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ALUMNI MAGAZINE

Winter 1999

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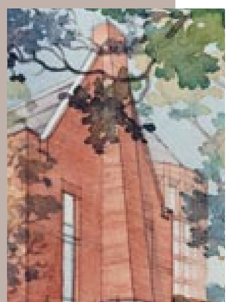
Cover Article



"The technological capabilities of the new complex reach far into the future to assure that Wharton remains a leader in innovation."
— Dean Thomas P. Gerrity

Cover Illustration by Tom Schaller 8

Features

Departments

CURRICULUM UPDATE: MAKING THE CASE FOR SPANISH BANKING

ILLUSTRATION / BRIAN REA

Thanks to the initiative of two management professors and a grant from Citibank, students this year are using a case study on international banking entitled, "The New Conquistadors: Spanish Banks and the Liberalization of Latin American Financial Markets."

The case, the first of its kind to be researched and written by Wharton faculty, will be incorporated into management courses at both the undergraduate and graduate levels.

"Our intent was to look at the huge push into Latin America made by two Spanish banks starting about 1995," says Adrian Tschoegl, assistant professor of management. "We wanted the case to serve as a discussion point for a number of issues having to do with entry strategy, choice of markets, organization of multinational enterprises and so forth."

Specifically, he and colleague Mauro Guillén (see faculty profile this issue), also an assistant professor of management, analyzed the efforts of Banco Santander and Banco Bilbao Vizcaya to create extensive retail banking empires in Latin America on the basis of approximately 20 acquisitions of leading domestic banks. "The arrival of the Spanish banks in Latin America represents one of the boldest and most far-reaching initiatives in multinational retail banking to date," note the authors, who focused their study on three of the region's key markets: Chile, Argentina and Mexico.

To write the case, Tschoegl and Guillén spent several weeks in the three countries above, and also Spain, where they interviewed top banking officials, regulators and academics. Citibank, which has had offices in Latin America since the early 1900s, is mentioned in the study but is not its focus, Tschoegl says.

The case study includes sections on the economic and political backgrounds of Chile, Argentina and Mexico as well as the structure of their banking systems and their specific relations with Spanish banks. Profiles of the individual Spanish banks are also included.

The two authors provide a teaching note offering questions for discussion by students and instructors. In addition to demonstrating an aspect of global financial deregulation, "I hope this case also helps students realize that their competitors, clients and customers will not always be American," Tschoegl says. "Students need to break away from their orientation to the U.S. and recognize that there are whole areas of the world that don't have that much to do with U.S. markets."

As a sidelight to their study of Spanish banks, Tschoegl and Guillén wrote a second "mini-case" entitled, "Banking on Gambling: Three Regulators Respond to Lottery-Linked Bank Deposit Accounts," which analyses a product recently introduced into Latin America by Spanish banks — lottery-linked deposit accounts.

In one particular Argentine subsidiary of Banco Santander, "If you open a savings account, you get a certain number of tickets in a lottery run by the bank," says Tschoegl. "Every day there are prizes totaling $20,000 and once a month a lottery of $222,000. A customer's chances of winning are proportional to the size of his or her deposits measured in increments of $200.

"You are automatically enrolled in this game and in return, the interest rate on your savings account is somewhat less than the rate on an account that doesn't have this lottery feature. So you are paying for your tickets by foregoing some interest." Lottery-linked deposit accounts, Tschoegl notes, raise a number of interesting financial, ethical, regulatory and policy issues.

The lottery system mini-case is expected to be introduced into an undergraduate business government relations course this year.

Gerrity to Step Down As Dean This Summer

Thomas P. Gerrity will step down as dean of Wharton in July after serving in that position for nine years.

He plans to pursue scholarly interests and teach at the School as well as spend more time with his wife and four children.

Gerrity is the 11th dean of the School since its founding in 1881 as the nation's first collegiate school of management.

