, a friendlier environment will lead to the formation of more companies.

While the study devotes much attention to business registries, it examines other drivers and obstacles to entrepreneurship, too.

Not surprisingly, the authors find that corruption saps business formation just as surely as red tape does. In countries with corrupt governments, bribery becomes a hidden tax on entrepreneurship. "In corrupt countries, everybody in government is on the take," Amit says. "If somebody doesn't have the resources to provide for that, he can't move forward with his business."

Political turmoil, often accompanied by corruption, plays much the same role. Amit, Guillen and their co-authors use the example of Peru, which has ridden a political rollercoaster since the late 1990s. "What we see is that firm registrations are incredibly sensitive to swings in the political cycle," Guillen notes. In years of upheaval, like 1999 when then-President Alberto Fujimori tried to overrule

"The fewer procedures required to start a business, the greater the number of registered firms — and the higher the entry rate," the authors write.

"The business registry is at the frontline in the effort to assure that businesses operate transparently and within the bounds of the law," the scholars write. "It acts as a guarantor of a solid, legal business environment by fostering transparency."

the constitution and stand for a third term, the number of business formations sank. But in years of stability, like 2001 when the country elected a new leader, they soared.

"Like several other countries in Latin America, southern Asia and Africa, Peru hasn't figured out yet what kind of political institutions it wants to have," he adds. "They've had short periods of very open, transparent policies and then suddenly the government gets corrupt. This is reflected in the data. You can see it over a relatively short period and with minimal time lags. It's reassuring to see that it matters who's in charge and what kinds of policies they introduce." Guillen says that Peru's example confirms the large and growing body of evidence that good governance helps to propel economic growth.

Service vs. Retail Businesses

Although Amit, Guillen and their co-authors found many common themes throughout the countries they studied, they did observe a difference in the sorts of companies that entrepreneurs are starting in the developed and developing worlds. In industrialized countries, service businesses predominated among new firms, but in the developing counties, wholesale and retail trading outfits did.

Amit chalks up the difference to varying stages of economic maturation. For decades, developed economies have been shifting from manufacturing to services. So in places like the United States and Europe, you would expect to see entrepreneurs gravitating toward the growing service sector. Developing countries don't just lag behind that shift — China, for example, is only hitting its manufacturing heyday now — but also face obstacles to starting firms in some sectors. In much of Africa, for example, the natural-resource sector still dominates. Governments, or people closely tied to them, typically control those resources, limiting the opportunities for entrepreneurs to start firms aimed at exploiting the continent's resource wealth.

Amit and Guillen point out that this paper is merely the first step in a multi-year effort with the World Bank to assess entrepreneurship around the world. As they work toward that goal, they hope to incorporate even more indicators into their assessment of countries' entrepreneurial environments. Amit, for example, knows from his work around the world that culture, tough as it can be to quantify, plays a critical role in people's willingness to take the risks required to be an entrepreneur.

"There are countries in Asia that say, 'We want to be entrepreneurial,' but also say, 'If you fail, you're doomed for life.' I just spent two weeks in Korea, and if there's one issue that hinders entrepreneurial activity there, it's the social fear of failure. In the U.S. and Canada, you're rewarded for trying and attempting to succeed, and the idea is that you learn from that." ◆

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Alumni Association Update

TAMA L. SMITH, WG'90

DEAR ALUMNI

As we move into 2008 in this Winter issue, the season for sharing continues with our call for greater financial participation.

How You Can Make a Difference Now

On October 20, 2007, the School launched its most visionary campaign in Wharton's history — ***Innovation and Leadership: The Campaign for Wharton*** — to sustain its excellence and confirm its position as the preeminent business school in the world. As part of the University of Pennsylvania's Making History capital campaign goal of $3.5 billion, The Campaign for Wharton has a fundraising goal of $550 million. The Campaign for Wharton is focused on the following three areas.

1. **Driving Innovation** through research and programs and the creating of three new institutions: The Global Leadership Institute, The Entrepreneurship Institute, and The Business Institute for Global Good to promote social, environmental, and economic change for the betterment of society.
2. **Educating Leaders** through increased student financial aid and faculty support
3. **Sustaining Excellence** through curriculum development, enhancements to facilities and technology.

