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PROFESSOR HARBIR SINGH

Prof. Harbir Singh Is New Vice Dean for Global Initiatives

Professor Harbir Singh will champion the School's global research and education efforts as well as coordinate the School's globalization agenda with the undergraduate and graduate divisions, including the internationally focused Huntsman and Lauder programs.

Singh's research focuses on strategic alliances, corporate acquisitions, and corporate restructuring, and he has consulted with global giants such as GlaxoSmithKline, Verizon, and Cisco. As a member of the Wharton faculty for nearly 25 years, Singh has served as chair of the Management Department and is currently the Mack Professor of Management and co-director of the Mack Center for Technological Innovation. He has also held editorial posts with the *Strategic Management Journal* and the *Academy of Management Journal*.

Ira Rubien Joins as Communications Head

Marketing expert Ira Rubien joins the Wharton Dean's Office as the Executive Director of Communications. He will work with colleagues throughout the School to develop a long-term strategic plan for building the Wharton brand via innovative and ongoing public communications efforts.

Rubien comes to Wharton from GRACO (Newell Rubbermaid) Children's Products. As director of marketing and brand management for the nursery and care division, he developed and oversaw the implementation of a new vision for the 50-year-old global brand. Before joining GRACO, he was senior brand manager at Mattel, where he conceived and launched Matchbox's 50th anniversary marketing program, which led to a dramatic 600 percent profit growth and earned him Mattel's Outstanding Marketing Campaign award. He has also worked in the Internet marketing space at Addis and Headland Digital Media, both digital marketing firms in the San Francisco Bay Area.

Rubien earned his MBA from the Haas School of Business at the University of California, Berkeley, and his BS in information systems and industrial management from Carnegie Mellon University.

IRA RUBIEN

Message to Alumni

As another year starts and we look back to 2008, we think especially of those among us who have been touched by the financial crisis and by the tragic events in Mumbai. With many ties to Mumbai among our students, faculty, alumni, and staff, we were deeply saddened by the terrorist attack in late November. We extend our deepest sympathies to those who lost friends and loved ones during the attack.

Wharton Faculty and Staff

J.J. Cutler: New Director of MBA Admissions and Financial Aid

Alumnus J.J. Cutler returns to Wharton as Director of MBA Admissions and Financial Aid. Cutler, a 1993 Penn Communications grad, earned his Wharton MBA in 1997. He joins Wharton after a recent role as president of Lindi Skin, a start-up company that offers skin care products specially formulated for people with cancer.

Before his leadership at Lindi Skin, he was senior vice president of marketing for ARAMARK Healthcare's North American business, providing over 1,000 hospitals and health systems with clinical support services that improve hospital efficiency and increase patient satisfaction.

Immediately after graduation, Cutler joined Johnson & Johnson, with increasing responsibility over seven years, such as leading OTC brands at McNeil Consumer Healthcare, including Tylenol PM, Motrin IB and Pepcid AC; and biotech products at Centocor, including the company's leading product, Remicade.

Cutler returns to Wharton with a deep understanding and commitment to its culture. While at Johnson & Johnson, Cutler was awarded the prestigious "Standards

J.J. CUTLER

of Leadership" award for his work in building a comprehensive MBA recruiting strategy for Wharton.

VALERIE MALTER

Valerie Malter in New Role for Social Initiatives

In October 2008, Valerie F. Malter joined Wharton as Senior Advisor for Social Initiatives. In this consultant role, Malter is the chief liaison for all of Wharton's social impact and responsibility initiatives. Working closely with the Social Impact and Responsibility faculty committee, she will develop a strategic plan for Wharton's long-term participation in social impact activities, create an Advisory Board on Social Impact drawn from multiple constituencies, and build a system to document and enhance faculty and student involvement in social responsibility efforts.

Malter has held managing director positions at JP Morgan Investment Management, Zurich Scudder Investments, and Chancellor Capital Management, where she developed investment strategies, managed growth assets and portfolios, and played a key role in client maintenance. An avid triathlete, she is also the cofounder and president of the Tri-S Foundation, a New York nonprofit organization that competes in endurance sports to fund community-based programs encouraging economic self-sufficiency for women.

She earned her MBA from the Darden School at the University of Virginia and her BS from Boston University.

Fresh Insights for Directors from Executive Education

Wharton Executive Education and Spencer Stuart have redesigned their corporate governance program to meet the growing demand from current board members for fresh knowledge. The new three-day program, *Corporate Governance: Fresh Insights and Best Practices for Directors*, will run February 24-26.

"The role, duties, and best corporate governance practices of boards of directors are evolving and changing every year," says Thomas P. Gerrity, professor of management and academic director of the program. "With new external issues and internal changes, it is healthy to always think of yourself as a new director. The job to be done is ever more complex and changing at a faster rate than ever before."

Among the areas of board governance receiving increased attention in today's climate are compensation, as executive pay comes under tougher scrutiny, and risk management, as operational risks become broader and more complex. For more information, visit **http://executiveeducation.wharton.upenn.edu**.

New Environmental Dual Degree

Wharton has added another dual-degree option, pairing its MBA with a Master of Environmental Studies degree offered by Penn's School of Arts and Sciences (SAS). "This new multidisciplinary degree advances educational goals in both business and environmental studies," says Eric Orts, a professor of legal studies and business ethics and director of the Initiative for Global Environmental Leadership at Penn/Wharton.

The course of study will groom environmental-issues students for global leadership roles in environmental management, finance, and other business specialties.

Classes in Wharton's environmental and risk management track will help students develop a range of skills and knowledge they can apply in business practice. The MES portion will deepen their knowledge of environmental issues, teach them technical environmental evaluation and offer them practical field experience.

Net Impact: Creating Social Value

Sustainability took center stage at the 2008 Net Impact North America Conference at Wharton last November, where more than 2,000 people came to hear corporate leaders

PHOTOS . TOMMY LEONARDI

TOP: The panel on Philanthropy and Social Entrepreneurship included Dan Crisafulli, Skoll Foundation; Kris Prendergast, Social Enterprise Alliance; Lisa Hall, Calvert Social Investment Foundation; and Peggy Reid, Lemelson Foundation. BOTTOM: By sorting conference refuse, Net Impact volunteers went beyond recycling to compost biodegradable waste otherwise destined for landfills.

including John Brock, CEO of Coca-Cola Enterprises; Carter Roberts, president and CEO of World Wildlife Fund; Matt Kistler, Senior Vice President of Sustainability at Wal-Mart; and Kate Roberts, Founder of YouthAIDS.

The student-run event had a 400-name waitlist, breaking attendance records and shattering notions that corporate social responsibility is a passing trend. "If you're a professor these days, especially in finance, you can't walk into the classroom and deliver your usual lecture without addressing the events of the last few months," said Wharton Dean Thomas Robertson.

The conference drew 250-plus panelists around the theme "The Sustainable Advantage: Creating Social and Environmental Value." With 129 speaker panels, keynote addresses, breakout sessions, a career expo, and social events — it was a valuable learning and networking opportunity for students, professionals, and corporations alike.

"We are working with NGOs as partners, when five years ago none of us would have been caught in the same room together. We are all committed to the same end result. There are some disagreements over how we get there, but sustainability has become the core of everything we do," said Coca-Cola's Brock in his keynote address.

Wharton Tackles the Financial Crisis

New Course on Financial Crisis Fills Within 48 Hours

A new course, "The Economic & Financial Crisis: Causes, Consequences and Policy Options" has launched in the Spring 2009 semester to unpack the current economic crisis as it evolves. Under the leadership of professor Mauro Guillen, the class will explore links between macroeconomics, central bank policy, and the complex financial instruments that contributed to growth and then a spectacular collapse in many global markets.

Guillen developed the course in October following the bankruptcy of Wall Street's Lehman Brothers Holdings. The course's 300 available slots were filled within 48 hours.

"When something as momentous and historically important is going on in the world as this crisis, we felt we should do something about it," Guillen told Reuters. Wharton wants "students to have a sophisticated understanding of how complex the crisis is. There are so many moving parts."

While Guillen is leading the course, other faculty will contribute lectures, including Jeremy Siegel on stock markets, Jennifer Amyx, a political science scholar on Japan's financial crisis, Bulent Gultekin, a former governor of Turkey's central bank, and Joseph Gyourko, Wharton's Martin Bucksbaum professor of real estate and finance, on the role of the housing market in precipitating the crisis.

TOMMY LEONARDI

Neel Kashkari, WG'02, Interim Assistant Secretary of the Treasury for Financial Stability and Assistant Secretary of the Treasury for International Economics and Development, addressed the student-run Wharton Finance Conference in New York on November 7. During a question-and-answer session, he said, "We don't think the government is well positioned to dictate to individual banks how to run their businesses. First of all, that's the job of regulators, not the Treasury Department, but it's also very hard to create a one-size-fits-all standard given the diversity of institutions that may participate."

Faculty Teach-ins Draw Crowds

Wharton faculty provided timely analysis of the financial crisis last fall, offering insights in media outlets from *The Wall Street Journal* to CNBC and in Knowledge@Wharton's continuing in-depth coverage. On campus, faculty led additional teach-ins, including talks by professors Richard Marston, Jeremy Siegel, Richard Herring, and Kent Smetters on the origins of the crisis, how it has evolved, and where we're headed next.

Other recent teach-ins examined the question, "Do the Answers to Our Current Financial Woes Lie in the Past?" with Wharton and Penn professors Bulent Gultekin, Jennifer Amyx, Luzi Hail, Marshall Meyer, and Heiner Schulz discussing the global landscape of the crisis at the School's Lauder Institute of Management & International Studies. And in a question-and-answer session with Citi CEO Vikram Pandit, management professor Michael Useem talked about the difficult road to recovery ahead. For the latest perspectives from Wharton on the crisis, see **www.wharton.upenn.edu/specials/financial_crisis.cfm**.

Wharton MBA Students at World Finance and Economy Summit

Wharton MBA students **Nagendra Jayanty**, WG'09, and **Spencer Reich**, WG'09, co-chairs of the Wharton Investment

Management Conference, introduced and moderated an address by Wharton professor Jeremy Siegel at the World Finance and Economy Summit in New York City last fall.

In addition to Siegel, who compared equity market valuations over time and stressed that current global equity markets provide attractive investment opportunities, the Summit also included talks by Martin Feldstein, president and CEO of the National Bureau of Economic Research and board member of AIG; Carly Fiorina, ex-CEO of Hewlett Packard, and former Fed chairman Alan Greenspan.

While speaking at the summit, Greenspan argued that the current crisis stems from severe under-pricing of risk in the global financial markets in recent years. He also admitted that policymakers had assumed that major banks had superior counterparty surveillance mechanisms, given their access to information and stringent lending standards. He noted that the breakdown in this assumption, combined with faulty risk models, was a surprise to policymakers and has exacerbated current market instability. Greenspan would not speculate on the economic crisis's length and final impact, saying the situation is far too complex to predict.

Secretary Michael Chertoff Addresses Risk

Our economy is in crisis mode. We're over-leveraged. We're undercapitalized. We've ushered in a new era of total deregulation. None of it has worked, and since we realized this, we have pumped nearly a trillion rescue dollars into the financial system.

It's a situation that, to some degree, could have been "predicted over a number of years, going back into the 1990s — in terms of over-leverage, too much credit, too little equity, [and] home values that are on the tip of a bubble," U.S. Homeland Security Secretary Michael Chertoff told a crowd of 300 students and faculty recently. But Chertoff argued that the problem is not that we "failed to anticipate the one-time risk. It's that we don't learn the lesson."

"With the passage of time, as the original event becomes a matter of memory, we begin to decide that we're spending too much money trying to avert the risk," said Chertoff. "And we begin to degrade our preparation once again."

Chertoff's talk, "When We Fail to Manage Risk," was sponsored by the Wharton Risk Management and Decision Processes Center, under the direction of Wharton professor Howard Kunreuther.

Preserving Wealth: New Program for High-Net-Worth Investors

In response to ongoing market turmoil, Wharton Executive Education last month launched a new three-day wealth preservation program for investors with between $5 million and $30 million in assets. Wealth Preservation in an Age of Uncertainty took place in December and drew upon experts from Wharton's top-ranked Finance Department.

"We haven't seen this environment before," says Thomas J. Colligan, Wharton's vice dean of executive education. "At Wharton, we have tools that can help people in times like this. We are a research university. Access to the best research in the world in a time of uncertainty is a tremendous advantage."

For information on the course or its parent program, Wharton's Wealth Management Initiative, see **http://executiveeducation.wharton.upenn.edu**.

Marketing the Upscale During a Downturn

As 2009 shapes up to be the most challenging year in more than a generation for marketing luxury, marketers' plans for targeting 16-year-olds and expanding rapidly into the new money hubs of Russia or the United Arab Emirates are suddenly "out," according to a panel at the recent student-run Wharton Marketing Conference. What's now "in" is pampering the wealthiest and most loyal customers with everything from monogrammed shirts to personal in-home visits.

For complete coverage of the conference, see **http://knowledge.wharton.upenn.edu**.

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In Brief

MBA Conferences Explore New Ideas

Wharton MBAs organized and ran a slew of conferences on a vast range of issues this fall. Global Business Forums explored emerging business themes in Africa and Asia, while the Whitney M. Young, Jr. Conference focused on African-American achievement and opportunities. In Philadelphia, the Wharton Energy Conference shed light on the outlook for the global power industry and investing in clean technology. In New York City, the Wharton Finance Conference hosted speakers including **Neel Kashkari**, WG'02, Interim Assistant Secretary of the Treasury for Financial Stability; Paul Calello, CEO of Credit Suisse; and Teresa M. Ressel, CEO of UBS Securities, as well as garnering coverage by the *Wall Street Journal*.


TOMMY LEONARDI

MBA WHARTON FINANCE CONFERENCE IN NEW YORK.

FIC Wins Sloan Grant

Wharton's Financial Institutions Center was one of four organizations nationwide to win recent Sloan Foundation grants that will study the ongoing financial crisis with the goal of providing institutional and regulatory reform. Wharton will act as a focal point for research on banking and for interaction between academics and practitioners.

The $1.7 million grant will be divided among the Wharton FIC, the Brookings Institution, and the National Bureau of Economic Research.

Prof. Smetters Named Boettner Professor

Kent Smetters, associate professor of insurance and risk management, has been named the Joseph E. and Ruth E. Boettner Professor of Financial Gerontology. An expert in Social Security and tax policy, Smetters has taught at Wharton since 1998 and has served as deputy assistant secretary of economic policy in the U.S. Department of Treasury, among other posts. He is the co-author of *Fiscal and Generational Imbalances:*

Wharton Makes News

A sampling of recent news stories that include Wharton alumni and faculty.

DECEMBER 17, 2008

The *Shanghai Daily* analyzed recent research co-authored by assistant professor of real estate **Albert Saiz** on cities' efforts to attract new residents.

Finance professor **Franklin Allen** noted in *Financial Week* that central bankers and economists erred in forecasting the current economic downturn.

DECEMBER 16, 2008

As a guest on CNN's *Lou Dobbs Tonight*, real estate and finance professor **Susan Wachter** commented on the Federal Reserve's recent action saying, "[It was] necessary but not sufficient. In deflation, who lends?"

Joseph Gyorko, Wharton real estate and finance professor, co-wrote the "Today's Economist" column in the *New York Times*, suggesting how to revamp U.S. housing policy.

DECEMBER 9, 2008

The lack of a foreign auto maker backlash is "validation they're good corporate citizens," suggested **John Paul MacDuffie**, a Wharton Management Department associate professor, in the *New York Times*.

"Malls can't be mundane in this economic climate," Wharton marketing professor **Stephen Hoch** told Reuters, discussing the results of a new study on shopping malls conducted by Wharton's Baker Retail Initiative and the Verde Group.