During his tenure here, Wharton has attracted record numbers of applicants, high levels of academic quality, strong financial support and widespread recognition of its leadership position around the world.

A well-known authority on strategic change management and an early pioneer in business re-engineering, Gerrity was founder and CEO of the Index Group, which he built into one of the world's leading consulting firms in information technology and management.

"We have an extraordinarily healthy spirit and energy at Wharton," he notes. "I have been truly honored by the commitment of the entire Wharton community to the success and accomplishments of the School across all of our strategic priorities."

"No one has had more impact on Wharton's rise to national, indeed international, prominence than Tom Gerrity," says Penn President Judith Rodin. "Clearly he has been the linchpin in Wharton's reputation as the finest business school in the world … His leadership has been magnificent, not only in advancing curricular innovation and stimulating exciting new academic collaborations, but in his ability to attract unprecedented support for Wharton and its teaching and research mission."

A search committee has been appointed to look for a new dean.

New Business School To Launch in India

A group of business leaders, in affiliation with Wharton and the Kellogg Graduate School of Management, is scheduled to open a new business school in Hyderabad, India, in the year 2000.

The India School of Business (ISB), which will offer world class facilities in terms of faculty, students and infrastructure, is intended to be an international institution with a global focus. Its goal will be to develop future leaders of Asia, with a curriculum that emphasizes management in transitional and rapidly evolving economies.

One of the main supporters of this initiative is Rajat K. Gupta, managing director, McKinsey & Co., Inc. He and approximately 50 others — including CEOs of global enterprises and Asian companies as well as founders of Indian businesses — will form a governing board that will guide and shape the evolution of the school. Also on the board will be the deans of Wharton and Kellogg.

The ISB will initially offer two programs: a one-year MBA for students with two to five years of work experience and a series of Executive Education courses. The school also has plans to introduce doctoral and faculty research programs once the institution is established.

The MBA, which will run for a full 12 months, will cover the traditional range of business disciplines with an emphasis on managing in high growth economies and the integration of state-of-the-art management approaches to the Asian context.

Wharton and Kellogg will help launch the school as well as recruit a dean and permanent faculty members. In addition, this affiliation will allow members of the faculty at the U.S. schools to teach at the ISB, and faculty from the ISB to attend Kellogg and Wharton as visiting scholars. Student exchange programs may also be arranged.

Market Forces: The Wharton-Jiangsu Province Executive Development Program, offered through Wharton's Executive Education division, brought 40 government officials and managers of stated-owned enterprises to Philadelphia last fall for an eight-week course on the market economy. The group, which returned to China on Dec. 5, studied "everything from economics and marketing to finance, production and quality control," says Professor Stephen J. Kobrin, director of the Joseph H. Lauder Institute of Management and International Studies and academic director for the Wharton-Jiangsu program.

FOUR RECEIVE SCHOOL'S DISTINGUISHED SERVICE AWARD

The Distinguished Service Award was established in 1988 to recognize alumni who demonstrate outstanding leadership in their professional activities and extraordinary, ongoing volunteer service to Wharton.

Recipients of the 1998 Distinguished Service Awards, presented October 23 in Philadelphia, include:

FROM LEFT: FRÉDÉRIC DUBOIS, WANG XI, DAVID FORD, HARVEY CHANG AND DANA MICHAEL, W'82, CHAIRMAN OF THE WHARTON ALUMNI ASSOCIATION

DAVID B. FORD, WG'70

David Ford, co-head of the asset management division at Goldman, Sachs & Co., has worked over the years to support Wharton through his firm. As a result, Goldman Sachs today is the single largest employer of Wharton graduates.

Ford has also been one of the School's leading volunteers. For the past three years, he has served as chairman of Wharton's Annual Fund. During his tenure as chair, the fund increased by 358 percent.

HARVEY H. W. CHANG, WG'77

Harvey Chang has been a leader in the banking, government and manufacturing sectors. Today, he is the senior vice president and CFO of Taiwan Semiconductor Manufacturing Co., the world's largest pure integrated circuit foundry.