For more information on the campaign and its priorities, go to **<www.wharton.upenn.edu/TheCampaignForWharton/campaign.html>**

The Need to Give More … and Consistently

Quite simply, as alumni of the world's oldest and best business school, we need to do more. Compared with peer institutions, Wharton does not enjoy the same levels of alumni participation in the annual fund. Our alumni community must give in greater numbers and sustain their support on an annual basis. It is only through alumni support that Wharton can continue to claim its world-class position and, in so doing, strengthen the currency of your Wharton degree. We encourage you to make a gift to The Wharton Fund in this fiscal year, ending June 30, 2008, and to continue to do so on an annual basis.

How Has Wharton Made a Difference in Your Life — Share Your Story

We know that Wharton has made a difference in your life and now you have a chance to make a difference in the lives of students, faculty members, and the world. We want to hear how Wharton has influenced or changed your life. As I speak with many alumni around the world, it is clear that their Wharton experience has been instrumental in shaping their careers, global perspective, and relationships. As a result of these conversations, we have created a new series, *Wharton Connections in Action*, that will feature some of your stories in future magazine issues — all you have to do is email your personal story to **magazine@wharton.upenn.edu**.

The sharing starts now! To make a financial contribution, go to "*Make A Gift*" at **<www.wharton.upenn.edu/alumni>**.

Until,

Tama L. Smith, WG'90
Board Chairwoman, Wharton Alumni Association
President, Tama Smith & Associates, Inc.
E-mail: tsmith@tsassociates.com

New York Club Holds Joseph Wharton Awards

On September 27, the Wharton Club of New York drew its active membership to honor four of Wharton's most prominent alumni at the Joseph Wharton Awards Dinner. The guests of honor were alumni **Jon M. Huntsman**, W'59, chairman of Huntsman Corp., **Steven A. Cohen**, W'77, chairman and founder of SAC Capital Advisors LLC, **Caren S. Franzini**, C'80, WG'84, CEO of the New Jersey Economic Development Authority, and **Aditya Mittal**, W'96, CFO of ArcelorMittal. The awards, which recognize exceptional leaders within the alumni community, began in 1972 and served as the premier business gala in New York until 1991. The event was revitalized in 2006 with a successful sold-out dinner at the Rainbow Room.

This year's dinner, held at the Pierre, built on last year's success. The event chair was Wharton alumnus **Robert Wolf**, W'84, chairman and CEO of UBS Americas, and the president of the Wharton Club of New York is alumnus **Kenneth Beck**, WG'87, president of Beck Enterprises.

Huntsman was presented the Joseph Wharton Award for Lifetime Achievement. This award recognizes alumni who have had a tremendous positive and sustained impact on business and society over the course of their careers.

Continued on page 37…

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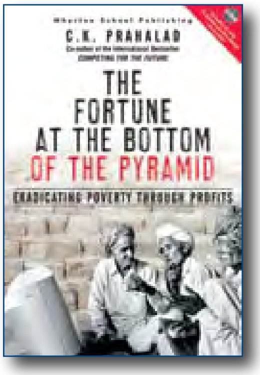

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For more information, please contact:

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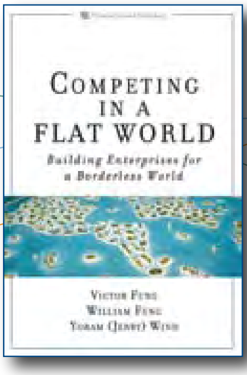

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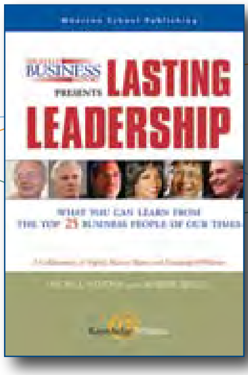

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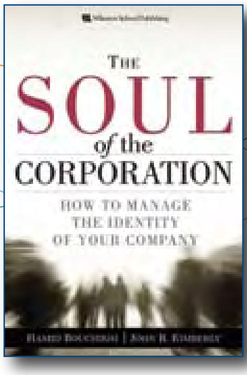

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JOSH KOPELMAN, W'93, THE 2006 RECIPIENT OF THE JOSEPH WHARTON AWARD FOR YOUNG LEADERSHIP, WITH ADITYA MITTAL, W'96, THE 2007 RECIPIENT OF THE SAME HONOR