US News & World Report overviewed a study of employee incentives used to achieve weight loss co-authored by Wharton Health Care Management/Penn Medicine professor **Kevin G. Volpp**.

DECEMBER 5, 2008

In the *Wall Street Journal* management professors **Michael Useem** and **John Paul MacDuffie** contributed an op-ed titled, "The GM Plan Doesn't Go Far Enough."

DECEMBER 4, 2008

Real estate professor **Susan Wachter** weighs in on the U.S. Treasury Department's plan to reduce mortgage rates as low as 4.5 percent. *PBS' News Hour*.

DECEMBER 1, 2008

Wharton finance professor **Franklin Allen** was among the economists featured in the *New Yorker*'s "Anatomy of a Meltdown."

New Budget Measures for New Budget Priorities and co-editor with Olivia Mitchell, International Foundation of Employee Benefit Plans Professor at Wharton and director of the Boettner Center for Pensions and Retirement Research, of *The Pension Challenge: Risk Transfers and Retirement Income Security*.

President-elect Obama Appoints Wharton Prof. to FCC Transition Team

As co-chair of the team, professor Kevin Werbach is tasked with providing information on U.S. government Internet and telecom policies, along with advising on budgetary and personnel matters.

Financial Institutions Center Collaborates with Senior Financial Economists

Wharton's Financial Institutions Center is now administering the Financial Economists Roundtable, a group of senior financial economists who focus on microeconomic issues in investments, corporate finance, and financial institutions and markets, both in the U.S. and internationally.

The Irrational Economist Conference Honors Kunreuther

The invitation-only conference recognized four decades of scholarly contributions made by professor Howard Kunreuther, Co-director of Wharton's Risk Management and Decision Processes Center.

Wharton VIPs Susantio & Kim Win with WIN Fellowship

Women Inventing Next (WIN) has selected past WBPC grand prize winner and VIP member **Irene Susantio**, WG'08, and VIP member **Eurie Kim**, WG'09, as two of five WIN 2009 Fellows.

Wharton Dean's Undergraduate Advisory Board Celebrates 25th Anniversary

JULIAN ASTLEY

The Wharton Dean's Undergraduate Advisory Board (WAB) member convened at the Penn Club of New York on November 12 to celebrate the 25th anniversary of the board. Twenty alumni joined the 20 current board members, along with Dean Thomas Robertson and Vice Dean Georgette Phillips, pictured above with Yatin Mirakhur, Julie Shen, and Vani Sastri, all W'12. One of the oldest undergraduate student body groups at Wharton, WAB provides current undergraduate students with a monthly forum to work with the Wharton administration on generating and implementing academic initiatives.

Events Calendar

For more information visit **www.whartonconnect.com/events.html**.

FEBRUARY

February 9-12
Executive Education: Full-Spectrum Innovation
Location: Philadelphia
executiveeducation. wharton.upenn.edu

February 9-13
Executive Education: Creating Value Through Financial Management
Location: Philadelphia
executiveeducation. wharton.upenn.edu

February 18-19
Executive Education: Financial Management for Nurse Managers and Directors
Location: Philadelphia
executiveeducation. wharton.upenn.edu

February 23-27
Executive Education: Finance and Accounting for the Non-Financial Manager
Location: Philadelphia
executiveeducation. wharton.upenn.edu

MARCH

March 11-12
Global Alumni Forum
Location: Dubai, United Arab Emirates
www.whartondubai09.com

March 26
Wharton Leadership Lecture: Edward Liddy
Location: Philadelphia
whartonconnect.com

MAY

May 9
Wharton West Commencement
Location: San Francisco
www.wharton.upenn.edu/ campus/wharton_west

May 15-17
Wharton Reunion Weekend
Location: Philadelphia
www.wharton.upenn.edu/ alumni/reunion/2009

May 17
Wharton MBA Graduation
Location: Philadelphia, Franklin Field

May 18
University Commencement
Location: Philadelphia
www.upenn.edu/ commencement

May 21-22
Global Alumni Forum
Location: Bogotá, Colombia
www.whartonbogota09.com

JUNE

June 12-13
Global Alumni Forum
Location: Beijing, China
www.whartonbeijing09.com

LINDA HELTON

RIDING IT OUT

Assessing finance careers during a crisis

By Susan Warner

Amid layoffs, eliminated bonuses, and hiring freezes, Wharton alumni and students evaluate prospects for careers in finance in a global downturn.

In the past two years, more than 300,000 U.S. finance jobs have been lost. Bear Stearns and Merrill Lynch have been merged into larger players. Goldman Sachs and Morgan Stanley are commercial banks. Lehman Bros., after 158 years in business, is gone. The U.S. government has become a major force in the financial system, with billions pledged in bailouts.

Wall Street is forever changed after decades of relative stability and bubbly periods of boom that lured the top students in class after class at Wharton into careers as bankers, traders, and financial engineers. International finance centers, from London to Hong Kong, are also suffering as finance jobs slip away.

"Markets have ups and downs, and the economy has ups and downs, but this is an exceptional down," says **Allen Levinson**, W'77, WG'78, founder of the hedge fund manager Credit Risk Advisors, LP and a member of the Wharton Alumni Club of New York's Board of Directors.

"The finance industry is going to suffer in a fashion that is pretty significant and it will take a while to come back," he continues. "And no question, when it comes back it is going to look different than it did previously."

Dean Thomas Robertson has a similar view. "In the short run there will be contraction, but the need for financing and financial expertise is not going to go away," he says. "The need for capital to run businesses will not disappear. Every problem is an opportunity for someone to make money."

THE CALL TO NETWORK

Wharton graduates in finance are tapping their personal networks and reaching out to friends, former coworkers, and other alumni in search of a lifeline. **Kenneth Beck**, WG'87, president of the Wharton Alumni Club of New York, is promoting the club's program "Take the Call," encouraging all alumni to at least accept any call from fellow Wharton graduates looking for a job. In New York, and other financial centers around the world, smart and successful banking and investment professionals have updated their resumes and online profiles. They are also stepping back and searching their hearts to see if they might rather take their careers in some other direction.

Alumni say that, for the most part, younger graduates should come through the slump in relatively good shape. They have time to retrench and can afford to take a step back in their careers. Graduates who have been on Wall Street for 20 years or more and have reached senior levels at firms may take enormous hits to their annual bonus and company stock holdings, but if anyone should have his or her personal financial house in order, it is likely to be a Wharton graduate. The alumni most at risk are those who are midway through careers and face the strong possibility of job loss and reduced expectations about compensation even though they may have taken on debt to support mortgages and a lifestyle built on a rosier premise.

"We have not seen an Armageddon. Human capital will still have value. Our alumni and students have a lot to distinguish themselves in those markets," says Geczy.

In the meantime, Wharton MBA Career Management and Alumni Affairs have put programs into place to support both new graduates and alumni.

"It's not that this has been a surprise to us," says Dean Robertson. "The form is a surprise, but at least six months ago we saw the downturn coming and created new strategies to prepare."

"We're reaching out to people not just in New York, but we are offering virtual, or telephone advising sessions for people in Asia, Europe, or the West Coast," points out Antonio.

"The world for our students and for hedge fund managers and bankers has changed even from a few months ago. In a very short time the job market in finance is very different and life will be very different," says Christopher Geczy, a Wharton finance professor who is academic director of Wharton Executive Education's wealth preservation program for high net-worth investors.

At the same time, Geczy stresses that financial intermediation will continue to play an important role in global markets. Perhaps more than ever, new ideas and innovative models will emerge as business and governments cope with the current financial meltdown.

READY FOR A DOWNTURN

Bill Feingold built his entire career on the high-stakes edge of finance, trading derivatives and options at a series of investment banks and hedge funds including Lehman Bros., Paine Webber, Credit Suisse, Clinton Group, and FrontPoint Partners. Last stop, Goldman Sachs where, in July, he was downsized out of his job trading convertible debt. At 45, with a wife, two small children, and a house in Westchester County, NY, Feingold, WG'91, is now among tens of thousands of Wall Street financial services professionals dislocated by unprecedented shocks to the global markets.

When Feingold was a second-year MBA student at Wharton, he was captivated by a course on speculative markets. He knew he wanted to work with options and was able to do just that as Wall Street developed new, increasingly sophisticated financial instruments that grew in importance to investors throughout his career. Looking back, Feingold says that overall he had "good stretches and not-so-good stretches" as a hedge fund manager.

Feingold believes the recent collapse in share prices will ultimately prove to be a once-in-a-lifetime opportunity for

PHOTOS . TOMMY LEONARDI

NETWORKING EVENT, WHARTON FINANCE CONFERENCE, NEW YORK, NOVEMBER 7.

investors. At the moment, however, there is enormous pain on Wall Street, especially for mid-career finance professionals who had become accustomed to the mega-bonuses and the luxe lifestyle Wall Street has provided its people for most of the past 30 years.

"Having the Wharton network is clearly an advantage in good times and now," says one young out-of-work New York hedge fund manager who earned a Wharton undergraduate degree. He resigned from his job in July as it became clear that he would be let go soon anyway. His strategy was to try to get in the door somewhere before the crush of year-end layoffs increased the competition. Within weeks he had sent out 632 e-mails to people in his own personal network and contacts passed on from his boss. He got through to about 70 people and had done 15 interviews in his first round.

PENN WHARTON CONNECTIONS

Rosette Pyne, associate director of career services at the University of Pennsylvania, has worked with Penn alumni, including Wharton graduates, at a special counseling session in New York City. "We discussed options within their current career field and other options they might not have considered," says Pyne.

Michelle Antonio, director of Wharton MBA Career Management, says alumni and graduating students have not experienced a wholesale collapse in hiring this year. Internship and full-time job offers for the Class of 2008 were honored, except for some Lehman jobs in the London office, when Barclays acquired the firm's assets.

"We're reaching out to people not just in New York, but we are offering virtual, or telephone advising sessions for people in Asia, Europe, or the West Coast," she points out.

As Wall Street contracts, some alumni are looking to export their careers overseas. Yet international financial centers are suffering. London is expected to lose 50,000 finance jobs this year or next, while banks in Hong Kong and Tokyo are also contracting. **Robert Boyd**, WG'92, vice president of business development at Boston Street Advisors, recently returned from London.

"London is suffering with the same problems we have," he said. "Iceland is essentially bankrupt because that economy was based on financial services."

Antonio says her office is hearing about opportunities in finance in the Middle East, China, and India, where she says alumni are energized and eager to attract new financial talent to their markets. The Wharton Alumni Club of India, for example, has established a mentoring program which is getting 20 to 25 requests a week on its web site, mostly for jobs in financial services. The program has 50 mentors and is expanding into healthcare and media and entertainment.

Antonio says Wharton was prepared for the possibility this time would come. After the last downturn in 2002 her office set out to build relationships with companies and industries that don't always recruit at Wharton. From January through the sum-

mer of 2008 the office reached out to 330 companies and 300 alumni in 25 cities and 12 countries.

"We realized the value of continuing to maintain those relationships even when investment banking and consulting picked up and we had a boom in hiring the past few years," explains Antonio. "We kept those relationships warm to generate jobs and spread the word about our MBA talent. That's why you don't see us scrambling."

BRIGHTER SPOTS AMID THE GLOOM

Wharton management professor Peter Cappelli says the near-term outlook for financial jobs is mixed.

"In the short-term, entry-level jobs are drying up and will probably be dried up for a year or two," says Cappelli, but adds that within the broader reaches of the finance industry there will be "explosive" demand for certain skills.

Cappelli says investors will turn to highly secure investment vehicles, such as treasury bonds or annuities, which will require some trained professionals to accommodate the shift in demand away from more speculative portfolios. New regulation that is likely to come down on the finance sector in response to the current meltdown may generate jobs for alumni in consulting, just as passage of the Sarbanes-Oxley legislation created new demand for corporate oversight, according to Cappelli.

"There will certainly be churning going on in investments and certain skills will fall out of favor," he says. "But new ones will be more favorable and those jobs will be hot."

Kenneth D. Moelis, W'81, WG'81, a former UBS president, is one Wall Street veteran who is seeking out opportunities. He founded Los Angeles-based Moelis & Co. in July 2007 and has been busy hiring ever since. In just about 15 months, it has recruited more than 150 people, including some 100 bankers, besides opening offices in Chicago, New York, Boston, and London.

Moelis believes that striking out on his own at the peak of the market turned out to be a boon. "We're well-capitalized, we are a partnership, we have no bad debt on our books, we don't have to feed a distribution machine," he told Knowledge@Wharton. "In this market, show me a person with a five-year plan and I'll show you a fool, but we are on our way to becoming a full-scale investment bank. I still believe that investment banking is the greatest career there is. I work with some of the smartest people in the world, and sitting across from the table with them is like going back to school."

The U.S. government, which in the past few months has inserted itself into the global financial sector in a major way and which will see a large turnover as a new administration takes over, is another potential port-in-the-storm for alumni with finance credentials.

"In the short-term, entry-level jobs are drying up and will probably be dried up for a year or two," says Cappelli, but adds that within the broader reaches of the finance industry there will be "explosive" demand for certain skills.

Boyd points out that veterans of the Resolution Trust Corp., which was created by the government to deal with bad assets in the 1980s' savings and loan collapse, have gone on to successful careers as workout artists in the private sector.

"The question is, 'Has the government taken out Wall Street? Will the jobs be in New York or Washington, DC?" asks Boyd. "Wherever, there will always be a place for smart financial people."

Pyne says alumni seem reluctant to consider government work even though it presents new opportunities. "Working for the federal government is not going to pay what an investment banker made in a good year, but it didn't seem that money was the driving factor. It was more a question of 'Would I enjoy doing this?' And that is the right attitude to have."

The broadening economic calamity that has moved beyond the financial sector to companies in everything from retail, to industry to business services will require firms to hire people with strong finance experience to help them solve their current problems, says Wharton management professor Daniel Raff.

"The lack of liquidity we see in the financial market now is likely to have bad consequences for the viability of the many firms in the economy that depend on commercial paper and short-term borrowing," says Raff. "When it is apparent the crisis has passed there's going to be quite a lot of work in restructuring and corporate reorganizations. This is a line of work in which many of our alumni are involved and have been involved in the past."

Boyd says alumni should consider financial positions beyond Wall Street. "What surprises me is the silo vision in New York," he says. "Once you get into the central part of the country those people are still making things and selling things. Smart people always migrate to where there is opportunity."

Boyd says that while Wharton graduates traditionally gravitate to the top-paying businesses in the financial sector on Wall Street, today's job seekers should consider taking operations positions within corporations. In the future, he contends, banks and consulting firms may be more interested in hiring finance people with some experience in operations because they will have a better understanding of the challenges their customers face.

MBA APPLICATIONS ON THE RISE

Others are planning to apply to graduate school, a strategy that is always popular during economic downturns. "In times like this we see admission applications go up from people who have been laid off or know they won't move up," confirms Antonio.

As for the young former hedge fund manager, he's determined to remain in finance, though he is open to leaving New York. "I can't see doing something else, but that's probably not the case for everyone," he says. "If you just do the math there's going to be thousands — tens of thousands — of jobs lost and not that many new jobs in finance. By default you will see a lot of people who went into finance because it was lucrative leave because they didn't like the work to begin with and there's no work anyway."

He says he has friends who went into finance mainly because they were attracted by the big money. Many of them are in no danger of losing their jobs, but may also begin to rethink whether they want to remain on Wall Street.

"Their companies aren't going up in flames but maybe this is going to be the catalyst for them to realize they're not going to make $10 million in a year and that they should really enjoy what they are doing," he says. "I think this period is going to remind people that you just don't go to Wharton and go to Wall Street and make a lot of money to be happy. You really have to love what you do. You can't just go into finance because everybody else is doing it."

NEXT FOR WALL STREET

In the wake of the year-end financial cataclysm, many have been prompted to ask: Is the dominance of Wall Street over?