He has promoted Wharton in the Republic of China in a number of different ways. In addition to serving as president of the Wharton Club of Taipei, he led the 5th Asian Regional Alumni Meeting in 1998. He has also undertaken an initiative with the president of the Wharton Club of Shanghai to develop positive Cross-Straits relations.

FRÉDÉRIC DUBOIS, WG'73

Frédéric Dubois has been a banker and entrepreneur in the healthcare industry. Currently he is the managing partner of Paris-based Santé Investissement, which manages investment funds specializing in hospitals and healthcare businesses in France.

His affiliation with the School and his leadership role in Wharton's Annual Fund has enabled him to help transform the fundamental philanthropic relationship between Wharton and the School's European alumni.

WANG XI, WG'47

Wang Xi's career has included positions as scholar, professor and corporate executive. He currently is vice president of the General Reinsurance Corp.

Over the years he has promoted Wharton throughout the People's Republic of China. In addition to serving as president of the Wharton Club of Shanghai, he led the 4th Asian Regional Alumni Meeting in 1997. He has also undertaken an initiative with the president of the Wharton Club of Taipei to develop positive Cross-Straits relations.

NEW INITIATIVES, NEW MANAGEMENT MARK WHARTON ENTREPRENEURIAL CENTER ANNIVERSARY

The Wharton Entrepreneurial Center began its 25th anniversary celebration in November with a kickoff dinner honoring its founder and major donors.

The Center, the first of its kind in a major business school, encompasses the Sol C. Snider Entrepreneurial Research Center — currently headed by Ian C. MacMillan, George Taylor Professor of Entrepreneurial Studies — and the Goergen Entrepreneurial Management Program, funded in 1997 with a $10 million gift from Robert B. Goergen, WG'62, chairman and CEO of Blyth Industries.

FRAGA

The Nov. 11 dinner honored three people: Center founder Edward B. Shils, W'36; Philadelphia entrepreneur Ed Snider, who endowed the center in 1985 in memory of his father, Sol C. Snider; and Goergen. Preceding the dinner was this year's first Stolaroff lecture featuring Hubert J.P. Schoemaker, chairman and co-founder of biotechnology firm Centocor, Inc.

Among the events in this 25th anniversary year is the pilot program for the School's Business Plan Competition and Entrepreneurial Coaching Initiative. The top prize of $25,000 has already inspired entries from more than 175 student teams. Throughout the year, the Coaching Initiative will be developing seminars and one-on-one mentoring for student teams participating in the competition. Wharton alumni who would like to mentor entrepreneurial teams

Continued on page 29

PHOTOGRAPHS / JERRY MILLEVOI

School Appoints Vice Dean for International Academic Affairs

In his new position as Vice Dean for International Academic Affairs, Jitendra Singh has been thinking globally.

He envisions, for example, a network of research relationships around the world, based in business schools or other leading institutions and involving faculty in research exchanges.

He also would like to see more Faculty International Seminars, designed to expose faculty to countries about which they have little or no knowledge. "It's an excellent way to get a guided tour into another region of the world," he says, noting that previous seminars to Japan, Malaysia and Korea have been oversubscribed.

And he wants to link more faculty to the international business community through an increase in international executive education programs. "That could mean more faculty going abroad to teach or more foreign audiences coming to Philadelphia," says Singh, professor of management and sociology. "The idea is to push the frontier of international executive education even more than we already are."

SINGH

Singh's mandate, as stated by Wharton Dean Thomas P. Gerrity, is to "more broadly integrate globalization into research and teaching." For Singh, who has taught, advised and consulted in approximately 20 countries, that means "establishing a context where faculty — encouraged by a system of incentives, rewards and opportunities — can create and disseminate internationally-oriented intellectual capital."

Singh, a native of Lucknow, India, earned an MBA from the Indian Institute of Management, Ahmedabad, and an MA and PhD from Stanford University. He came to Wharton in 1987.