LIFETIME ACHIEVEMENT HONOREE JON M. HUNTSMAN, W'59, AND FELLOW WHARTON OVERSEER ALVIN V. SHOEMAKER, W'60, AT THE JOSEPH WHARTON AWARDS DINNER

KENNETH BECK, WG'87, PRESIDENT OF THE WHARTON CLUB OF NEW YORK, WITH JOSEPH WHARTON AWARD FOR SOCIAL IMPACT RECIPIENT CAREN FRANZINI, C'80, WG'84

JOSEPH WHARTON AWARD FOR LEADERSHIP HONOREE STEVEN A. COHEN, W'77, AND DEAN TOM ROBERTSON

Continued from page 34...

Cohen was presented the Joseph Wharton Award for Leadership, which recognizes alumni who embody the highest standards of leadership in both business and society.

Franzini was presented the Joseph Wharton Award for Social Impact, which recognizes alumni who have had the greatest impact in public service, social enterprise or philanthropy.

Mittal was presented the Joseph Wharton Award for Young Leadership. This award recognizes alumni who, early in their careers, have demonstrated the greatest potential for leadership and lasting impact.

Wharton Club of Minnesota Hosts Governor Tim Pawlenty

Minnesota Governor Tim Pawlenty addressed 90 alumni at the Wharton Club of Minnesota's annual luncheon on October 3. Governor Pawlenty, who succeeded in bringing the 2008 GOP convention to Minneapolis-St. Paul and is rumored as a potential Vice Presidential running mate, mingled informally with alumni over lunch. He then presented his vision for education, health care and the environment — three sources of both pride and concern for Minnesotans. After a thoughtful question and answer session, the club presented the Governor with a donation to the Minnesota Helps Bridge Disaster Fund, a charity he praised for assisting victims of the August I-35-W bridge collapse.

The club is especially thankful to **Jeff Greiner**, WG'83, for introducing his friend Governor Pawlenty at the event and to Meredith Peetz-Larsen, Associate Director of Alumni Affairs, who flew in from Philadelphia to attend the luncheon and meet with local club leaders.

This was one of many fantastic events that the club sponsored in 2007 for Minnesota's 450 area alumni. The Wharton Club of Minnesota held its annual economic preview in February with Gary Stern, President and CEO of the Federal Reserve Bank of Minneapolis. The following month, alumni enjoyed a tour, private reception and performance of *The Merchant of Venice* at the new Guthrie Theater, the first U.S. architectural masterpiece by Jean Nouvel. This popular event was made possible by **Janet Kinzler,** WG'92, who is also the Chair Emeritus of the club. **Karen Listgarten**, C'86, G'92, WG'92, arranged a celebration of Earth month in April through a tour and discussion with Dominique Conseil, President of Aveda, Minnesota's pioneer in environmental stewardship. Summer events took advantage of Minnesota's balmy climate, featuring annual favorites such the MBA Alliance boat cruise. The Wharton Club's family-friendly tent at the Polo Classic benefiting the Children's Home Society & Family Services of the Twin Cities, was once again sponsored by Lowry Hill, thanks to **Tom Hull**, C'70, WG'78.

The Wharton Club of Minnesota has been active for decades, thriving due to the continued dedication of Wharton alumni, including past club presidents **Jim Ulland**, WG'66, **Jon Goetze**, WG'77, **Robert Frost**, WG'99, and **Gail Baumgart**, WG'99. Many club members are attracted to this region by corporate giants such as 3M, General Mills, Medtronic, Target, and UnitedHealth. The mission of the Wharton Club of Minnesota is to strengthen the Wharton community here and to enhance the Minnesota experience — fostering friendships and invaluable contacts along with lifelong learning opportunities.

– Carolyn Magill, WG'04

Second Annual Alumni Dinner Brings Entrepreneurs to Philadelphia

Philadelphia's Union League may date to the Civil War but as the location of this year's Wharton Entrepreneurship Conference, the buzz was focused on the new and innovative.

The conference featured panels, workshops and one-on-one sessions aimed at educating entrepreneurs on how to build successful businesses. Wharton alumni were everywhere and especially visible as panelists for sessions related to such topics as emerging economies, social entrepreneurship, venture capital and real estate.