"The go-go years are certainly over," responds John Challenger, chief executive officer of Challenger, Gray & Christmas Inc., an employment consulting firm in Chicago. "I equate what we saw in the last few years to what we saw with the dot-coms. We created extraordinary new kinds of instruments that were technologically dazzling. We created markets that were heavily deregulated. It was a free-for-all of extraordinary opportunity, but the pendulum is swinging back towards more regulation and transparency and that will reduce the opportunity to make the extraordinary sums of money that came out of the industry in the last five to 10 years."

Base salaries on Wall Street, ranging from $80,000 to $600,000, are not expected to decline. Those salaries, however, are only a small part of compensation which includes annual bonuses of $1 million or more for star performers. Compensation consultants say Wall Street bonuses for 2008 were expected to drop by $18 billion, or about half, with top managers taking cuts of up to 60 percent to 70 percent.

"The interesting question is whether the firms will change the way they operate, particularly with respect to compensation and the big payout packages," says Cappelli. "Will they go away? I think the answer is 'No.'"

Levinson says the financial collapse may turn out to be a good thing for students currently in business school or in the first five years of their career. "If you are able to make it through this type of environment, think of it as an education. Many people who came onto Wall Street in the last 10 to 20 years never really experienced a negative market. They're in senior jobs and unable to cope because they don't have the background."

He repeats the finance slogan. "Don't confuse brains and a bull market."

Levinson fears retaliatory regulation will stifle the kind of innovation on Wall Street that Wharton graduates so often deliver. He says there will always be a role for innovation in financial instruments, despite heaps of blame for the current financial crisis raining down on derivatives and other financially engineered products. The products were not necessarily the problem, he says.

"There was bad risk management and inefficient regulation and a general level of disregard for the need for everybody in the process to engage in the highest level of fiduciary responsibility," he concludes. "A lot of firms deluded themselves into believing they were making money when in reality they were taking risks they didn't understand."

Cappelli says the future of careers in finance will depend heavily on how Wall Street approaches compensation and its culture of rich reward for high risks going forward. He argues that Wall Street firms overemphasize individual performance and bonus-based compensation, which results in an environment prime for excessive risk.

The Wall Street cataclysm of 2008 will continue to lead to finger-pointing, especially in the direction of highly compensated hedge-fund managers and other financial high-fliers. "My sense is the initial reaction will be to punish people," says Cappelli, who also expects firms to make some efforts to increase training in ethics and risk management. "But I'm cynical. I don't expect we'll see any change in the short term in the way these companies manage their employees."

CORPORATE CULTURE EVOLUTION

Cappelli says financial firms need to build a new type of corporate culture and change the management metrics they use to reward individual employees for outsized performance. Wall Street companies should instead encourage more partnerships and collaborative work if they are to remain viable businesses that serve their customers, according to Cappelli.

Surveys of incoming Wharton MBA students show that managers in finance, particularly investment banking, are especially harsh and ineffective, Cappelli notes. Finance managers provide little feedback and require employees to put in long hours without much concern for the toll on personal lives, which erodes loyalty to the firm. Huge bonuses are supposed to compensate for all that suffering, Cappelli contends. In essence, he says, bonuses take the place of basic management skills and corporate leadership.

"The problem is that the investment industry relies so heavily on individual rewards and individual performance it creates incentives for people to take imprudent risk and do things to maximize self-interest as opposed to that of the overall firm," he says. "These folks need to be managed as employees who are part of an organization rather than independent contractors with one or two benchmarks to hit."

Early last year, the chairman of Deutsche Bank, Josef Ackermann, promoted the idea of multi-year, risk-adjusted bonuses for investment professionals to encourage more long-term thinking at the firm. In the 1990s, Nomura Group and Salomon Brothers attempted to enact similar reforms with little impact. Cappelli isn't holding his breath expecting finance managers to do away with the current compensation structure weighted heavily toward performance bonuses, even following the recent stock-market dive.

"I don't think the industry believes it did anything wrong, frankly," says Cappelli. "It will depend on whether government and the outside community — or maybe their boards — lean on them to do things differently."

"When it is apparent the crisis has passed there's going to be quite a lot of work in restructuring and corporate reorganizations," says Raff.

THE LONG-TERM HORIZON

In counseling alumni in New York, Pyne emphasizes the financial sector's collapse can be viewed as an opportunity to switch gears and find a new line of work that will be more fulfilling, and possibly more lucrative, over the long run. Many graduates, she says, are so busy with their work lives that they never take the time to step back and evaluate whether they actually like what they do. For better or worse, getting laid off provides time to take a breather and explore new options.

Those caught up in the current financial meltdown are looking into opportunities overseas and the possibility of opening their own business. Some alumni have started down a completely new path from the highly for-profit financial world to explore the nonprofit sector, volunteer for political campaigns, sign up for the Peace Corps, or teach in stressed urban schools. "People are saying, 'I've always wanted to do something to help others," according to Pyne. "Here's a good opportunity to do that."

As for Feingold, even before he lost his job at Goldman Sachs he had been thinking he would quit Wall Street in a few years. Now, oddly enough, the carnage in the financial sector may actually draw him back in. Why? He sees too much opportunity in today's beaten-down markets that the trader in him will simply not be able to resist a return to Wall Street.

This time, however, he hopes to work for an organization with a long-term horizon, possibly a nonprofit institution or a college endowment. Feingold is frustrated that hedge funds can never deliver on their potential to outperform other asset classes because they are still ruled by short-term, quarterly results and vulnerable to sudden liquidation as the markets have so recently demonstrated.

"I think this is an incredibly exciting time," says Feingold. "I think there were a lot of problems in the financial world that are being fixed. I think the country and the markets are going to come out better for it." ◆

Writer Susan Warner is a frequent contributor to Knowledge@Wharton and other business publications.

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THE STATE OF BUSINESS 2009

BY MIRIAM HILL

Unemployment is up. Retail sales are grim. Global markets are pitching up and down, and the fate of U.S. automakers is uncertain. In the middle of December 2008, *Wharton Alumni Magazine* checked in with four Wharton professors who shared their thoughts about what's been happening and how it's likely to play out in the year ahead.

FRANKLIN ALLEN

Nippon Life Professor of Finance; Professor of Economics

Franklin Allen is bracing for a protracted economic slowdown. Allen, who is also co-director of the Financial Institutions Center, personally moved money out of stocks and into bonds and thinks the United States in the next decade might resemble Japan in the last one.

Q. A lot has happened since we last spoke. Where do you think we stand? Are we still in crisis, or have we turned the corner?

A. We're still on the way down, in my view. I think we're going to be in a global recession. Pretty much everywhere is slowing down now. It used to be that China and India looked as if they would have less of a slowdown, and that's looking less and less likely. We're slowing down. Europe is slowing down.

Q. What changed the outlook for foreign countries?

A. I think the world is a little more interconnected. Exchange rates are moving in quite unexpected ways. The Euro was at 1.60, if I remember correctly, and now it's around 1.25. The yen has strengthened considerably, which has come as somewhat of a surprise.

Q. Why are currencies strengthening in weaker countries, such as the United States?

A. I think the reason the United States has become a safe haven is because we don't have huge amounts of debt and we still have taxing capacity. We're in a better state than many countries in Europe that way. If we go into a recession, the individual states will bear a lot of the unemployment costs, so the federal government will be affected but not as much. I think Japanese banks are still in relatively good shape.

Q. But what about the bailout and the costs of the war? Haven't those expenditures ramped up U.S. debt considerably?

A. It could well become a problem. It's a question of how everything plays out. We may well have a debt problem going forward, but the starting point is reasonable. It could be a lot worse. The other thing that is helpful is to the extent they keep interest rates low, it will not be that costly to fund, particularly at the short end.

Q. Does keeping rates low risk inflation?
A. It's not a great thing to do in terms of risking inflation, but since the whole world is pretty much going into recession, it's less of a worry.

Q. What has the U.S. government done correctly? What have they done wrong? Is the situation at all under their control?
A. They've tried a lot, and I think it hasn't really affected things that much. You could say the details were wrong. I think the original plan [by Treasury Secretary Hank Paulson] was quite sensible, and people were very critical of it. But once the House rejected it, that set us on to a very different dynamic. The original purpose of the bailout plan was to spend $700 billion on problem assets to try to restore confidence to the markets. Now, basically, the $700 billion is going to be used for many things including handouts, it seems, which is unfortunate. It doesn't really seem that all the banks really want this extra money. The idea is that banks aren't lending because they are undercapitalized, but they may not be lending because the economy is weak, and they're just too afraid. They've been talking about handouts for the auto companies. If they get that, everybody will be there asking for help, including possibly the airlines.

Q. How was the original plan not a handout?
A. The question was, "Is it a pricing problem, or are these really bad securities?" Not that long ago, the view, and not just at the Federal Reserve, was that these assets were underpriced. In fact some of these assets were selling at 22 cents on the dollar, and even in the worst-case scenario, they had to be worth more than that. I think the view was that the government will just act as a buyer of last resort and correct the market.

Q. What would you have done?
A. I would have tried to have a politician promote the point of view that these mortgage-backed securities were terrible, and that the prices they were selling at were just wrong. They were undervalued. Of course, it's not clear that anyone could have done that, but the president would have been one candidate.

Q. Why do you believe that the problem may have been one of pricing, meaning the assets, some of them selling as you noted for 22 cents on the dollar, were undervalued?
A. These are tranched securities, which means that if there are defaults, the senior credits get paid off first, while the most junior ones get paid last, if there is anything left over from the stream of mortgage payments. To explain 20 cents on the dollar, that's roughly speaking, an 80 percent loss rate. To get that, you would have to have something like 80 percent of the mortgages default with zero recovery. House prices are down on average about 20 or 25 percent. These are incredibly low prices for these securities.

Q. Why do you think the government's direct investments in banks are unlikely to ease any credit crunch holding back the economy?
A. I'm not sure the banks want to lend. Also, it's not clear to me how many people want to borrow at the moment. If we do go into deflationary times, this debt is going to be a millstone around people's necks. There's not much the government can do about that. I think it's still unlikely that we'll go into anything like the Great Depression when unemployment was 25 percent. On the other hand, it may be the modern equivalent, which would be something like 10 percent unemployment. I'm not sure history is much guide because it's been a long time since we've had this kind of situation.

RYAN DONNELL

Q. Some critics have said the Federal Reserve and the government are fighting the last war — injecting huge amounts of liquidity into the system because the failure to do so led to the Great Depression — when the problem this time is lack of confidence in the markets. What do you think?
A. I don't think they had much of a choice there. Whether it's done much good I think is questionable, but it wasn't worth taking the risk of not doing it.

MICHAEL USEEM

The William and Jacalyn Egan Professor; Professor of Management

Mike Useem is a student of how leaders make decisions under pressure. The Wharton management professor has drawn leadership lessons from the battlefield at Gettysburg and from the Dalai Lama. One of the students who absorbed those lessons was **Neel Kashkari**, the 2002 Wharton graduate overseeing the Treasury Department's bailout plan. History has yet to render a verdict on Kashkari's actions, but Useem sees some lessons emerging already from the actions of industry and government.

Q. From a leadership perspective, what caused this economic turmoil? And how well do you think U.S. leaders are handling it?

A. The question I have asked myself a dozen times over is, "Why is it that very smart and highly experienced people didn't see the economic turmoil coming, or at least didn't take steps early enough to avert the turmoil once the warning signs became evident?" I believe one obvious answer is that we suffered from a momentary myopia or even euphoria of cashing-in on short-term gains without adequate regard for systemic risks.

Now we all have to hope that those in leadership positions in business and government who are making the fateful decisions on how to overcome the turmoil are applying great care and intelligence in reaching their decisions — and that they have become far more mindful of the systemic risks that have insidiously accumulated in recent years. The impact of their decisions could well be historic, defining our nation's future the same way that critical decisions by President Roosevelt helped America end the Great Depression. Today's decisions, made right, could reverse the turmoil; made wrong, they will only deepen it.

So far, in my opinion, the jury is still out on those decisions. The U.S. Treasury at times exhibited a halting and uneven approach, and even more so did Congress. Consider Treasury's decision to help save Bear Stearns but not Lehman Brothers, and Congress's decision to rescue the mortgage lenders but not the automakers. The patchy decision-making reflected in part the terra incognita that we had stumbled onto without quite realizing where we had ventured. We are now all coming to realize that this is a unique and unfamiliar crisis, and that its enormity exceeds anything that we have experienced in recent decades. With this recognition, the Administration, Congress, and Federal Reserve have fortunately shifted into high gear. When anxiety and fear runs deep, panic and paralysis can interfere with good and timely decision making, but the powers that be have managed to stay focused and engaged, swiftly acting to avert the worst.

JOHN CARLANO


MICHAEL USEEM

Q. Former Citigroup chief executive Charles O. Prince used the phrase, "As long as the music is playing, you've got to get up and dance," to explain why he felt he couldn't get out of the subprime market, even when problems started to become clear. What do you make of this logic — that executives simply have no choice but to join in when so much money is being made?

A. When everybody is dancing to the same tune, that is exactly the moment that a company leader who has been entrusted with other people's assets should be making a hard-headed independent assessment of what will best grow and protect those assets, regardless of how the competitors are dancing. To do otherwise is to abdicate a defining responsibility of leadership, which is to help others to achieve their common goals by protecting them from risks they do not see but the leader should.

Consider an odd analog, that of fighting raging fires in urban and wilderness settings. Incident commanders are given the authority to place firefighters in harm's way. The leaders of firefighting teams — sometimes numbering in the thousands when forest and brush fires threaten urban areas such as San Diego or Los Angeles — are charged with not only suppressing the fires, but also, above all, protecting the lives of the frontline firefighters who do not necessarily see a roaring blaze behind a nearby hill that threatens to overtake them. The same on Wall Street: bank executives must not only ensure prudent growth in their assets and returns, the equivalent of defeating the fire, but also ensure that customer assets, investor shares, and employee jobs are not placed at fatal risk.

Q. What did you think when former Federal Reserve Chairman Alan Greenspan went before Congress and said he was surprised that free markets did not work as he expected?

A. Alan Greenspan stated in his testimony that our financial crisis is a once-in-a-century event, and that intuitively sounds about right. But that's exactly what people in high station are charged to think about ahead of time. Academic research confirms that if left to our own devices, our minds often turn a low probability event into one we think has no probability. But a leader's obligation is to self-consciously work to overcome such natural biases that lead to sub-optimal decision making, and to be ready for very unlikely but high-consequence events, ranging from terrorist attacks to financial meltdowns.

Connecting the ominous dots that are not normally seen to connect is one way to be more prepared. The near-loss of Long-Term Capital Management in 1998, the collapse of the Internet bubble in 2001, and the explosive growth of subprime mortgages in recent years were among the dots that, with the benefit of hindsight, might have been better connected. Making those dots more transparent and more readily connected — and at the same time mastering the art of avoiding false signals — is one of the reform tasks ahead.

Q. Members of the U.S. government seem to waver in their opinions and don't seem to speak with one voice. Treasury Secretary Hank Paulson first wanted

to use the bailout money to buy troubled assets and then said he would not use it for that. Then, the FDIC came out with its own plan to help homeowners. Is it good to have a variety of viewpoints, or does it just confuse people?

A. The proposed restructuring of General Motors was instructive. When it proposed a bailout strategy to Congress and the White House this December, we expected a single plan from the company, not a host of competing proposals. CEO Rick Wagoner and his lieutenants no doubt debated the best options for the plan behind their closed doors, but he then set forward a single proposal. Whether the plan was good or less than good, and it drew ample criticism from Congress, the credibility of the company would have been even less if it had spoken with several voices. By the same token, if key U.S. decision makers can speak with common voice on the most important ways for overcoming our financial turmoil, everybody from domestic consumers to foreign investors will have greater confidence that our national leadership has found a good way forward.