He will be building on efforts pioneered by others at the school, including Richard Herring, vice-dean, Wharton undergraduate division, who has expanded the number of exchange programs for undergraduates; Janice Bellace, deputy dean, who has established contacts with Singapore Management University and the Chinese University of Hong Kong; and Professors Jerry Wind and Anthony Santomero, who have played leadership roles on the School's International Committee.

Hold These Dates

Below are details available at press time about three alumni events – not including Reunion Weekend in May – scheduled over the next six months.

Management & Technology: 20th Reunion

Alumni of Wharton's Jerome Fisher Program in Management & Technology will celebrate the program's 20th anniversary on Friday, May 14, 1999, in Philadelphia.

The event will highlight accomplishments of the M&T program and achievements of its alumni, feature a panel on entrepreneurial M&T activity, and discuss the future direction of the M&T program, according to Alan Cook, W'95.

Those who are interested in attending, or who have comments on the upcoming anniversary, should email Cook at alanjcook@rocketmail.com with "M&T Ideas" in the header.

The M&T website is at www.seas.upenn.edu/mandt

6th Asian Regional Alumni Meeting

The 6th Asian Regional Alumni Meeting, June 4-6, 1999, in Seoul, will include four panels, each focusing on the theme of "Survival, Recovery and Prosperity."

Among the participants in the first panel, on entrepreneurship, will be Injay W. Tai, WG'79, chairman and CEO, SMEC Media & Entertainment Corp., Taipei; and Lin-Lin Zhou, AMP'94, president, Sinogen China, Ltd., Shanghai.

The strategic alliances panel will include Louis M. Bowen, WG'72, managing partner, ACL Asia Ltd., Hong Kong.

At the investment banking panel will be Kongkiat Opaswongkarn, WG'80, PhD'84, president and CEO, Asset Plus Securities, Ltd., Bangkok; and Philip D. Murphy, WG'83, president, Goldman Sachs (Asia) Ltd., Hong Kong

The government panel will include Ronald A. Rosenfeld, W'61, former assistant Assistant Secretary of Treasury; and Farid Harianto, PhD'86, vice chairman, Indonesian Bank Restructuring Agency, Jakarta.

Faculty members participating on the panels include Jamshed Ghandhi, Jitendra Singh and Dennis Yao.

Wharton European Forum

The Wharton European Forum, June 24-25 in London, will focus on the theme of "Preparing for Success in Europe 2000."

Roy Vagelos, retired chairman and CEO of Merck and chairman of the board of trustees at Penn, is a scheduled speaker.

23rd Annual Wharton Follies

In Philadelphia:
Thursday and Saturday, February 11 and 13, 6 and 9p.m.
Friday, February 12, 7 p.m.
Independence Seaport Museum
At Penn's Landing
211 S. Columbus Blvd.
Ticket information:
David Kugler: 215.546.9244
david70@equity.wharton.upenn.edu

In New York:
Friday, Feb. 19
8 p.m.
Tribeca Performing Arts Center
199 Chambers Street
Ticket information:
Sandra Choi: 215.523.9828

Two Professors Leave Their Mark on Wharton

Bowman

Management professor Edward H. Bowman, a well-known expert in managerial decision making and corporate strategy, died last fall of complications from heart surgery. He was 73.

"Many faculty will remember Ned Bowman as a mentor," notes Janice Bellace, deputy dean of Wharton. "He was always willing to help junior professors with their research and advise them on academic projects. He was one of the most well-liked and esteemed people in this university."

Bowman was the Reginald H. Jones Professor of Corporate Management and director of the highly respected Reginald H. Jones Center for Management Policy, Strategy and Organization. His research and journal publications focused on the concerns of the CEO, corporate risk, corporate governance and corporate social responsibility, in addition to managerial decision making.