The conference's keynote, M&T alumnus **Jeff Fluhr**, E'96, W'96, imparted inspiration by describing how he surprised even his parents in launching StubHub, an online ticket marketplace. Fluhr told of traveling to state capitals successfully lobbying against antiquated anti-scalping laws. As those laws were revised, StubHub benefited, with the operation becoming profitable and attracting major sports teams and top performing artists. StubHub also attracted acquisition interest, including from eBay. In February it bought StubHub for $310 million.

TOMMY LEONARDI

THE VENTURE CAPITAL FOR ENTREPRENEURS PANEL CONVENED ALUMNI **MICHAEL ARONSON**, WG'78, MANAGING DIRECTOR, MENTORTECH; **ALEX FERRARA**, E'97, VICE PRESIDENT, BESSEMER PARTNERS; **BOB GREENE**, W'82, CO-FOUNDER, CONTOUR VENTURE PARTNERS; AND **MICHAEL KOPELMAN**, C'97, WG'05, EDISON VENTURES.

The evening before the conference, **David Marshall**, W'61, a Wharton alumnus and real estate entrepreneur, presided as Keynote of Wharton Entrepreneurial Programs' second annual Alumni Dinner which was held at perhaps Marshall's most dazzling property, the Rittenhouse Hotel. Dean Thomas Robertson offered the School's vision for a Wharton Entrepreneurship Institute before nearly 70 alumni ranging from Class of 2008 to Class of 1959. Many also attended a lively pre-dinner session focused on building connections among the entrepreneurial community.

Club News in Brief

The Wharton Club of Houston (WCH) has been a hotbed of connections and deals lately. At the WCH's UBS Speakers' Forum Luncheon featuring Frontier Oil CFO Michael Jennings, Wharton School alumnus **Bill Fraser**, WG'93, was introduced to **Chris Krummel**, WG'03, by Club President **Evan Betzer**, WG'99. Fraser's description of his risk management software business known as Spectrum-Prime Solutions, LP, soon led to a discussion of the need for marketing and sales talent. Krummel recognized the opportunity to make an introduction to a talented individual named **David Pierce**, W'50, who had just the right kind of professional experience to assist Fraser. Pierce and Fraser met and Pierce is now working full-time for the Spectrum-Prime Solutions.

Former Board Member **Alvin Rucker**, WG'98, was looking for a business to acquire when he volunteered on the WCH's Entrepreneurship Committee. Through the club's activities, he met **Charles Boyd**, WG'91, and began evaluating franchise opportunities. After considering several opportunities, the pair acquired a group of ten Popeye's restaurants — and found funding for the deal from a fund managed by another WCH member.

– Evan Betzer, WG'99

Wharton Club of the Middle East members welcomed prospective students in Kuwait when Wharton's Director of MBA Admissions and Financial Aid, **Thomas Caleel**, WG'03, held an information session for the second year in a row in Kuwait's Four Points Sheraton Hotel. Speaking to a diverse group of approximately 50 prospective students, **Mohammed Alshaya**, WG'84, Chairman of MH Alshaya Co Retail, began the information session by urging the young audience to show passion and zeal, and later spoke about his personal experiences as a Wharton alumnus. Next, Caleel detailed the admissions process and emphasized its transparency.

– Hassan El Houry, WG'07

Connections in Action

David Niu, WG'02, and **Andy Liu**, WG'02

For David Niu and Andy Liu, Wharton connections began before they were even officially Wharton students. The two men met in 1999 as admitted applicants during Wharton Welcome Weekend. At the time, neither knew whether they would attend, much less that they would end up as business partners on two successful Internet companies. The latest, BuddyTV, is a two-year-old web community where TV fans read and exchange news and commentary.

"We end up sleeping on the couches of two other students who were gone for the weekend," says David of their first meeting. "Both of us were considering deferring at that time. We both ended up attending, and we bumped into each other in the fall at a Preterm lecture by Professor Peter Fader."

The two were intrigued by Fader's research, and eventually turned it into a business called NetConversions that they honed with the help of Wharton Business Plan Competition and other Wharton resources. With Fader and his PhD student, Wendy Moe, plus interest and advice from Wharton alumni and other VCs who visited campus, the venture, which applied Fader's research toward increasing sales at web companies, showed so much promise that the fledgling entrepreneurs dropped out of school to pursue the company full-time in Seattle, Andy's hometown.