JEREMY J. SIEGEL

Russell E. Palmer Professor of Finance

In the last six months, Jeremy Siegel has shifted from thinking recession was a relatively slim possibility to believing the country is in one. But he also thinks the United States — and the world — will not only survive but thrive enough to give stock investors solid returns over the long run.

Q. When we talked in the spring, you weren't sure whether the country would enter a recession. What do you think now?

A. We are certainly in a recession, and it is going to be more severe than what we had in 1991 or 2001, although I do not think it will be as severe as in the 1970s and 1980s. I do not believe unemployment will rise over 8 percent.

Q. How well do you think the Fed has handled the credit crisis?

A. In retrospect, the government should probably not have let Lehman Brothers go under since it caused unprecedented chaos in the money markets. Overall, the Fed has been doing an excellent job of adding liquidity and preserving the integrity of deposits and our payments system.

Q. You have been telling investors to put money in foreign markets because they are growing so quickly. Where do you think global markets stand now, after this broad downturn?

A. Foreign markets have declined more than U.S. markets, and are down from 40 percent to 75 percent or more. I believe they will bounce back. Almost all equity markets are now priced at levels that will give investors generous returns going forward.

JOHN CARLANO

JEREMY SIEGEL

"Overall, the Fed has been doing an excellent job of adding liquidity and preserving the integrity of deposits and our payments system," says Siegel.

Q. You've said that if you were grading the Treasury plan, you would give it a B+ but would give an F, or worse, for how it was marketed. Where do you think the government failed in marketing?

A. They explained the plan very poorly to Congress and didn't know how to conduct an auction of these troubled assets. Also, they didn't counter the word "bailout" that was used by so many and failed to indicate that the government could make a profit on these purchases.

Q. Japan took well over a decade to work its way out of an asset bubble similar to the one we're experiencing now. Investors in the Japanese stock market have done poorly. What makes you think a downturn that extensive won't happen in the United States?

A. First, Japan had a much worse bubble in both stock and real estate. Also Japan didn't lower interest rates quickly and never had a plan to recapitalize the banks.

Q. Do you think the government should bail out the auto industry?

A. No, it isn't a good idea at all. There is no comparison between the financial industry and the auto industry. If General Motors went bankrupt, GM stock and bonds would be little affected since that possibility is already built into the asset prices. Also, the job losses would not be anywhere as high as the industry says as bankruptcy will allow them to continue to operate.

STEPHEN J. HOCH

Patty and Jay H. Baker Professor Professor of Marketing

Stephen Hoch knew the outlook for retail was poor when we talked to him last spring. But it's turned out even worse than he thought. Bellwether department store Macy's lost $44 million in the third quarter of 2008 and said the then-upcoming holiday season would be a "nail biter." Retailer Wal-mart, which boosted its earnings by 10 percent in the third quarter of fiscal 2008, lowered its forecast for the year, citing a weakening economy and a stronger dollar. Hoch doesn't expect improvement for a long time.

Q. Have recent events in the economy — the drop in the stock market, the bailout plan — changed your outlook?

A. I wasn't expecting it to be that great because of softening, but this is beyond anybody's expectations. My guess is that it's going to be a lousy end of year for retail, but it's going to be a lousy end of year for a lot of things. Obviously, if unemployment keeps going up, it's going to be tough for retail.

I think there's a trend toward a very quiet Christmas. People are going to change their focus to their families and friends. Even if they can afford it, they are looking around and seeing that there's a lot of pain out there for other people, so there is not a lot of interest in going out and buying. Normally, by this time of year, I've had like 10 calls on "Christmas creep," the phenomenon where holiday decorations and items seem to appear in stores earlier and earlier every year. This year, I haven't had a single one.

Q. Will any sectors of retail do better than others?

A. This is almost trivial given the pain, but high-end retail is also going to be feeling it. One of the things propping up the high end was the cheap dollar. Europeans were just propping up that end of the market. A bunch of New York retailers like Tiffany's and Saks Fifth Avenue benefited from the weak dollar and people flying over to shop. You can see a similar phenomenon related to gas prices. You don't see people going around buying Escalades anymore. Can you imagine how embarrassing it would be to go in and buy one of those things now? All of it really happened fast. The auto business has just stopped. As an accounting friend of mine said, "You can't get a loan, can't get a lease at all. If you want to buy a car, you have to put down $50,000."

We'll see the same trend with food. Humans have to eat protein, but it doesn't have to be meat. It doesn't have to be expensive meat. People are going to shift their consumption. They'll go to Target rather than Macy's, and to the Dollar Store rather than Wal-mart.

Even before this complete cratering in retail, I've been thinking that the low-cost providers are generally in a better position. Just as Dell was the low-cost provider in computers, and decided to grab market share from Hewlett-Packard, you may see similar attempts with retailers in this downturn. The low-cost guys are better positioned to grab market share, and the higher-priced competitors are not. For example, you can go to Costco and get jeans for $12.95 or go someplace and spend $200. My kids make fun of them, but what the heck. I'm 56 years old, so I wear jeans for maybe other reasons than other people.

Q. How much do you think retail spending will fall?

A. Well, there's no inflation, or not that much. The population is still growing a bit. My guess is that excluding gas and cars, I wouldn't say it's going to be down much more than 1 percent or 2 percent. There's a big chunk of retail that's totally non-discretionary. It's clear the home-improvement guys are just kind of waiting it out, and I would think that people before who might have been interested in getting a 52-inch television are probably satisfied to go with the 42-inch TV they've already got.

JOHN CARLANO

STEPHEN J. HOCH

Q. What are some of the other reasons you don't see a larger retail downturn?

A. For a lot of people Christmas is non-discretionary, but the amount is discretionary. The thought of having a holiday is part of western, or U.S., traditions. It could be larger if unemployment goes crazy and goes up to 8 percent or 10 percent. I can't imagine that happening by the end of the year, but it could happen by the end of the first quarter. There's population growth. There are increases in disposable income. There's inflation. I just don't see it being the end of the world. ◆

Writer Miriam Hill is a business reporter for the Philadelphia Inquirer.

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Water shortages could be the next political and economic flashpoints — and Wharton alumni and faculty are working towards solutions.

BY MICHAEL SCHAFFER

IS WATER THE NEW OIL? That's the consensus of a wide range of economists, business leaders, environmentalists, and geopolitical strategists, who argue that we'll soon be forced to stop taking for granted the substance that covers 70 percent of the planet and makes up a similar proportion of the human body.

Just as the late 20th century saw an oil shock, the early 21st century may feature a water shock, where scarcity leads to a sharp price hike on a resource that has always been plentiful and cheap. Such a scenario could plausibly have an even bigger impact than the 1970s-era original, transforming markets, governments, and ecosystems alike, creating a new set of regional and global conflicts.

THE DRY FACTS

The world may be blue, but 97 percent of its water is salty. Human use of the remaining three percent has boomed, the result of population growth, industrialization, and the need to produce more food to feed a growing, wealthier population.

In 1900, global water consumption totaled roughly 770 cubic kilometers. Today, the figure is 3,840 cubic kilometers. It is projected to grow to over 5,000 by 2025. That's well under the 9,000-12,000 cubic kilometers of annual rainfall that lands where humans can access it. But pollution, waste, and inefficient delivery take a big bite out of that figure, as does climate change, with its attendant droughts and early snowmelts. From Californian water-rationing to the occasional drying up of China's Yellow River, the consequences are increasingly visible. By 2030, estimates the Organization for Economic Cooperation and Development, more than half the human population will live in areas where the water supply is stressed.

"This is a massive challenge," says Wharton management professor Witold Henisz, who sits on a panel looking into global risks for the World Economic Forum. He expects water to be a major theme at the forum's annual gathering this year in Davos, Switzerland.

Thus far, the issue — and its impact on economies, populations, and businesses — has drawn little attention. A 2007 survey sponsored by the Marsh Center for Risk Insights reported that while 40 percent of Fortune 1000 companies believed the impact of a water shortage would be severe to catastrophic, only 17 percent said they had prepared for such an eventuality. "The one thing that I came across is that a lot of companies hadn't begun to think of this as a major issue," says Howard Kunreuther, co-director of Wharton's Risk Management and Decision Processes Center and a former advisor to the Marsh Center. The same goes for the general public, he says: "I think that the one thing that we've always tended to think about is water as a free good. It pours out of your sink, you take long showers, you get a bill every three months and you pay it and don't think about it."

Now that may be changing — with price effects you'll notice not just when you pay your water bill but when you buy everything from beef to plastic toys, all of which require a great deal of water. This fall, water scarcity got its own version of *An Inconvenient Truth* with the nationwide release of the endangered-water documentary *Flow*, which *Wired* magazine dubbed "the scariest movie at the Sundance Film Festival." Are we doomed to a thirsty future? Not necessarily, experts say. But plain old water is fast on its way to becoming "blue gold," a commodity to be sought out, fought over, trundled from country to country, and possibly sold to the highest bidder — a situation that represents a threat and an opportunity all at once.

IN THE DEVELOPING WORLD, WATER SCARCITY AND CRISIS

For most of the global population, of course, water scarcity is first and foremost a humanitarian crisis. According to the World Water Council, 1.1 billion people worldwide lack adequate drinking water — one-sixth of humanity. Some 2.6 billion lack adequate sanitation. A United Nations study reported that 1.6 million lives could be saved each year by providing clean drinking water and sanitation. Such problems, of course, have long been linked to the poor infrastructure of underdeveloped nations. But with the global population forecast of 9 billion largely urban people by 2050, the idea of water as a costly substance further compounds these challenges.

The crisis has already arrived in much of the world, says **Larry Bouts**, WG'76, one of the principals in a firm that develops new ways of locating groundwater in parched countries in Africa and the Caribbean. "Think about this. We have cities and countries, small ones and big ones, around the world, where people themselves are rationed water throughout the day. That has big impacts about how people plan their day. What kind of productivity loss is that? What kind of distance do people have to travel? And then you get into not the third world but the second, where people are rationed on water throughout the day, which means industry must cut back on its expansion plans or is not sure how to plan for its needs. What's the impact on the economy? It's a huge deal."

Bouts says he was drawn to the issue after a corporate career at firms like Pepsico and Toys "R" Us, when he decided to do something more entrepreneurial and more critical to the welfare of humanity. Teaming with a pair of partners, Bouts set up a firm called Bedrock Exploration and Development, or BEAD. Mining is rarely seen within philanthropic ventures. But BEAD is no ordinary mining concern. Using a proprietary technology that seeks out previously unexploited hydrogeologic formations beneath mountains, BEAD sets up new wells that tap the groundwater that flows into underground rock fractures and fault planes. The idea is simple: Clouds drift along until bumping into mountains. Eventually, they condense as rain. Some of the water runs down into the rocks to untapped deep "megawatersheds."

The trick — a complicated feat that substitutes modern technology for the divining rod of old — is locating the streams. "What we do is we find renewable water," Bouts says. "Our technology is a very green technology. To build a well, we can pull hundreds of thousands of gallons a day of a renewable resource." One project on the tiny Caribbean island of Nevis last year, he says, doubled the supply as BEAD found deep groundwater and built the system for getting it onto the national grid. "We form a little utility, essentially, and sell water to the local authority," he explains.

They're currently negotiating four other contracts in the Caribbean, where growing populations and the thirsty needs of tourist-oriented golf courses represent a strain on the water system — and a threat to economic development in a region where the only other way to add water would be to invest in wildly expensive desalination facilities.

FOR INDUSTRY, UNQUENCHABLE DEMAND

The same growing need for water in the tiny countries where Bouts has done business also faces the world's biggest nation. In China, pressure on the water system comes less from pure population growth than from urbanization and rising wealth.

Chinese urbanization reflects the explosion in the manufacturing center. And the nation's resulting affluence has left people with a taste for more meat, a food that requires vastly more water than other agricultural products. The self-perpetuating cycle means China needs a rising amount of water — and faces major economic risks if those needs aren't met. Beyond that, industrial pollution from the growth in manufacturing threatens the supply intended for human drinking.

"The issue is still quality perhaps much more so than quantity," says Wharton management and sociology professor Marshall Meyer, who has studied China's water-scarcity troubles. "Most experts will say that most Chinese rivers are contaminated. The quantity problem is desertification in the north of China, of Inner Mongolia, and that's encroaching on Beijing." For a nation that needs water to run its booming manufacturing sector, the threat represents a national-security priority.

"Besides Canada, which has rich water resources, every country in the world faces water shortage problems," says **Ding Wang**, WG'09, a second-year MBA student and a staffer at China's Ministry of Water Resources. "The importance is getting bigger and bigger in China. With the development of the cities most of the large enterprises will move outside the city to get it." The ministry has also responded by sending its employees abroad for training, in business or in managing large utility systems. "Every employee in Beijing headquarters has an opportunity to have foreign training every two or three years," Wang says. "We need expertise for the specialty knowledge. The common knowledge received is how to manage infrastructure and operations." China has also created a water market and the trade in water rights to help with distribution, she says. "Ten years ago, all the water plants were owned by the Chinese government. But since 2005, the local governments want to privatize the water utilities. So many foreign companies have come in and want to do the mergers and acquisitions for water resources."

That's easier said than done — water prices in China are currently very low. "It is very hard to increase the water prices," Wang says. "It is such a part of people's lives."

A look at water privatization elsewhere reveals that it bears little resemblance to selling off an inefficient state-owned cement factory. In wealthy and developing countries alike, private water supply concerns have run into public and political troubles. In Bolivia, price hikes after the privatization of the water system in the city of Cochabamba led to riots in 2000 and the eventual ejection from the country of Bechtel, the engineering firm running the system. In subsequent years, governments nixed water-privatization schemes in nations from Tanzania to Holland. "Water cannot be turned over to private business," firebrand Bolivian President Evo Morales said while celebrating the departure of the multinational water concern Suez, 10 years into what had initially been a 30-year contract to run the water supply for his nation's capital.

"People are used to the price of food going up when food is scarce," says Wharton's Henisz. "I don't see a lot of willingness to pay more for water. I don't think there's a willingness to look at a market solution on a large part of the population. I think people would rather overthrow their government than pay for water. Morales is president because he led the opposition to water privatization in Cochabamba." Instead of a simple market solution, Henisz says, problems of water scarcity will require cooperation among governments, businesses, and NGOs.

Elsewhere, the government utilities have simply been instructed to behave more like businesses — without engaging the political symbolism that comes from selling a country's water system. "We have a mandate to become a commercial entity," says **Jacqueline Cameron**, WG'88, corporate planning manager at Jamaica's National Water Commission. "The government doesn't support us anymore. Before, the government would make up the shortfall." But price hikes remain risky in a state-owned utility, even one where 94 percent of customers aren't metered and thus pay only what bureaucrats estimate as the average use.