"Even when he was deputy dean, Ned would take frequent walks around campus, stopping to browse in libraries or listen to music at Irvine Auditorium," says Bruce Kogut, Felix Zandman Professor of Management and co-director of the Jones Center. "He always maintained his interest in the life of the mind."

Bowman received his undergraduate degree from M.I.T, his MBA from Wharton in 1949 and his doctorate from Ohio State University. He also received an honorary degree from Yale, where he was comptroller from 1966 to 1969. He was dean of Ohio State University's College of Business from 1974 to 1979.

Bowman came to Wharton in 1983, serving as acting deputy dean for academic affairs from 1989 to 1991. He was a member of the editorial board of the *Strategic Management Journal* from 1980 until his death.

"Ned was a man of great integrity," notes Bellace. "He always strove for excellence, and instilled that same drive in those who worked with him. He will be greatly missed."

Crockett

Jean Crockett, a well-known economist who was chair of Wharton's finance department from 1977 to 1983, died last fall at age 79.

She was the first woman to chair a department at Wharton, the first woman to head the Faculty Senate (1972-73) and the first woman to chair the board of the Federal Reserve Bank of Philadelphia (appointed in 1982). She served on the Bank's Consumer Advisory Council from 1983 to 1988.

Crockett earned a BA, master's and PhD in economics from the University of Chicago and a master's in mathematics from the University of Colorado. She joined Wharton in 1954. Her expertise was in the areas of consumption and saving, investment, financial interest rates, markets and the economics of health care.

In 1989, the Association of Women Faculty and Administrators presented her with its Distinguished Faculty Award for her leadership and for her dedication in furthering the careers of junior colleagues and graduate students.

"She and I gave a course in the finance department on the economic/financial problems of cities," notes Jamshed Ghandhi, director of the Huntsman Program in International Studies & Business. "I appreciated then that she had a deep commitment to social justice and empathy for the poor and the underdog, not in an abstract, academic way but as an activist, one who felt that she, and we, must make a difference in people's lives.

"But the logical economist was also always there. She never espoused easy, feel-good sorts of policies, but recognized that policies had to be viable to be sustainable, especially in a world of increasing self-centeredness. Jean was passionate in her causes, but always tempered by reason."

After her retirement in 1990, Crockett continued to work with the League of Women Voters, the American Association of University Women, the Women's Democratic Coalition and the Chester, Pa., YWCA, where she was a trustee.

A Business-like Approach to Summer School

Leadership in the Business World (LBW), a new program for high school students interested in learning more about business, will kick off this summer under Wharton's sponsorship.

A total of 50 participants will be chosen for the four-week session to run from June 26 to July 23, 1999. Selection will be based on academic achievement, extracurricular involvement and commitment to excellence.

Classes and other activities are scheduled to take place at Wharton, although students will be housed at nearby Bryn Mawr College.

The program will include classes, trips, workshops and experiential activities designed to teach students about business leadership for the 21st century.

The application deadline is February 1, 1999, with selection decisions no later than May 1999. Interested applicants may download the application form at the program's website: http://undergrad.wharton.upenn.edu/

For further information, call the Wharton Undergraduate Division at 215.898.7608.

THE CONFERENCE BOARD

Below is a List of Upcoming Student Conferences in Philadelphia

Fifth Annual Wharton Media & Entertainment Conference
"The Business of Entertainment in the 21st Century"
Thursday, January 21, 1999
4:30 p.m. to 10 p.m.
Penn Tower
Contact: Gwen Goldbloom, 215.985.1467
gwen20@wharton.upenn.edu
Sandra Juhn, 215.985.1443
sandra22@wharton.upenn.edu

Wharton Global Forum
March 19, 1999
Information: Wharton Graduate Student Association
215.898.1077

8th Annual Latin American Conference
"Weathering the Global Storm"
February 19, 1999
8 a.m. to 5 p.m.
Pennsylvania Convention Center
Registration information:
Gabriela Caceres
gabrielc@wharton.upenn.edu