Then the tech boom blew up, and the two moved back to Philadelphia to finish up their Wharton educations. They brought NetConversions with them.

"We actually operated the headquarters of NetConversions from a Chestnut Street apartment for a year," says David.

With another year's worth of education tailored towards their entrepreneurial venture, David and Andy had their degrees in hand, and a company that was in better shape than ever. They returned to their Seattle operations, then sold the company in 2004 to aQuantive (which was recently acquired by Microsoft) for up to $7 million.

After the acquisition, they stayed on as senior executives for 18 months before they were ready for the next chapter in their business lives.

"We tried to take off some time to think about what we wanted to do next, what we enjoyed and what we didn't, where we thought there would be opportunities." Three or four months later, Andy and David had founded BuddyTV. The new company didn't take long to get off the ground either.

"Everything is much easier the second time around. The experience of the labor pains and growing pains at Net Conversions was something we were able to leverage for BuddyTV to jumpstart the growth and maturation of the company. It was easier to recruit people, it was easier to talk to VCs."

BuddyTV now averages more than 3 million unique users per month, and in 2007 it attracted a $3 million investment that was led by Gemstar-TV Guide. Andy and David still wear many hats, but their site officially proclaims Andy as the site's publisher, David as the editor-in-chief, and their team includes about a dozen staffers.

"Whenever I talk to people about what's been helpful, I always mention the experience and the people I met during my time at Wharton," David says. ◆

Jan VanAmerongen retired to Amelia Island, FL, after 37 years in various VP positions for Best Foods International. When in his last few years with the company, Jan spent 65% of his time traveling for Best, he decided enough was enough. So, Jan turned to golf, and is president of his club's golf association. To his surprise, Jan has two holes-in-one to his credit. A force four hurricane would put severe stress on the golf course and the island. A force five would put the island under water.

Jan met his wife, Pat, at the Port Washington (Long Island) Yacht Club when they were teenagers. Her college life at Mary Washington and Katy Gibbs never kept her away from a good party at Penn.

Pat and Jan have a daughter, a son (C'87), and four grandsons.

Jan recommends *A Good Walk Spoiled* for all frustrated golfers.

Jake Tobin entered the Navy Aviation Officer Candidate School in October, 1960. In Jake's 36 year career, he rose to the rank of Rear Admiral.

Sally, Jake's wife, says they dated ever since seventh grade. She graduated from Cornell in 1960 and remembers the one time she visited Penn, October 19, 1959, for the Navy game, which we won, and for the fraternity pin, which Jake gave her. She also remembers 30 moves during their 36 years with the Navy. And along the way she christened the USS Pioneer, a mine-countermeasures ship.

Now I have to tell you, I pull a lot of my material out of some very modest people like Sally and Jake. We are all from that generation where we don't like to toot our horns in public. But then how can I not tell you that Jake's specialty was anti-submarine warfare during the Cold War. Later Jake was Commander of U.S. Naval Forces based in Japan. He retired in 1996 but has continued to work in government-related and other ventures since then.

He visited the campus last October and, like all of us who return after a long absence, finds the campus startling and dynamically different.

Some of you know that as a part-time preacher I am sometimes called upon to present a homily at a memorial service. I prepare for it by listening to the deceased's relatives and friends. I am struck by how much I really never knew about his or her abundant life. I close the piece by challenging the congregation and myself to find out about each other's lives today and not wait for others' memorial services to find out about them.

I found out a lot about **Dick Gibson**, a fellow I hardly knew at Penn. Talk about an abundant life! Dick spent a year or so in Greece, opened a bond department for Dean Witter back in the States, and returned to sail Aegean's wine-dark sea with his girlfriend on a 36-foot Dutch sloop. Ever the accomplished sailor, Dick made a modest living on Chesapeake Bay for five years chartering and sailing his own 34-foot sloop. Somewhere along the way Dick wrote a novel, a coming-of-age story about two teenage alcoholics. He also made documentary films for four years. How, you wonder, could he maintain a wife and keep making these career moves? Simple: he didn't get married until 1990, when he found Elizabeth, a South African who has made her way up many Fortune 500 executive ladders in the U.S. By 2000, Dick had earned a Master's in Social Work from Rutgers. Today he's a

Wharton Leader

Jeremy Rifkin, W'67

Jeremy Rifkin wants to focus on his message, not himself as the messenger. When the topic is as critical as the future of the human race, it's no wonder that the influential economist/philosopher would rather disarm his critics and focus on the bigger picture.