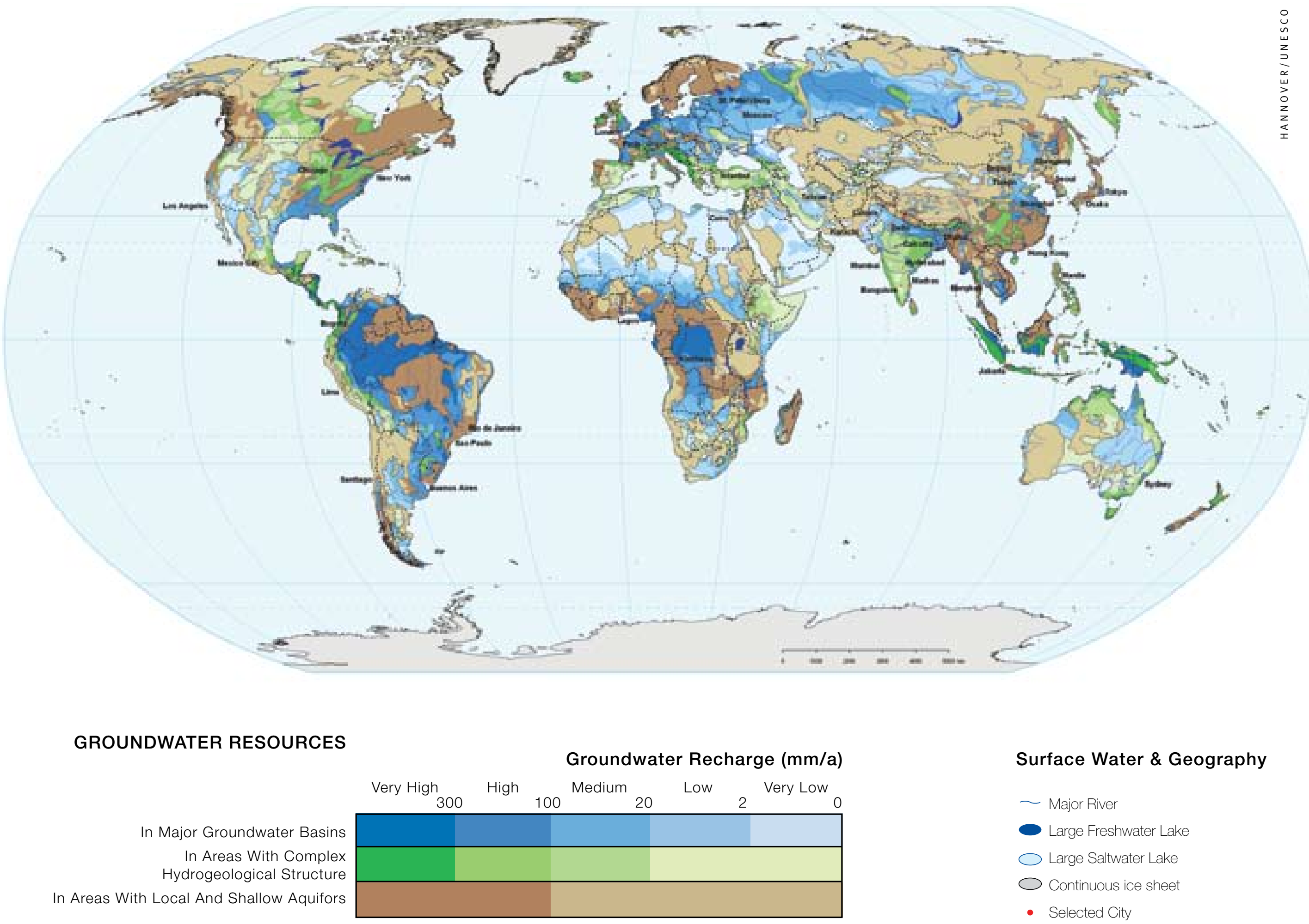
"Besides Canada, which has rich water resources, every country in the world faces water shortage problems," says Ding Wang, WG'09.

'IT'S NOT LIKE WE ARE MAKING WIDGETS'

The effects of supply and demand on water can be equally discomfiting for Americans, ostensibly more accustomed to free markets. In fact, only 16 percent of Americans get their water from private firms. The price, likewise, reflects just the cost of getting the water from the source to the home or factory. Pipe maintenance, purification, and burgeoning environmental regulations are part of the price, but not any intrinsic value of the water itself.

Sharon Reishus, WG'90, who regulates her state's water industry as chairman of the Maine Public Utility Commission, says Maine has ample water and thus no scarcity-induced price hikes. But the idea of for-profit concerns buying a publicly-owned essential can still be awkward. "The sources of water in Maine are really secure," Reishus says. "The only questions that I find significant that have put into question supply issues are a couple of places where the utilities supply water not just to the towns but to bottling companies. There's been a fair amount of local resistance, with the idea of corporate water being purchased that will ultimately deplete the local resource." The resentment reflects a cultural attitude towards water — that it isn't just another item to be sold, like corn or microchips. "It ultimately comes down to a very human concept, the idea that this is our resource and it could be depleted," Reishus says.

That's even truer in the parched half of the country west of the Rockies. "It's a given that water quantity out here is not what it is in the east coast," says **Carl Gowan**, WG'80, a water engineer with the Marin Municipal Water District. "It is not going to get better. It only means conflict between the users." In a growing suburban county with fresh memories of droughts, Gowan says, prices have risen over time largely because costs of treatment



HANNOVER/UNESCO

GROUNDWATER RESOURCES OF THE WORLD: IN 2008 UNESCO PUBLISHED A NEW MAP OF THE WORLD'S AQUIFERS AND GROUNDWATER BASINS, MANY OF WHICH CROSS GEOPOLITICAL LINES.

chemicals have risen and regulatory requirements have tightened, making water conservation an appealing concept even to those without Priuses in their garages. Per-customer use has dropped by around 20 percent since the 1970s.

Of course, many economists would argue that the best way to oblige Americans to be careful about water would be to take it out of the hands of municipal utilities, whose bosses must answer to a public that doesn't like seeing bills go up. Texas oilman T. Boone Pickens is banking on that idea, buying up a huge portion of aquifer under the Texas panhandle and building a pipeline to trundle the stuff to Dallas. While the city isn't a customer yet, Pickens calculates that it will be eventually, and he'll be able to charge his own price — a price that, if it doesn't spark a Bolivian-style backlash, would at least encourage locals to be more judicious when watering their lawns.

But elsewhere, private-sector water suppliers have to deal with price controls unknown to most businesses, says **William B. Davis**, WG'76, president of Aqua New Jersey. "The difference is that it's regulated," Davis says. "It's a totally different perspective of needs and interests that you might not address until you meet with a regulator. There are economic regulations, environmental regulations, and the communities you serve. It's not like we're just making widgets." These days, most of Davis's costs are in long-term infrastructure rather than paying for or anticipating higher costs of actual water.

FINDING SOLUTIONS IN TECHNOLOGY

Water scarcity's impact can be eased through an array of conservation and efficiency measures, such as steps to improve rain-fed agriculture, to discourage the plowing that leaves soil thirstier, to develop hardier plants that can withstand longer dry spells, to replace wasteful "flood" irrigation systems with more efficient "drip" systems, to upgrade aging infrastructure that wastes oceans of water a year, and to encourage individual conservation.

To management professor Henisz, the public-sector portion

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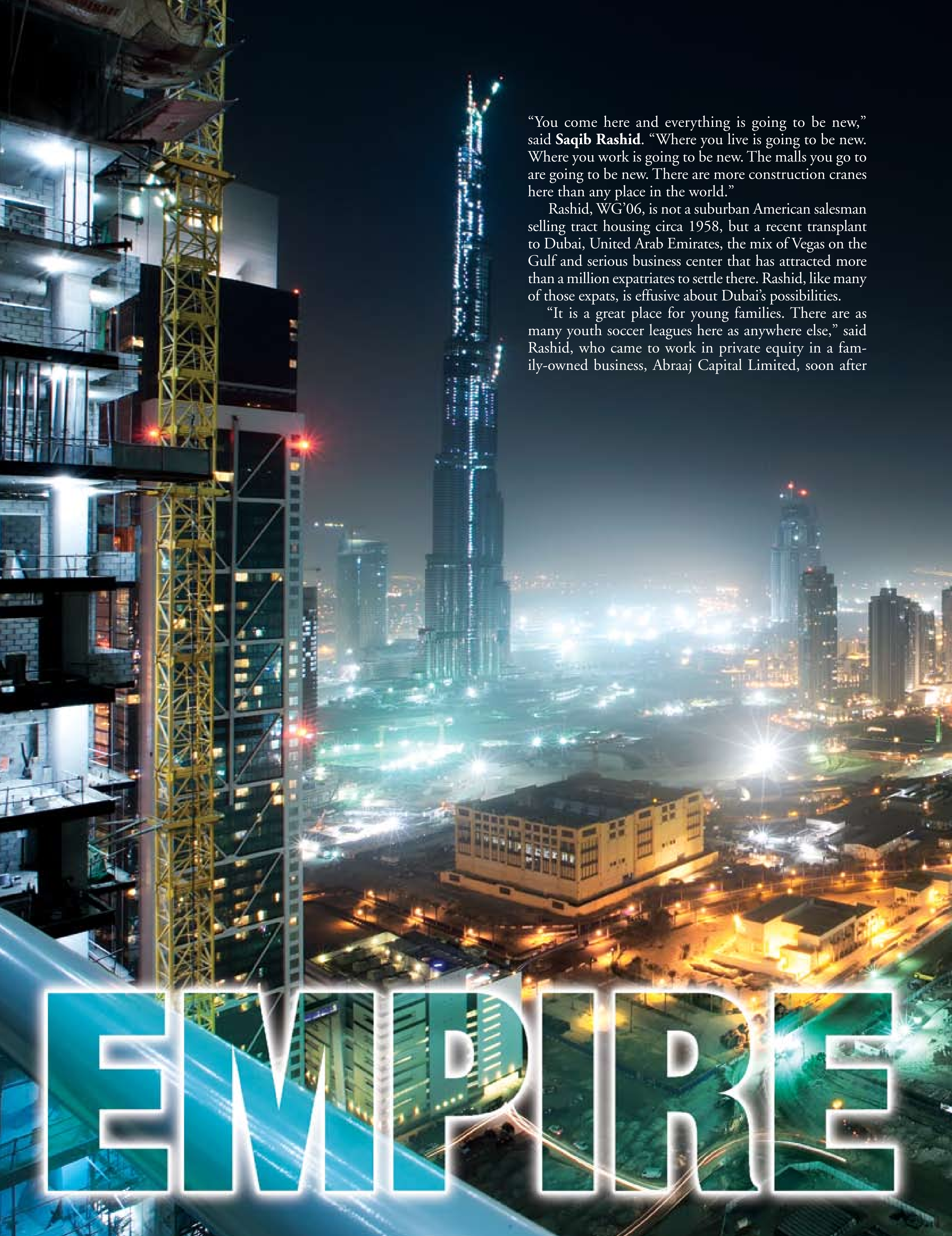


"You come here and everything is going to be new," said **Saqib Rashid**. "Where you live is going to be new. Where you work is going to be new. The malls you go to are going to be new. There are more construction cranes here than any place in the world."

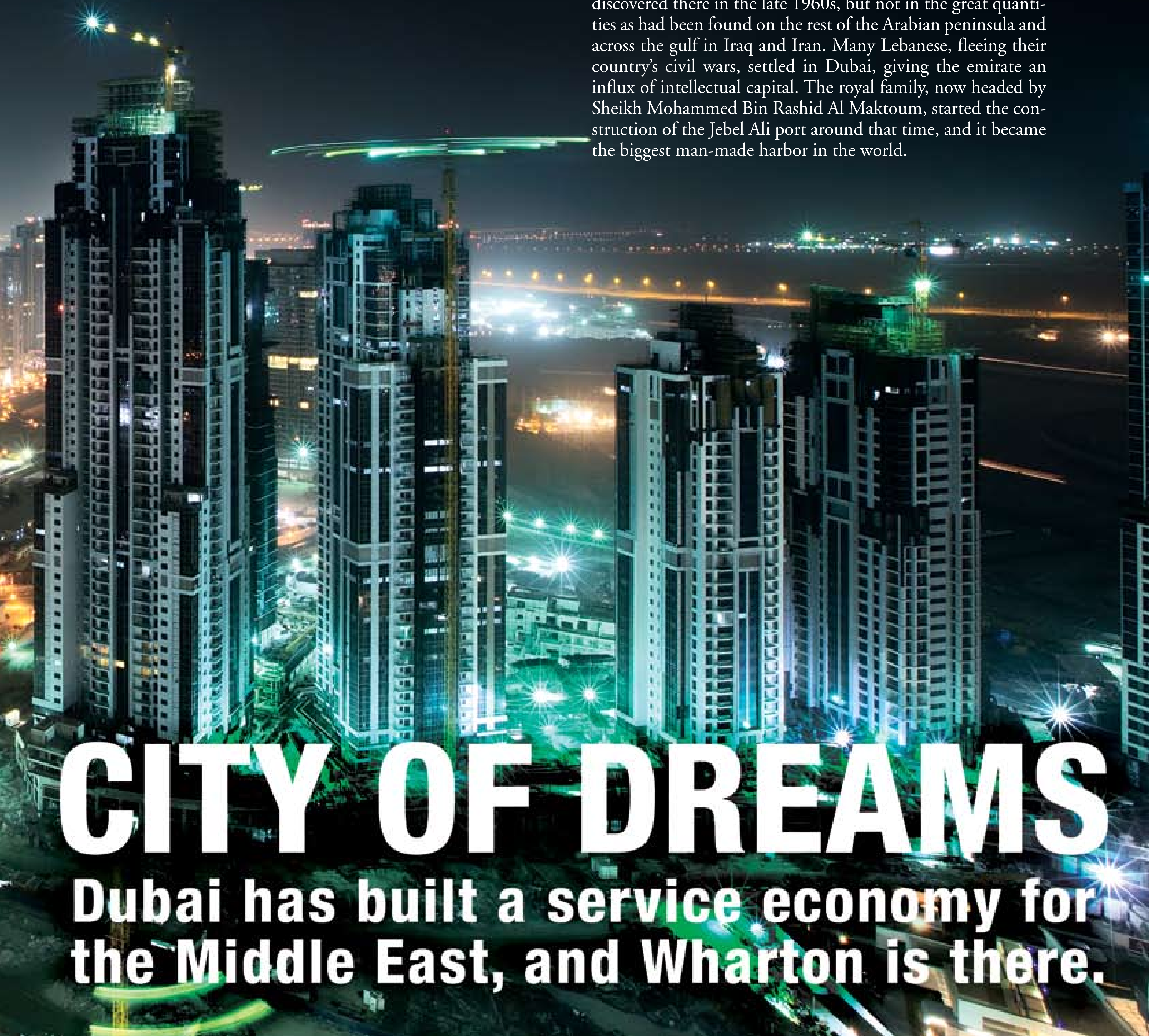
Rashid, WG'06, is not a suburban American salesman selling tract housing circa 1958, but a recent transplant to Dubai, United Arab Emirates, the mix of Vegas on the Gulf and serious business center that has attracted more than a million expatriates to settle there. Rashid, like many of those expats, is effusive about Dubai's possibilities.

"It is a great place for young families. There are as many youth soccer leagues here as anywhere else," said Rashid, who came to work in private equity in a family-owned business, Abraaj Capital Limited, soon after graduation two years ago. He said he had worked for a bit in Egypt before coming to Wharton, and wanted to work in this part of the Middle East, where he felt things were growing. "It's got one of the youngest populations in world. Fifty percent of the population is under 25. And it has one of the fastest growth rates. Even on the reduced basis of the global slowdown, they are calling for 6 percent growth. Just those two numbers alone tells you about the opportunities here."

Nearly 1.2 million people live in Dubai today, about eight times the amount who inhabited the small Arab emirate just 30 years ago. Those three decades have seen amazing growth of all sorts, and now a large corporation that does not have a presence in Dubai, or isn't at least considering it, is clearly falling behind in the area referred to now as MENASA — Middle East/North Africa/South Asia. Even with the decrease in oil prices and the tightening of foreign investments — the dual engines that drive the region's growth — Dubai's significance in the region's, and the world's, economy is undeniable.

Raffi Amit, the Robert B. Goergen Professor of Entrepreneurship, and the academic director of the Wharton Global Family Alliance, has studied and worked with businesses centered in the region, seeing the changes firsthand. "Dubai doesn't have any oil, so very early on, they established themselves as a center of finance, commerce, tourism, and real estate," said Amit. "They have more gold than Fort Knox and more diamonds than Fifth Avenue. They have done a very good job in creating a tourism hub that people now come to as an alternative, say, to the Caribbean."