Principal Investment Conference
"Opportunities in a Volatile Marketplace"
Friday, February 12, 1999
Penn Tower
Contact: Max Chee
215.732.2719
max.chee.wg99@wharton.upenn.edu

Wharton India Economic Forum
March 26, 1999
Pennsylvania Convention Center
Contact: Krishnan Sadasivam
T: 215.545-6866
F: 215-545-4467
Krishnan.sadasivam.wg99@wharton.upenn.edu

3rd Annual Wharton Technology Conference
"Business Opportunities in the Digital Economy"
February 26, 1999
Pennsylvania Convention Center
E-mail: Techconference@hwartontechclub.org
Web: http//www.wharton.whartontechclub.org/conference.html

Fourth Annual New Ventures in Health Care Conference
"Emerging Technologies and Trends Affecting Life Science Technology Companies"
April 8 and 9, 1999
Wyndham Franklin Plaza Hotel
Contact: Gian Cavallini at gian20@wharton.upenn.edu
Ray Dorsey at earl20@wharton.penn.edu

SPOTLIGHT ON ... THE TECH CLUB

Leading industry, media and financial executives will meet February 26th to discuss "Business Opportunities in the Digital Economy" during Wharton's third annual technology conference at the Pennsylvania Convention Center.

The conference, organized by the Wharton Technology Club, will offer a variety of presenters and panelists who will discuss such topics as "How to manage strategic alliances," "Internet advertising," "Managing a high-tech company for high growth," "How e-commerce has changed business," "How large companies value acquisitions" and "Broadband access: the last mile."

Two nationally recognized speakers will deliver keynote speeches during morning and afternoon sessions, including Howard Charney, senior vice-president, office of the president at Cisco Systems. In addition, the first Wharton Technology Club Alumni Achievement Award will be presented at a lunch reception. This award will be given to an alumnus of the Wharton MBA program who has demonstrated a history of active contribution to the field of technology.

Last year more than 500 students, faculty, alumni and industry professionals attended the Wharton Technology Conference to learn about trends in the Internet and wireless communications markets from such industry leaders as Joseph Liemandt, CEO of Trilogy Development Group, and Harvey White, president of Qualcomm Inc.

The technology conferences are intended to help Wharton students pursue high-tech careers, provide a forum to discuss critical technology issues and build the brand equity of Wharton within the technology community. Indeed, the October 19 *Business Week* survey of top business schools, which ranked Wharton number one overall, also ranked the school number four in technology, citing it as a place "where companies say they find the best graduates with technology skills."

The Wharton Technology Conference is organized by MBA students and funded by corporate sponsors. Plans are underway to provide television coverage and offer real-time video streaming of conference events via the Wharton Technology Club's interactive web site (http://www.whartontechclub.org). Up-to-date information about the conference and on-line registration is available at the site.

The Wharton Technology Club sponsors an array of other events and activities throughout the academic year. One of the most significant efforts is a recruiting event held every year in Silicon Valley in early January. In addition, the club has a speaker series, a resume review, seminars on topics such as "How to be a great product manager," a debate series and a business plan competition.

Ameet Dhillon

FEATURE

GOING UP!

WALNUT STREET VIEW

WHARTON BUILDING WILL SET NEW STANDARD FOR INNOVATIVE EDUCATION

WALNUT STREET LOBBY

This spring, Wharton will again take a bold step in redefining 21st century business school leadership when it breaks ground on its new academic facility.

The $120 million state-of-the-art building, scheduled to open in 2002, will be a place where:

- *all* Wharton faculty and students — undergraduate, MBA, doctoral and executive MBA — come together for classes, study, and co-curricular and extracurricular activities;
- faculty share their latest research and strategic thinking with scholars and business leaders in a colloquium setting designed to enhance interdisciplinary exchange;
- students and faculty interact in a variety of formal and informal settings beyond the classroom;
- and the Wharton community gathers in a 300-seat auditorium to hear top executives from around the world.