"It's a race against time," he said, referring to the issue of climate change during a wide-ranging conversation. He spoke with *Wharton Alumni Magazine* at the Steinberg Conference Center, the home of Wharton Executive Education, where he has been a fellow and lecturer in the Advanced Management Program since 1994. Rifkin is also the president and founder of the Washington, DC-based Foundation on Economic Trends, the bestselling author of 17 books on technology, labor, and globalization including *The End of Work, The Age of Access,* and *The Biotech Century,* and a columnist whose views are published worldwide in *The Los Angeles Times, The Guardian, Süddeutsche Zeitung, L'Espresso,* and *El País. The National Journal* named Rifkin as one of 150 people in the U.S. who have the most influence in shaping federal government policy.

Rifkin cited the Intergovernmental Panel on Climate Change, the group of 2,500 scientists that shared the 2007 Nobel Peace Prize with former U.S. Vice President Al Gore, "By their calculations the whole world has seven years to get the right game plan to deal with climate change, and there can be no mistakes. We have to think of this as a global emergency and ourselves as *homo sapiens* and not let geopolitical forces get in the way."

So first, Rifkin wants to make it clear that he's not a technophobe. How could he be, when he believes that technological innovation is the only means to solve the pressing issues of fossil fuel dependence, global warming, and famine?

Rifkin first became prominent in the 1970s as a vocal opponent of recombinant DNA research and genetic bioengineering; his 1977 book on the subject, *Who Should Play God?,* seeded skepticism against the industry, which led to increased regulation. A 2000 article in the *Virginia Journal of Law and Technology* tracing Rifkin's impact claimed that he "arguably single-handedly raised the consciousness of the American public, and indeed the world, to potential risks of the technology." His activism can be traced back to his time at Penn during the mid-1960s when the Wharton student/fraternity member/cheerleader protested against the University's participation in germ warfare research. From there, he became active in the peace movement, helping to organize the 1968 March on the Pentagon against the Vietnam War, before tackling broader power relations in a world driven by techno-capitalism.

"I've been very critical of technology," said Rifkin. "There are some technologies I like and some I don't. I look at technologies in terms of the human story. This third industrial revolution is a human story."

The third industrial revolution to which he refers is the adoption of a distributed renewable energy network that uses hydrogen fuel cells for energy storage, as described in his 2002 book, *The Hydrogen Economy.* Rifkin believes that history's most significant changes occur when societies rework their energy regimes and reorganize their communication systems around them.

"The convergence of new energy and communications systems are pivotal points in human history," he explained. He believes the distributed communication system of the Internet must now be translated into a distributed energy regime.

"What is a distributed energy compared to the elite energies, oil, coal, gas, and uranium? Elite energies are the ones you don't have in your backyard, so they require huge geopolitical organizations and military investments," he said. "Distributed energy is found in your backyard – the sun, the wind, hydro for dams, garbage that can be turned into energy, agricultural or forestry wastes if you're in a rural area, ocean waves if you're on the coast, geothermal deposits.

"When you and I and millions of people generate our own power with renewable energy, we store it using fuel cells, and then the surplus we don't need we send back to an inter-grid, just as we produce our own information and share it on the Internet."

In the U.S., Rifkin was instrumental in founding the Green Hydrogen Coalition, a group of 13 environmental and political organizations (including the Sierra Club and Greenpeace) committed to renewable hydrogen. In Europe, he helped build consensus among European Parliament members, leading to a 2005 commitment to convert the European Union to a green hydrogen economy. One notable convert is German Chancellor Angela Merkel, who Rifkin helped convince to create a 500 million euro program to move Germany into the lead in the third industrial revolution. He has also advised the current president of the European Union, Prime Minister Jose Socrates of Portugal, Prime Minister Romano Prodi of Italy, Prime Minister Jose Zapatero of Spain, and members of the U.S. Senate.