Dubai, as was the rest of what are now the United Arab Emirates, was a British protectorate until 1971. Oil had been discovered there in the late 1960s, but not in the great quantities as had been found on the rest of the Arabian peninsula and across the gulf in Iraq and Iran. Many Lebanese, fleeing their country's civil wars, settled in Dubai, giving the emirate an influx of intellectual capital. The royal family, now headed by Sheikh Mohammed Bin Rashid Al Maktoum, started the construction of the Jebel Ali port around that time, and it became the biggest man-made harbor in the world.



CITY OF DREAMS

Dubai has built a service economy for the Middle East, and Wharton is there.

English is the primary business language, and religious culture has remained private, with few limitations imposed on secular and business life. "The city's religion is commerce, in a way like America," said Mario Moussa, the academic director of Wharton's Executive Education program in Dubai, and co-author of *The Art of Woo: Using Strategic Persuasion to Sell Your Ideas* with Wharton professor Richard Shell. "Most people are religiously observant. Cultural norms mean you don't hug them or shake their hands in many cases, but residents consider themselves world citizens — non-ideological and supporting whatever relates to the business sector. That is what drives Dubai."

Wharton programs, including Executive Education, have also come to Dubai, and not just as an alternative, but a destination in itself. Amit's Wharton Global Family Alliance ran a conference in Dubai three years ago and recently presented another one for 50 business families there. Executive Education has done extensive work with Dubai World, the largest conglomerate business in the emirate, and is negotiating for sessions with other governmental and business entities there. The 2009 Wharton Global Alumni Forum for Europe, the Middle East, and Africa is scheduled there in March, and the Wharton Fellows conducted a Master Class in Dubai in October 2008.

"All these Wharton events in one place in a short time — it is unprecedented," said Jeffrey Sheehan, Wharton associate dean for international relations. "It puts in context how Wharton feels about Dubai. It is creating a whole new crossroads. It is not just another place that pumps oil. Like bears to honey, there are a lot of people who have descended on Dubai in the last couple of years."

AN INSTANT EMPIRE CITY

"People just don't remember that Dubai has gone from a few thousand people living a nomadic lifestyle in 40 years to one of the world's greatest economies," said **Michael Samaha**, WG'97, who lives in Dubai and is the head of Morgan Stanley's international management in the region. He was born in Lebanon, studied in the United States, and has lived in other places in the Middle East. "Only about 10 percent of the people who live here are actual Emiratis. The rest are expatriates."

"The rulers here were intelligent in building a non-oil economy to take care of the rest of the business in this region," said Samaha. "It is growing the economy here, not just depending on oil, and it will be interesting over the next few years to see how that will all play out."

Moussa said while there is a lot of buzz about Dubai, especially among young people like Rashid and Samaha, its place as a financial and commercial powerhouse is not yet assured. Like all financial centers, Dubai has been impacted by the 2008 economic crisis, with stocks down 60 and 70 percent from the previous year. And like U.S. real estate boom markets like Las Vegas, the city has seen a decline in property values after a six-year building frenzy. In November *The Wall Street Journal* reported that residential resale prices had declined 19 percent from the previous month, while mortgage rates and required down payments had soared amid the international lending crisis. New construction was predicted to be hit even harder as foreign investors search for fresh capital and well-heeled buyers — two commodities that are becoming scarcer by the day.

"I am not sure as yet this is Dubai's moment," said Moussa. "About 15 or 20 years ago, Dubai looked 40 to 50 years into the future. It has invested in infrastructure and wants to create a gateway hub in the Middle East. Will it work? It has done well so far, but there are other competitors in the region like Abu Dhabi, and London and New York are still the strongest financial centers. Still, it is quite a transformation for a place that was nowhere not so long ago."

Navin Valrani, W'93, has been in Dubai for most of his 37 years and so has seen this transition first-hand. He came to Wharton after growing up in Dubai, just before its biggest boom. Still, it was where he figured he would return.

"I always knew I would be back in the family business in Dubai," said Valrani, who now runs the construction services business of the family conglomerate, the Oasis Investment Company/Al Shirawi Group of Companies. But instead of being resigned to being in that family business, he came back from Wharton to see the burgeoning possibilities.

"People over the last five years have talked about China and India, but Dubai, relative to its size, blows them away," said Valrani. In a way, he expected that. He was born the year Dubai became independent from Britain and has seen its rise,

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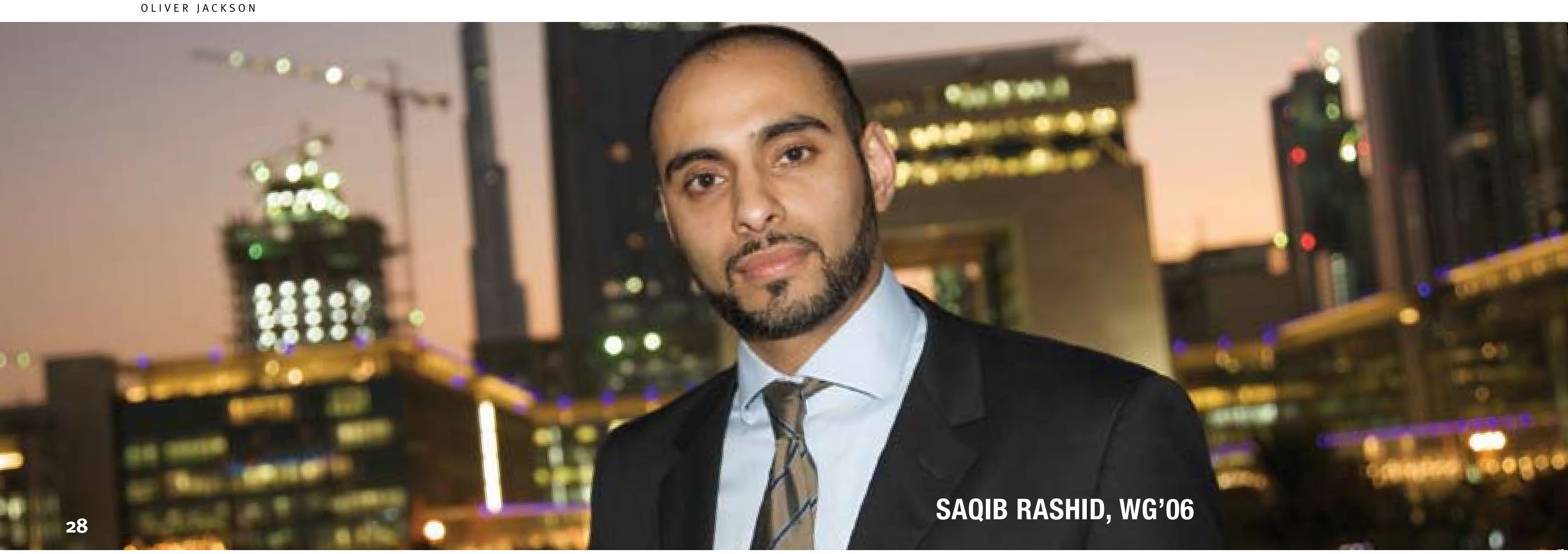


SAQIB RASHID, WG'06

whether in fits and starts early on, or more pronounced moves, as of late, since then.

"I have been so used to Dubai, that I really cannot imagine myself in an environment that is not ever-changing," said Valrani. He sees the upcoming changes coming in three areas: infrastructure, tourism, and service.

"Roads, bridges, airports, and now even the Metro are always developing. Dubai has one of the most modern road networks, but even with the investments that the government has poured in, it is still unable to keep up with the population growth of the country," he said.

A SERVICE ECONOMY

Dubai is all about service, according to Valrani.

"Service excellence is now so ingrained in Dubai's culture that I can only see the city setting itself benchmarks against its own high standards," he said. Yet it is in tourism that Valrani views Dubai will make its most unusual steps toward even global dominance.

"We have some of the finest shopping malls in the world, superb hotels, and a great mix of beach and desert for the outdoor enthusiast," he said. "In the future, we have some magnificent theme parks to look forward to. I expect Dubai to be the number-one tourist destination in the world within the next seven years."

Mauro Guillen, the director of the Lauder Institute and the Zandman Professor of International Management, who has been to Dubai, has also been impressed about what the emirate has done to attract tourists who would not have dreamed of going to the Arabian Peninsula for a relaxing vacation just a decade ago. His enthusiasm, however, is more measured, and he has reservations about Dubai's future in these tough global times. The city-state borrowed heavily to finance its growth, and now repayment of the debt is a concern. While the young and go-getting people who have come to the city should not expect gold on the streets, Guillen said he felt the government — the area's primary investors — have done good planning.

Guillen said the idea of creating a tourism center feeds into other businesses in Dubai, particularly construction. Even the extreme summer heat — the high temperatures average in the triple digits Fahrenheit from May through September — does not seem to be a deterrent to some.

"People from India and Pakistan and the Middle East and Russia go there for a beach vacation and more," said Guillen. "When I went there, there were certainly a lot of Russians. There was shopping, and there are sporting events and shows of all sorts. In November, the temperature was quite pleasant. For the billion or two people who are within a five or six hour flight, this could be their Las Vegas or Disney if it continues as it has been — and that will feed other businesses, too."

LEADERSHIP FOR A GROWING BUSINESS CAPITAL

The Wharton influence should be there as a part of the intended growth in Dubai. In 2006, Executive Education began work with Dubai World, after an introduction from the Wharton Global Family Alliance, to design, develop, and implement a custom program that would meet Dubai World's corporate goals. According to director Diane E. Eynon, the Dubai World Leaders Program is for high-potential executives from the holding company's various subsidiaries. "It's designed to enhance their strategic thinking and leadership capabilities, and encourage broad perspectives on global business," said Eynon. By May 2009, 135 executives will have completed the program.

The nine-month Dubai Leaders Program is divided into five modules. Two modules include six weeks at the Steinberg Conference Center in Philadelphia for classes with Wharton faculty. There are also modules in Dubai as well as a global learning journey to Singapore, Hong Kong, and China. "We try to provide a comparative lens. Participants are asked to identify and compare the relative strengths and weaknesses of Singapore and Hong Kong and reflect on how these compare with Dubai's own strengths and weaknesses. We want them to explore the strategic implications these answers might have for the operations of Dubai World in Dubai and the rest of the world," said Eynon.

On the expatriate end, the Wharton Fellows master class brought 48 senior corporate executives to Dubai from October 11 to 15, 2008, under the rubric, "Islam and the West: Insights and Business Opportunities."

"What people learned were all the intricacies and details of what it would take to run a successful business in Dubai," said

WHARTON TO HOLD GLOBAL ALUMNI FORUM IN DUBAI MARCH 11-12, 2009

Wharton alumni, faculty, and business leaders from around the world will convene in Dubai to discuss — and enact — the theme "At the Crossroads for Global Economic Change." Speakers will include Organizing Committee Chairman **Mohammed Abdul Aziz Alshaya**, WG'84, Executive Chairman, M.H. Alshaya Co. W.L.L; **Dr. Farouk El-Okdah**, WG'81, Governor, Central Bank Egypt; Joe Saddi, Chairman, Booz & Company; **Tarek Sultan**, WG'90, Chairman and Managing Director, Agility Logistics, and many other business leaders and Wharton faculty.

To learn more and register, visit **www.whartondubai09.com**

Suzanne A. DuBose, the director of the Wharton Fellows program. Wharton professor Bulent Gultekin, the former President of the Bank of Turkey, led a master class on growth in the Middle East in general, and Dubai in particular. Another session examined how women could better do business in the modern Middle East, and another, the differences — particularly the general ease — of business protocols and culture in Dubai compared to more fundamentalist places like Saudi Arabia.

"The bottom line, though, was that there are at least 1.3 billion people a short plane ride from Dubai, and if you are not reaching them, you should really consider opening up your market to those people," said DuBose.

Chuck Miwa, the chief operating officer at Informa Research Services, Inc., a Calabasas, California, media, conference and publishing company, was one of those fellows. He said Informa had done a little work in Dubai, but it seemed to him that having gone and seen what was there would make it a must-do for any company that needed a Middle East presence.

"There are a variety of languages spoken and other things attendant with being a major city — culture and cars and even traffic," he said. "Certainly coming in there with the United States in a financial crisis, it almost seems like the roles are reversed. There are the biggest buildings and the most cranes and high growth rates. People are talking all about it, and everything is made to seem so exciting."

AN EXPATRIATE CULTURE TAKES ROOT

Samaha, the Morgan Stanley banker, said that while he is happy to be working in Dubai, it may not be the do-all and end-all for future business. First of all, he said, that the expatriate community is so large may make things exciting, but it also means that no one is committed to staying long. For every one who does, another few spends a couple of years as a way-station worker. Then there are the other competing states in the area, which are watching the innovations in Dubai and resolving not to be passed by.

"Some of the real money in the Emirates is in Abu Dhabi. The ruler of the United Arab Emirates is from there and there is a lot of oil money there. Then there is Bahrain, which has some of the financial and commercial infrastructure," he said. "But they have been smart here in Dubai and gone toward the banking and the shipping and, especially, the tourism, which no one else is doing."

It is hard to separate, said Professor Amit, Dubai's desire for cultural advances and the tourist dollar from the drive to be a business center in general. Not only does the cultural/tourist nexus fuel the real estate and construction boom, but it also brings people into the city-state who spend their money, and who may eventually do business there.

Each year there is a Dubai International Film Festival. Elton John, Santana, Aerosmith, Celine Dion, and Shakira have played big concerts in Dubai. The International Cricket Council moved its headquarters there from London. There is a Dubai Desert golf tournament that attracts the best pros from around the world. The Palm Islands reclamation project is primarily designed to build resort hotels, amusements, and shopping. The world's tallest man-made structure, the Burj Dubai, is in Dubai. There are indoor ski slopes and water parks, and thousands of workers from as far away as the Philippines coming to work in them.

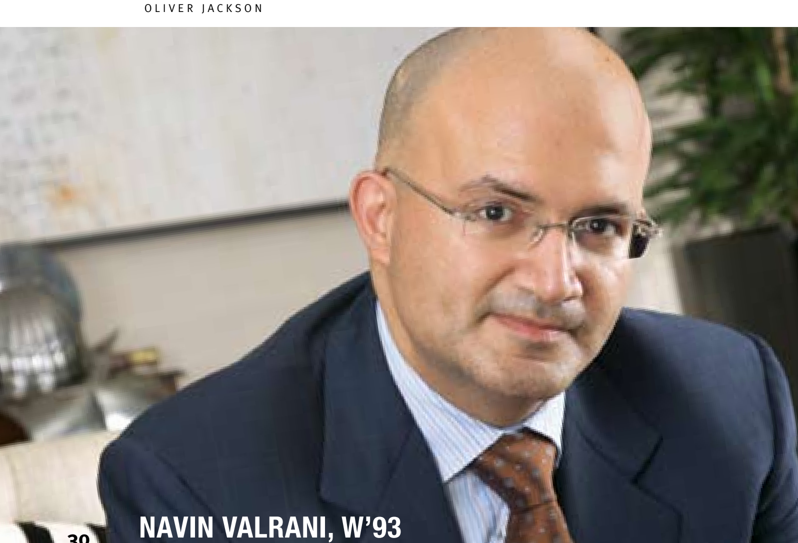
"All of this says to someone coming to business in Dubai that this is a place to be," said Amit. "People like to go there. It is more liberal than any of the neighboring countries and people are conscious of how to do business. In our case of the family groups we talk to, it is about wealth growth and preservation, and they feel this is the way to do it."

Rashid said that as new people float into Dubai, they find ways to bring their ideas to a new market. For instance, he said, only 2 percent of air traffic in and out of Dubai is on low-cost carriers, compared to as much as 30 percent in the United States. So Air Arabia, a five-year-old airline is adopting the Southwest Airlines model to bring that service to the area.