"The building will set a new standard for innovative teaching and instruction," says Wharton Dean Thomas P. Gerrity. "It will incorporate the most advanced networking and communications technology to create an entirely new global learning environment."

Ground-breaking will take place this spring at the site of the old University Bookstore extending along 38th Street from Walnut Street to Locust Walk.

In addition to providing much-needed additional classroom space, the 300,000 square-foot building has been designed specifically to accommodate Wharton's curricular innovations and to further enhance the School's use of leading-edge classroom technology.

The new academic center will serve as the unifying locus for the entire Wharton community. Undergraduate and graduate instructional spaces will include tiered classrooms, study areas, an auditorium, computer labs and large lecture rooms. Student study and social lounges, two cafés and both undergraduate and graduate student services will offer the student and faculty community a comprehensive activity center.

The building will serve approximately 4,700 undergraduate and MBA students, close to 250 standing and associated

EXTERIOR ILLUSTRATION / TOM SCHALLER

faculty and hundreds of senior executives and alumni who visit campus annually. It will become the main classroom building, although Steinberg Hall-Dietrich Hall and Vance Hall will continue to house a majority of the faculty and administration, as well as a number of classrooms.

The academic center will support Wharton's highly successful curriculum, which features significant interactive and discussion-based learning, including team work on a variety of class projects, cases, simulations, leadership and interpersonal exercises, and field application projects. A functional, flexible mix of classrooms, group study rooms, offices, computer labs, student activity spaces and common spaces will further enhance the community environment.

The building will also accommodate multimedia and the infrastructure for highly-interactive distance learning, audio and video conferences, video production and editing and experimental educational technologies.

Specific applications will include using the most up-to-date technology for conducting research and offering computer simulations for Wharton's negotiating courses and other parts of the curriculum.

Wharton is already established as a leader in technology, but "as teaching and learning become even more technology-dependent, greater classroom computing capabilities, computing labs and computer-networked team meeting spaces have become urgent needs," notes Gerard McCartney, chief information officer for Wharton Computing and Information Technology.

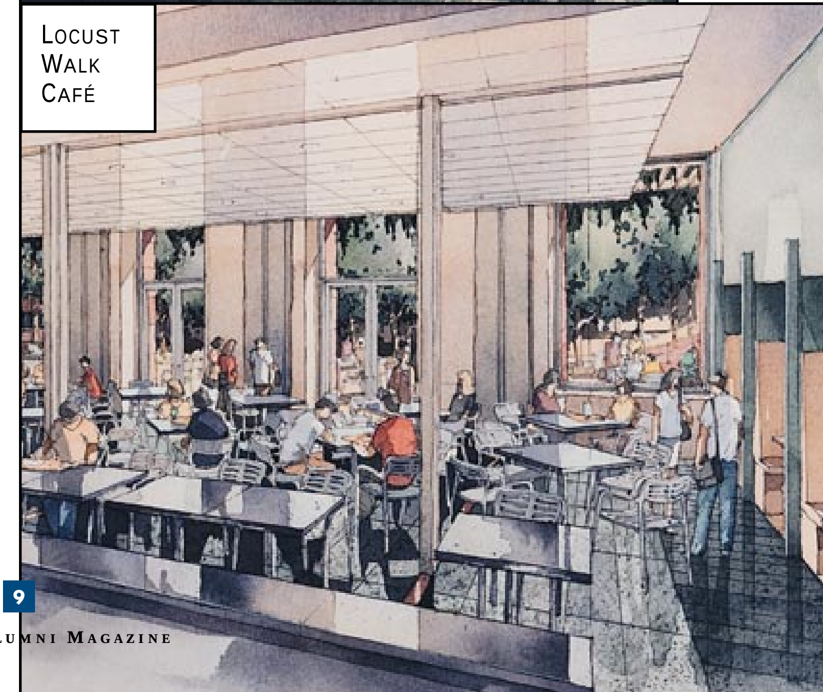
While all the major business schools provide access to technology for their faculty, "what makes Wharton unique is the way the new building will provide access to technology for its students through a series of 57 group study rooms," adds McCartney. "These have been designed to provide a full complement of technology, including capabilities for audio and video conferencing, video production and editing, connectivity between group work stations and Internet access. They will be like mini-labs where students can do their research, work on group projects and create presentations 24 hours a day.