Rifkin circled the conversation back to the custom executive education class he was teaching to a group of high-level automotive executives. "I asked my class today, 'Look, where do you want to position your company in 15 years? Do you want to be in the sunset energies and industries of the second industrial revolution, or do you want to be in a transition to the sunrise energies of the third industrial revolution?' It becomes very clear when business leaders hear that. It's about their bottom line, but they're beginning to realize the bottom line is about their children too. There has to be a balance between margins now and the future of the human race."

The long-time activist sees a change in business culture since he graduated from Wharton and Tufts University's Fletcher School of Law and Diplomacy, where he earned a master's degree in international affairs.

"Then, there were very few people challenging the corporate framework. There was Ralph Nader, and later there was me with biotech," he said. "Now things have changed. Younger business people have grown up with the idea of sustainable business and corporate social responsibility. Now the idea of challenging the conventional wisdom is coming from the business community itself. We have corporate leaders who realize that business is embedded in all the relationships that make up human civilization."

— *Kelly J. Andrews*


TOMMY LEONARDI

Wharton Leader

Sharon Fordham, WG'77

These are the best of times for Sharon Fordham. When *Wharton Alumni Magazine* spoke to Fordham in October, 2007, she was basking in the glow of the critical and audience success of a "Tale of Two Cities," a major new musical she helped produce in Sarasota, FL, and hopes to bring to New York's Great White Way this coming season. She was even more optimistic about her "day job" – launching a new online community cofounded by her venture fund, The Fordham Group.

Fordham's optimism is backed up by a long line of successes online and off. She was the driving force behind the launch of the mini snack category with many blockbuster products from Nabisco, including SnackWell's, Teddy Grahams, and Ritz Bits, she resuscitated the LifeSavers Candy Company, directed global e-business strategy for Nabisco, and oversaw WeightWatchers.com into a profitable online community in the early 2000s when other e-commerce ventures were crumbling.

"I follow the opportunities," she said. "I don't really worry about if I have the skill sets or knowledge because at the end of the day, business is business and skills are skills. Marketing and sales are fundamentally the same even when the delivery may be different. Good business people will find their way in the environment."

Fordham made her name as senior marketing leader for Nabisco, first during the 1980s when she launched a successful soft-cookie line amid a fierce competition with Procter and Gamble and Frito-Lay, known as the "Cookie Wars." After moving on to launch groundbreaking products including Teddy Grahams and Snackwell's, she parlayed her marketing knowledge into e-commerce first as the president of LifeSavers during the phenomenal launch of Candystand.com.

THE FORDHAM GROUP

In 1994, she took on the task of reinvigorating the ailing LifeSavers subsidiary, where profits and sales volume had dipped. Fordham tackled the company's supply-chain problems and introduced multiple new hit products, such as Ice Breakers gum and CremeSavers candy. Within three years, profits had more than doubled, net sales had increased significantly, and the Candystand.com website was launched.

As president of LifeSavers, Fordham believed that "destination" or content sites would hold visitors and bring them back far more frequently than websites filled with "brochureware," which offer little more than product descriptions and company histories. Instead, the Candystand site offered free state-of-the-art games.

"When you think about the amount of time you spend playing one of our games, the brand message is constantly on the screen helping to propel brand awareness and image in a way we've never seen before, even in the off-line world," Fordham said. "We felt that we wanted something that would bring people back. When we tried to envision the future, we felt the Internet was going to evolve along the lines of the TV economic model, so we were sure that providing content (much like a TV show) was the way to go."

Nabisco rewarded her with a new challenge as its president of global e-business. She built Nabiscoworld.com, another very successful industry-leading website, during her tenure as president for a year and half until Kraft bought out Nabisco in a wave of industry consolidation. Fordham moved on to become chief executive at WeightWatchers.com, Inc., turning the pre-revenue early stage company into a profitable subscription site.

"I wanted to get experience in the venture industry," she said. "I wanted to get experience in running a multinational company, and we [WeightWatchers.com] added several subsidiaries in major European countries during my term as CEO, and of course I wanted to firm up my e-commerce experience."

"It was tremendous experience overall. The company was very successful, and the buyout was very successful," she continued, referring to the buyout of WeightWatchers.com by the licensor, Weight Watchers International, at a hefty multiple that she helped orchestrate.