"Untapped businesses, untapped resources, those are hot here," said Rashid. "This is the whole work perspective of why I wanted to work here. You are seeing a lot of human capital coming into the region. I just don't find any drop off from places like New York and London. Everything is geared toward the high end, and I really feel there is no place like it in the world right now." ◆

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

OLIVER JACKSON



NAVIN VALRANI, W'93

"People over the last five years have talked about China and India, but Dubai, relative to its size, blows them away," says Valrani.

WATER SHOCK Continued from page 25...

of the task of dealing with a stressed water system is symptomatic of a larger problem bedeviling economies, especially those in the third world: building an infrastructure. "You have to come up with a financing mechanism with a 20-30 year lifespan that people believe in. In developing countries, it's hard enough for people to fork out for five years. … Investors don't believe anything the government says about what the policies will be in even five years. Water's just the extreme case for the infrastructure problem."

But in at least some places on the cutting edges of the $500 billion global water industry, technologies to deal with scarcity — or just to deal with governments that want to encourage conservation and discourage pollution — also represent a significant business opportunity around the world. In California, where green legislation prods developers and industries towards less wasteful water use, **Peter Balas**, WG'88, and a few friends started Integrated Water Systems, which builds on-site wastewater systems that prepare water for reuse. "There's a growing emphasis with the state legislature to try to reuse water," he says. "People are interested in green approaches. It's happening, but it's going to take time. A lot of developers get points for being green. That doesn't hurt us one bit…We're part of the solution. In many cities in California, it's mandated that you have to meet certain environmental goals. Oftentimes, for areas that aren't quite with the program, it helps if it gives the developer an opportunity to get his project moving, to get it approved."

Of course, for business customers, droughts have a way of focusing the mind in a way that government can't. "It was, 'We may not have water to operate our facility,'" Balas says of one vineyard customer. "That gets people's attention immediately."

At Colorado's Eltron Research and Development, **Len Dolhert**, WG'01, commercializes an array of the firm's innovative water-purification technologies, items that help ships dispose of wastewater in port or deal with the "produced water" thrown off by oil and gas production. "That water cannot just be poured onto the ground," he says, though until not so long ago that's exactly what might have happened. "Now, there are regulations, and on top of that, if that water could be converted into something that could be used or sold for irrigation or drinking, it would be especially valuable."

Says Henisz, "I don't think you can point to any one thing and say that this is the end of the world as we know it. [But] there will be big spikes in the price of water. There will be some rivalries between countries over access to water. And the incentives to come up with solutions will go up." ◆

Writer Michael Schaffer has written on water issues and other related topics for Knowledge@Wharton and other business publications.

Thomas Dunfee Memorial Award

The late Thomas Dunfee was an eminent scholar in business ethics and social responsibility, and a longstanding member of the Wharton faculty. During his tenure at the School, he served in many capacities, including Joseph Kolodny Professor of Social Responsibility, inaugural director of the Carol and Lawrence Zicklin Center for Business Ethics Research, and chair of the Legal Studies and Business Ethics Department.

In memory of Professor Dunfee, the Wharton School is creating an undergraduate award. Awarded to one or more graduating seniors, the Dunfee Award will honor the academic achievements of students in the Department of Legal Studies and Business Ethics. This award is a lasting tribute to Professor Dunfee and his remarkable legacy at Wharton.

For more information or to make a contribution, please contact:
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DO THE SEC'S NEW RATING AGENCY RULES HAVE ANY BITE?

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On December 3 the Securities and Exchange Commission approved tighter regulations on the credit rating agencies, hoping curbs on conflicts of interest will prevent the kind of ratings-grade inflation that played such a key role in the credit crisis. The SEC voted to require greater disclosure and to ban agencies from rating securities they have helped issuers create.

While the ratings firms applauded the moves, reform advocates were disappointed. The changes fell far short of remedies initially proposed by the SEC in June and supported in a December 1 statement by the Financial Economists Roundtable, a 15-year-old group of top economists from around the world that meets every year to tackle economic issues. By omitting two critical elements of the June proposal, the SEC pulled the teeth that would have made the regulations effective, according to the FER.

"It's a quarter of a loaf at best. The one thing they did was the one thing that we thought was unenforceable," says Wharton finance professor Richard J. Herring, the roundtable's executive director, referring to a ban that would prevent agencies from rating securities for which they have provided paid advice to the issuer.

The FER's December 1 statement urged stronger public disclosure of data used in the agencies' computer models, less use of ratings in governmental regulations, and a requirement that ratings on riskier types of securities state a margin for error. Indeed, most of these ideas had been tentatively proposed by the SEC staff in June, but were dropped, diluted, or delayed in December. FER members met July 12-14 in Glen Cove, NY, and refined their statement through the summer and fall.

Wharton finance professor Marshall E. Blume, one of several Wharton faculty members of the roundtable, describes the SEC's June proposal as "very bold," but says the "the final document is very limited."

In addition to the ban on rating securities an agency helped create, the SEC barred raters from accepting gifts worth more than $25 from clients. The agencies also will have to disclose statistics on their upgrades and downgrades for each type of asset they rate, and they must describe the steps they take to verify information used in ratings. Additional disclosure requirements are meant to shed light on potential conflicts of interest. The three main ratings firms — Moody's Investors Service, Standard & Poor's and Fitch Ratings

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The Battle for Control of Latin American Mining in Unsettled Times

Chile and Peru are confronting each other to maintain regional leadership in the mining sector and come away unscathed by the financial crisis. Experts say that the Peruvian mining sector could do a better job than Chile's resisting the onslaught of the crisis and the volatility of global markets, thanks to Peru's greater diversity of resources. However, other analysts note that the competitiveness of mining activity depends on other key factors as well as on Brazil, an important global producer of iron.

Full story at **http://wharton.universia.net**

— supported the new rules, which will take effect over a number of months.

Tougher Rules Opposed on Wall Street

Wall Street and the ratings firms had opposed many of the stronger provisions as too inhibiting. SEC Chairman Christopher Cox said the agency would continue to study ideas like special ratings treatment for volatile securities and reducing use of ratings in regulations. A June 2007 law gave the SEC authority to regulate the agencies, and it then did a 10-month study which found "significant weaknesses in ratings practices."

Debate over regulating the ratings industry, dominated by the three largest firms, is far from over. Top Democratic members of Congress and President-elect Barack Obama have talked of the need for improving practices on Wall Street.

Regulators, lawmakers, economists, and watchdog groups — and the ratings industry itself — are looking for ways to prevent the kind of misjudgments that led the ratings agencies to issue top-quality grades to mortgage-backed securities that later collapsed as the housing bubble burst.

One problem with the current system, according to Blume: Investors have become overly reliant on ratings, using them as a substitute for their own analysis. "Let's say you have two triple-A bonds. One has a lot higher yield than the other. The investors or their board or the people responsible should have asked why it has a much higher yield, and those questions were not being asked."

One factor was lack of experience with securities backed by new forms of loans, such as subprime and other types of exotic mortgages, which became popular early in the decade. Not only were the loans untested, they were issued to borrowers who could not have qualified under the more stringent guidelines of the past, making it hard to judge how the loans would perform in the kind of economic downturn that ensued.

In the easy-lending climate that followed the dot-com stock collapse at the start of the decade, other factors were at work as well. One was the rise of private-label securitization, the bundling of mortgages into bonds sold to investors. Though securitization had long been done by government-created companies like Fannie Mae and Freddie Mac, it was now being done by companies operating with looser practices and little or no government regulation. Investors were attracted by the high yields paid by these securities, and they relied on the ratings agencies to assess the risk that homeowners would stop making monthly payments and drive down the securities' values.

The ratings firms gave many of the new mortgage securities highly desired AAA ratings, making them look as safe as other investment-grade securities such as corporate bonds, and making the mortgage securities attractive to investors limited by law or policy to owning only top-rated securities. That made lenders even more eager to issue exotic mortgages. When the house-price bubble burst, the economy began to sink and rate resets on adjustable-rate loans raised borrowers' monthly payments, homeowner defaults soared, and many of the newer mortgage securities fell to a fraction of their original value.

Ratings Inflation

Today, most experts agree that far too many mortgage securities received investment-grade ratings they did not deserve. The ratings industry primarily blames the underlying loans' short track record, which led to flaws in its computer models of risk, compounded by the unprecedented nationwide housing downturn. But others say common business practices prodded the agencies to act with bias and blinders.

"We viewed the role of the ratings agencies as having been significant in the problem of subprime-related debt, and even more so in making it a systemic problem," Herring says of the FER analysis. Errors in rating mortgage securities undermined the agencies' credibility with other types of ratings, making the credit crunch worse, argues Herring, who is also co-director of the Wharton Financial Institutions Center.

A mushrooming of elaborate forms of securities in recent years gave issuers ever greater amounts of leverage over the ratings agencies. "A further weakness in issuer-pays arrangements is that they undercut incentives to monitor and downgrade securities in the post-issuance market," the FER statement says. "The re-rating of securities is usually paid for by a maintenance fee that is collected in advance from each issuer. Few issuers are eager to be monitored closely, especially when monitoring is apt to result in downgrades, and so it is not surprising that ratings are seldom downgraded until long after public information has signaled an obvious deterioration in an issuer's probability of default."

Herring notes that ratings downgrades for subprime residential mortgage-backed securities have dramatically exceeded those of corporate bonds carrying the same initial ratings. One survey showed that well over 50 percent of the subprime-backed securities that started with A ratings were subsequently downgraded, compared to well under 10 percent of the corporate bonds that started with the same ratings. Nearly all the corporates were downgraded just one notch to the next lowest category — A to BBB — while more than four fifths of the subprime securities dropped by three categories. To tackle the problem, the SEC in June proposed three remedies, all supported by the FER.

The first focused on public disclosures. It would, for example, have required the SROs to state how well their ratings had predicted defaults in various securities categories over the previous one, three and 10 years. It would have required release of data used in ratings models, and a discussion of how ratings are reviewed and modified and whether changes in models or procedures are applied to existing ratings retroactively.

This proposal also would have barred SROs from rating securities created with the SRO's paid assistance. The FER agrees the dual roles create a conflict of interest but concluded there is so much back and forth in the normal rating process it would be "impossible for the courts to distinguish ratings services from advisory services in a definitive way." This was one of the provisions adopted by the SEC on December 3.

The FER suggests that the SEC or Congress might also consider new disclosure requirements for issuers, to make public any data that could affect the health of each security it had issued.

The SEC's second proposal would have imposed extra requirements on ratings for complex securities, such as those based on mortgages, to recognize their special risks. While an ordinary corporate bond is rated according to views about how well a single company will be able to shoulder its payments to bond holders, a mortgage security may depend on the abilities of thousands of heavily indebted homeowners to make monthly payments. Moreover, mortgage pools are typically sliced into tranches of varying risks. Prices of mortgage securities and other types of securitized debt can therefore be much more volatile than prices of ordinary bonds, subjecting ratings to greater margins for error.

"Introducing a differentiated [rating] scale is one way to alert investors that downside margins for error are much larger for securitized claims than for ordinary debt," the FER said.

The SEC did not adopt this proposal.

Nor did the SEC adopt the third proposal, to reduce use of ratings in SEC regulations. Blume argues this was the most valuable proposal, because it would force securities investors to do more research on their own. Hence, an individual security might be scrutinized by multiple organizations rather than just the handful of ratings agencies. The FER said the move would "remove a major source of pressure for ratings inflation." Incorporating ratings into regulations "enshrines those ratings agencies into law and gives the ratings agencies very strong power," Blume said. "The ratings agencies have conflicts of interest. They are not always right. They make systemic errors, and that should not excuse the managers of, say, a mutual fund, from doing their own evaluation."

Blume, Herring, and the FER statement all express concerns that use of ratings in regulations is on the rise in many countries. The European Union, for instance, uses ratings in capital requirements, while ratings are incorporated into the Basel II international banking guidelines.

Though the SEC's December 3 vote disappointed advocates of tougher rules, Herring thinks the debate is far from over, noting that President-elect Barack Obama's transition team recently asked the FER for its views on ratings reform. "It does mean they are paying attention to these things." ◆

india Knowledge@Wharton

Bumps in the Road: India's Industrial Growth Seeks Solid Ground

Indian business's voracious appetite for land to support rapid growth is running up against farmers determined to get top dollar for their acreage. One conflict recently got so messy in West Bengal that Tata Motors pulled up stakes for its planned Nano plant and will now relocate it in Gujarat. Behind the disputes lie outdated laws and the lack of any pragmatic negotiation structure that might give both sides more of what they want. Experts tell Knowledge@Wharton that a comprehensive set of ground rules may finally be on the way.

Full story at **http://knowledge.wharton.upenn.edu/india**

china Knowledge@Wharton 沃顿知识在线

Will Drug Price Reform Improve China's Health Care System, or Only Mask Symptoms?

On October 14, to much fanfare, the Chinese government released a highly anticipated blueprint for reforming the country's health care system. The proposal is the government's latest and — in theory — most ambitious attempt to deal with rising medical costs for Chinese consumers. One of the most controversial issues at stake is drug pricing: What is the prognosis for more affordable drugs given the reform proposals? Much depends on how regulators address ongoing problems with hospital funding and doctors' pay, a fragmented drug distribution system, and an immature medical insurance architecture, experts say.

Full story at **www.knowledgeatwharton.com.cn**

Leading When the Need Is Greatest

One new title explores how to channel the economic potential of Africa, while a revised classic from Jon M. Huntsman describes how to lead with integrity during tough times.

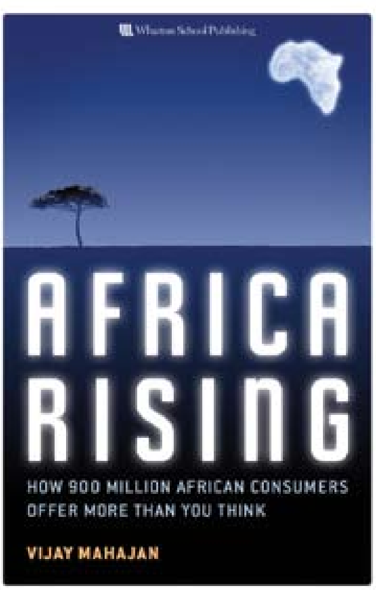
Africa Rising: How 900 Million African Consumers Offer More Than You Think

By Vijay Mahajan

"This book lays out a powerful portrait of the growing opportunities in Africa. It is clear to us that any global firm interested in growth must see Africa as an essential part of its portfolio."
– E. Neville Isdell, Chairman and Chief Executive Officer, The Coca-Cola Company, USA

With more than 900 million consumers, the continent of Africa is one of the world's fastest-growing markets. In *Africa Rising*, legendary global business consultant Vijay Mahajan reveals this remarkable marketplace in its richness and complexity, and helps companies understand the massive opportunity it presents.

Mahajan tells the stories that western executives and managers rarely hear: stories of African entrepreneurs, executives, and enterprises that are identifying powerful market opportunities and capitalizing on them. He teaches the lessons that Africa's successful and failing ventures have learned about succeeding on the continent: how Coca-Cola executives in Nairobi "walk with the market," how Guinness is learning to become authentically African, how global companies are overcoming Africa's unique political, economic, and resource challenges, and how local entrepreneurs are profiting even in profoundly troubled states like Rwanda.



Mahajan reveals how companies are reaching the growing South African middle class, how foreign investment is increasing even in politically mismanaged states like Zimbabwe, and how India and China are staking out huge positions throughout Africa. In an era where new growth is tougher and tougher to achieve, Vijay Mahajan's *Africa Rising* uncovers one of the largest untapped growth opportunities.

About the Author: Mahajan, former dean of the Indian School of Business, holds the John P. Harbin Centennial Chair in Business at McCombs School of Business, University of Texas at Austin. He has consulted with Fortune 500 companies and received several lifetime achievement awards including the American Marketing Association (AMA) Charles Coolidge Parlin Award for visionary leadership in scientific marketing and the Distinguished Alumnus Award from the Indian Institute of Technology (Kanpur). The AMA has also instituted the Vijay Mahajan Award for career contributions to marketing strategy.

Mahajan's ten books include *The 86 Percent Solution* (Wharton School Publishing), which received the 2007 Book of the Year Award from the American Marketing Association.

Take advantage of Wharton School Publishing alumni discounts – visit **www.whartonsp.com**

Winners Never Cheat: Even in Difficult Times

By Jon M. Huntsman

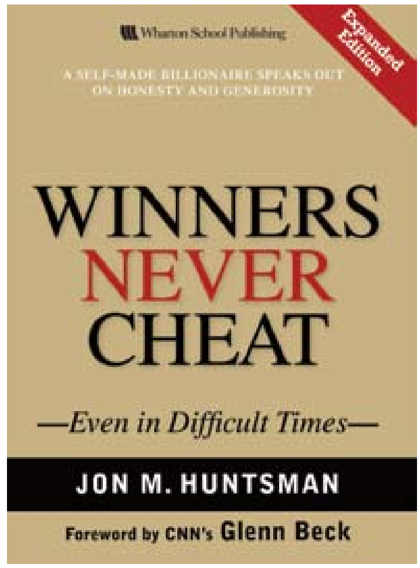
"In today's world where too many people try to grab and hoard as many dollars as they can, where politicians do anything to cling to power, where we mistakenly believe that business can no longer be done with a look in the eye and a handshake, it is time that we remember the values of honesty, integrity, and generosity. … Look to Jon Huntsman, as he is still showing us the better way."
– Glenn Beck, The Glenn Beck Show

Times are difficult and uncertain. In times like these, some will say that you can no longer afford principles, ethics, or honesty. They're 100 percent wrong, says Jon M. Huntsman in *Winners Never Cheat: Even in Difficult Times*, the nationwide bestseller — fully updated for today's tough times and worldwide financial crises.

Anyone with a link to Wharton knows the name of **Jon M. Huntsman**, W'59, Hon'96. He is, after all, the largest benefactor in Wharton's long history. His gifts established the Huntsman Program in International Studies & Business, a dual-degree program for undergraduates, and he has been honored as the namesake of the School's flagship state-of-the-art building.

This book presents the lessons of his lifetime in business: a life that has included the best of times and the worst. The first edition became an instant classic; now, Huntsman has thoroughly updated it with new chapters on maintaining your principles in difficult times, when dishonest "sharks" seem to be everywhere.

This is no mere exhortation: it's as practical as a book can get. It's about how you listen to your moral compass, even as others ignore theirs. It's about building teams with higher values, sharing success and taking responsibility, and earning the rewards that only come with giving back. Huntsman built his career and fortune on these principles. You don't live them just to "win": you live them because they're right.



About the Author: Huntsman is chairman and founder of Huntsman Corporation. He started the firm with his brother, Blaine, in 1970. By 2000, it had become the world's largest privately held chemical company and America's biggest family-owned and operated business, with more than $12 billion in annual revenues. He took the business public in early 2005.

At the apex of that often-bumpy journey, he found himself one of America's wealthiest people and among the nation's top 25 all-time philanthropists.

Huntsman is the chairman of the Board of Overseers for Wharton and also has served on the boards of numerous major public corporations and philanthropic organizations, including the U.S. Chamber of Commerce and the American Red Cross. The Business School at Utah State University is named after him, as is the basketball arena at the University of Utah.

The Huntsman businesses fund the foundation that is the primary underwriter for the prestigious Huntsman Cancer Institute in Salt Lake City, which he founded. His oldest son, Jon Jr., is governor of Utah.

All author royalties from this book go to the Huntsman Cancer Foundation. ◆

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Wharton Alumni Affairs invites you to Philadelphia for the 33rd Annual Follies performance!

Follies Alumni Show
Saturday, February 14
6:00 p.m. - 8:30 p.m.
Zellerbach Theater
3680 Walnut Street

After-party at Loews Hotel
9:30 p.m. - 2:00 a.m.
12th & Market Streets
on the 33rd Floor

To register for this event, please call Alumni Affairs at **+1.215.573.1825**.

The registration fee of $40 covers Follies show and two drinks at the after-party at Loews Hotel.
Please R.S.V.P. by Wednesday, February 11.

Alumni Association Update

A Pillar of Strength in the New Year

TOMMY LEONARDI

TAMA L. SMITH, WG'90

DEAR ALUMNI,

As we start this New Year, for many it's a year of change, uncertainty, and opportunity. For you, as fellow alumni, your global alumni community serves as a pillar of strength and a resource that is always available to you.

Alumni Board's Mission and Strategic Focus for this Year

Our Board's governing body includes 22 alumni members elected at large or appointed from around the world plus seven ex-officio members representing the undergraduate and graduate communities, as well as the Emeritus Alumni Society.

The mission of the Wharton Alumni Association Board is simple — it's to continue to strengthen our global alumni community. We have five committees that serve to facilitate this goal:

- **Information Technology Committee:** Continue to improve the new online community, *Wharton**Connect*** (**www.whartonconnect.com**), and to increase usage and awareness
  – Committee Chair, **Stuart Hill**, W'82
- **Global Clubs Committee:** To make our 80-plus clubs around the world stronger with greater coordination, standards and outreach tools
  – Committee Chair, **Robert Newbold**, WG'99
- **Alumni International Outreach Committee:** To create new programs and services that appeal to underserved alumni and to create new international alumni outreach initiatives
  – Committee Chair, **Fadi Abou-Arbid**, WG'03
- **Student Alumni Culture Committee:** To create stronger alumni connections with students
  – Committee Co-Chairs, **Faquiry Diaz**, C'97, W'97, and **Anne Kalin**, WG'91
- **Development Committee:** To foster greater loyalty-based giving by alumni to The Wharton Fund
  – Committee Chair, **David Mounts**, WG'04

How You Can Get Involved

There are many ways to get involved with the Alumni Association, your reunion, or a Global Forum. First, if you have any ideas or suggestions, please feel free to e-mail me or the respective Committee Chairs. Secondly, get involved with an Alumni Club, your reunion or a Global Alumni Forum. And lastly, for those with an interest in serving on the Alumni Association Board, please contact Trina Middleton, Associate Director of Wharton Alumni Affairs at **trinalm@wharton.upenn.edu** for more information on Board service.

Best wishes for a most successful 2009!

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

Philadelphia Club Honors Mayor Nutter

On October 23, Mayor **Michael Nutter**, W'79, was honored by the Wharton Club of Philadelphia with the "Special Distinguished Wharton Alumni Award" in recognition of his accomplishments in his first year in office. Over 150 alumni attended the reception which was hosted at Tiffany & Co. by the store's Chairman & CEO, **Michael Kowalski**, W'74.

In presenting Mayor Nutter with the award, club president **Gloria**

TIFFANY CHAIRMAN & CEO MICHAEL KOWALSKI, W'74; MAYOR MICHAEL NUTTER, W'79; WHARTON CLUB OF PHILADELPHIA PRESIDENT GLORIA RABINOWITZ, WG'78; TIFFANY PHILADELPHIA STORE MANAGER RAY RABY.

Rabinowitz, WG'78, noted his commitment to and emphasis on the importance of education for the young people in the city. The club is about to embark on a collaboration with the mayor's Office of Private Initiatives through which alumni can work on projects which will entail critical goals of the administration. For more information, visit the club's website at **www.whartonclub.org**.

Corrections: **Elli Streit**, WG'65, Managing Director of PRM International Access, and **Fadi Abou-Arbid**, WG'03, Partner, Amwal-AlKhaleej Commercial Investment Co. are two new members of the Alumni Association Board. Information about them was misspelled in the last issue.

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Author Peter Cohan Speaks to Boston Club

Peter Cohan, WG'85, nationally-renowned author, speaker, and consultant, made a presentation on "The 100-year Crash" to the Wharton Club of Boston on Wednesday, October 22. Cohan, author of *Value Leadership: The Seven Principles that Drive Corporate Value in Any Economy*, provided historical context with which to understand the current situation in the financial markets, and discussed the factors that have contributed to the crisis. In addition, he talked about what various stakeholders — individuals, banks, companies, and governments — need to do to protect themselves as well as what needs to be done to ensure that the mistakes of the past are not repeated. ◆

Wharton Leader

Mark Kingdon, WG'88

A Real-World Leader for a Virtual Universe

Mark Kingdon recently gave a speech in Italy to a group of cancer researchers. That same week, he had meetings around the world and across the U.S. with employees of Linden Labs, the company he guides as chief executive officer.

And he never left his California office.

Linden Labs is the developer of the multi-user virtual world Second Life, which has more than 10 million registered users worldwide — including individuals, businesses like IBM and universities such as Stanford and Harvard. Individuals create self-representing avatars (a computer-generated identity), buy and sell property, meet and socialize. Companies have used SL to hold shareholder meetings or to promote products. Universities are holding classes there.

Since Kingdon took the CEO's chair at San Francisco-based Linden Labs in May, he's used SL for everything from overseas presentations and company meetings to connecting with friends on the opposite coast by hanging out with them in virtual bars and listening to live music.

"That's the thing that's so amazing about Second Life — it lowers geographic boundaries. If we were meeting in Second Life, we could see each other's avatars… It's a really great platform to collaborate and do business," Kingdon said during a telephone interview, noting that such an old-fashioned means of communication seemed odd to him these days.

Kingdon isn't the stereotype of a programming genius. Instead, he says, "I'm more of a business guy, a management person… My domain expertise is in marketing and user experience."

Which may mean he's exactly what Second Life needs. The current application, Kingdon said, is "highly complex and was not designed for a casual user." Start-up can take hours — frustrating, challenging hours — as users create their avatars, convert real dollars into Linden dollars, build homes and businesses. One of Kingdon's first major initiatives is to change that, to redesign the application so "the whole first hour a user spends in Second Life is delightful and intuitive."

COURTESY OF LINDEN LABS

Old-School Preparation for Tech Challenge

He knows a lot about change and innovation. The California native graduated from UCLA in 1986 with a degree in economics and finished his MBA in marketing and management at Wharton in 1988. After graduation, he took a job at a New York consulting firm, eventually landing at PricewaterhouseCoopers. He spent 12 years there, holding a variety of senior positions and becoming a partner in the consulting division as well as overseeing premerger planning and post-merger implementation of the largest merger in the history of global services.

Kingdon left the company to join the newly formed New York branch of the business incubator idealab. Howard Morgan, a former Wharton professor was one of the idealab folks who helped bring Kingdon aboard. He had the perfect background for guiding entrepreneurs, Morgan said: Kingdon was an analytical thinker who was able to listen to someone's ideas and guide them without being discouraging.

"Mark is excellent at guiding people," Morgan said. "He always wants to learn something new. That's why he went from the accounting side of the world to the Internet side. He wanted to try different things."

When idealab in New York faltered after the dotcom bust, Kingdon took on the CEO role at Organic Inc., a digital communications agency. The company was struggling when he joined; he turned it around, and helped take it from public to private ownership.

When the opportunity at Linden Labs came along in early 2008, Kingdon was ready for a new challenge. As Mitch Wagner wrote on InformationWeek's Digital Life Blog after Kingdon's job announcement, "The Organic experience presumably makes him comfortable working with idiosyncratic, creative people. On the other hand, the experience at button-down PwC will hopefully help empower him to inject some starch and discipline into Linden Lab."

Eroding Boundaries, Building Worlds

Kingdon now manages the company's day-to-day operations and works closely with Philip Rosedale, the company's founder, former CEO, and current chairman. It's an incredible challenge: Second Life has its own economy and monetary system that does millions in transactions quarterly. Its many users are attentive to every change Linden Labs makes, and users will track Kingdon down "in-world" to share their opinions.

"The boundary between business and company is eroding more and more. The users feel like they're such an integral part of the success of the company that they want to make sure their voices are heard," he said. "It's very different from the way companies interacted with customers 15 years ago."

Does it feel strange, this blurring of worlds? "For the first 15 minutes, but after that, it becomes very natural," Kingdon said. "That's why people become extremely invested in their virtual presence… They've begun to erase the boundary between the virtual and the real."

— *Natalie Pompilio*

Leadership Spotlight

MOHAMMED ALSHAYA, WG'84

A chance meeting brought Mohammed Alshaya to Wharton. Subsequent Wharton chance meetings have contributed to his family's business, one of the oldest and most prominent in Kuwait.

COURTESY OF M.H. ALSHAYA CO.

"That is the thing about Wharton," said Alshaya. "The School, with its alumni and faculty all over the world, makes it possible to connect with so many prominent people. Those 'chance meetings,' then, become not so much chance."

Alshaya had just finished his studies at Kuwait University in the early 1980s and was starting in the family business, M.H. Alshaya Co., when a California executive came to do business with the company. He suggested Alshaya think about studying in the United States, particularly at Wharton.

"I came and looked, and it was the only place I applied to for my MBA in the United States," said Alshaya, who entered the MBA program in 1982, after spending six months studying English to prepare. "It didn't take long to realize I had made the right choice."

Soon after visiting Wharton, Alshaya met Leonard Lauder, W'54, who told him to keep in touch. Today, his family conglomerate's retail group is the biggest Estée Lauder franchisee in the Middle East.

"It was a transforming experience coming to Wharton. I learned a lot, but I also made invaluable connections," said Alshaya.

The family business dates back to 1890, and when Alshaya joined it, its holdings were primarily in real estate, hospitality, general trading, and car dealerships. Alshaya worked in New York for Morgan Stanley for a short time before coming home, but his time at Wharton made him recognize new opportunities. He rejoined the family business which had already a number of Mothercare stores, the leading children's wear specialist from the United Kingdom, and after two years he was entrusted by the family to aggressively expand within the retail industry.

Today Alshaya is executive chairman of the company he has grown to include 16,000 retail employees in 1,750 stores in 20 different countries, representing over 50 brands. He has extended his family business's reach beyond Kuwait to the whole Middle East, Turkey, Eastern Europe, and Russia.

Alshaya has grown his Wharton connections as well. When Wharton expanded the European Executive Board to include the Middle East and Africa, Alshaya was invited immediately. Earlier this year, at the Dean's request Alshaya agreed to take on the additional responsibility of serving on Wharton's Board of Overseers, along with chairing the 2009 Wharton Global Alumni Forum in Dubai.

"It is perfect that the Forum is in Dubai," said Alshaya. "There is a great mix of nationalities and cultures in a place that has quickly transformed from a small town to a world-renowned city. Sheikh Mohammed [the Emirate's ruler] is also one of the few people who do business and politics well."

Alshaya says it is important that American business schools use the Middle East as a resource for smart students, and he feels that Wharton is in the vanguard here.

"It is one of the few business schools with such a concentration of international students, which is the right thing," he says, noting that he has hired five Wharton graduates in recent years. "The business world is international now. One of the things I foresee is fewer people going into finance and investment banking, certainly, and more into the real economy. Wharton taught me a lot about both, and I believe it will continue to do it well."

As Wharton broadens its global initiatives in the Middle East, Dean Robertson expects Alshaya to play a critical role. "Mohammed is one of the most influential business leaders in the region," said Dean Robertson. "His leadership will be a tremendous asset to the School in the coming years."

Alshaya himself is bullish about business in the Middle East, despite recent economic developments.

"Here there is confidence that, for expansion, it is still a good time," said Alshaya, who has recently done new deals with Payless Shoes, Express, and Office Depot. "The Gulf Region should not be dependent on oil, but should invest more in tourism and services. I don't say we are immune, but I am hopeful that things are stable here, and that our human capital is getting better and better." ◆

– ROBERT STRAUSS