Next Fordham took the opportunity to pursue her own promising venture idea until she uncovered intractable legal issues. "I knew enough about new businesses to know when you should hold and when you should fold," she said.

The insight gleaned from her meetings with investors and fellow entrepreneurs led her into the next act of her career as a venture capitalist with The Fordham Group, founded in 2005.

"I'm not a pure entrepreneur," she said. "I'm more comfortable on the investor side and as a cofounder. It's been a fascinating transition. You really see the future in many of these little startup companies."

The company has a portfolio of seven companies, including two in water drilling and another in microbe testing that reduces the cycle time and increases the accuracy in testing for food contaminants.

Fordham is devoting much of her energy to a project that is closest to her expertise – an online entertainment and social community. "We're about halfway built at this point and marching toward market entry in the foreseeable future. That's consuming a huge amount of my time, and I'm cautiously optimistic about our prospects," she said.

For Fordham, the best of times are always yet to come.

— *Kelly J. Andrews*

Leadership*Spotlight*

JUDITH L. BOLLINGER, WG'81

PHOTO COURTESY OF JUDITH BOLLINGER

Judith Bollinger (née Comeau) has enjoyed plenty of successes in her long career as an equity analyst and current chairman for ABG Sundal Collier. But first she landed a dream job with CBS News as a brand-new college graduate. The only problem: It wasn't her dream.

"It was very glamorous because I was in production working with the stars, and I really didn't like it," says Bollinger, who grew up in Oreland, PA, outside Philadelphia and earned her bachelor's degree in English from Kalamazoo College. "I felt that the news was all about filling up the half-hour as opposed to providing any intellectual or insightful analysis."

One of her coworkers on the business side told her she wasn't suited for production, and she should go to Wharton for business school.

"I got in, fortunately," she laughs.

Once she was admitted to Wharton, she didn't make the mistake again of being swayed by glamour or trends.

"I graduated with my MBA in 1981 before the bull market," she says of her career path. "The idea of becoming a security analyst in the equity market wasn't something anyone was interested in. The equity markets were very lackluster and in poor condition. I interviewed with all the consulting companies, but I felt a longing to get my hands dirty and dig very, very deep in one particular sector, which of course is what equity analysts do.

Bollinger worked at Goldman Sachs for 13 years — first 11 years in the New York office, where she was ranked by *Institutional Investor Magazine* as one of the top three analysts covering the aerospace and defense electronics sectors, then for two years in the London office, where she served as head of European and UK research. In 1999, Judith joined ABG Securities, a small Swedish brokerage firm, first as research director and later as CEO. As CEO of ABG, she executed its merger with Sundal Collier in 2001. Today, Bollinger is chairman of the board of ABG Sundal Collier, a full-service investment bank listed on the Oslo Stock Exchange.

Bollinger was still in New York when she and her husband, a hedge fund manager, endowed a professorship focused on international issues. After the couple moved to London, Bollinger joined Wharton's Executive Board for Europe, Africa, and the Middle East. She became involved with the issue of corporate social responsibility from a European perspective, and along with her fellow board members, supported an initiative on that topic. She also became a Penn Trustee in January, 2008.

In 2007, the Bollingers gave Wharton $6 million to support scholarships and fellowships with preference to international students. Half of the Bollingers' gift was to establish the Judith and William Bollinger Endowed Scholarship for undergraduates, and half was designated for the Judith and William Bollinger Endowed Fellowship for MBA students.

"A whole lot of international students wouldn't even look at American universities because it just seems so expensive," she says. "We wanted to make it easier for those students who didn't have the financial means."

She continues, "My husband and I find it very rewarding and satisfying to meet with the young people who are just entering Wharton today. They have the energy, and with the education and experience, they have the opportunity to make the world a better place. We provide the financial help so they can provide the solutions.

Bollinger, the mother of two, is deeply involved with educational and children's charities in the UK including Independent Opera, Tommy's (a nonprofit that supports prenatal and infant health), and the Latymer School. Now with The Campaign for Wharton underway, Bollinger's latest goal is to help her fellow alumni reconnect with the School.

"There are 1,200 Wharton alumni in London," she says. "It's my objective that by the end of the campaign in five years, that we can touch every single one of them." ◆

– KELLY J. ANDREWS