"Being able to videotape their presentations will be of enormous benefit to students," McCartney adds, "because they can work on a presentation, rehearse it, record it and review the recording before they step into the classroom."

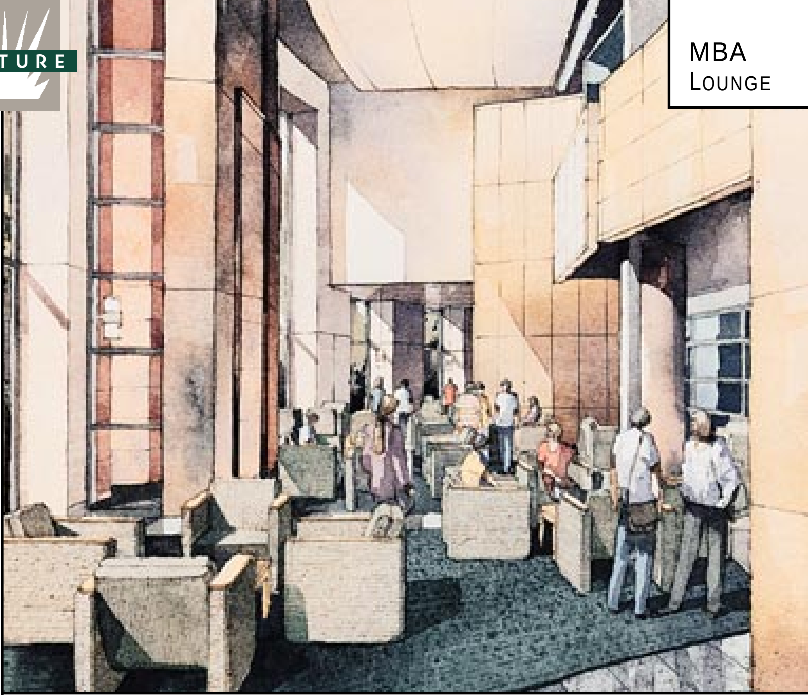
To design the state-of-the-art business school building, Wharton selected the architectural firm of Kohn Pedersen Fox Associates PC, New York. The firm's experience with educational facilities includes the design of a new building at Oxford University and the University of Chicago Business School master plan as well as a faculty building at Stanford University Graduate School of Business. Other designs include the World Bank Headquarters in Washington, D.C., Capital Cities/ABC offices and studios in New York, IBM's World Headquarters in Armonk, N.Y., and Goldman Sachs' European headquarters in London.


HARVEY STUDY LOUNGE


ZWEIG LOBBY ON LOCUST WALK


LOCUST WALK CAFÉ

INTERIOR ILLUSTRATIONS / VLADISLAV YELISEYEV


MBA LOUNGE

One of the architects' goals was to integrate the building with the surrounding campus and community. Certain design elements of the exterior, for example, make reference to specific historic buildings currently on the Penn campus. The red brick and stone of the Frank Furness library is alluded to in the exterior palette while the large brick rotunda references the monolithic motifs that characterize Louis Kahn's work.

"The site confronts two very different situations in terms of the scale of the campus," notes Bill Pedersen, a Kohn Pedersen Fox Associates principal. "Locust Walk is on a very intimate scale while Walnut Street is on a much larger scale. The new building is intended to make a transition between these two worlds. The building design on the south side addresses Locust Walk, and on the north side acts as a marker to define Walnut Street both as it is now and as it will be with future development of the west side of the campus."

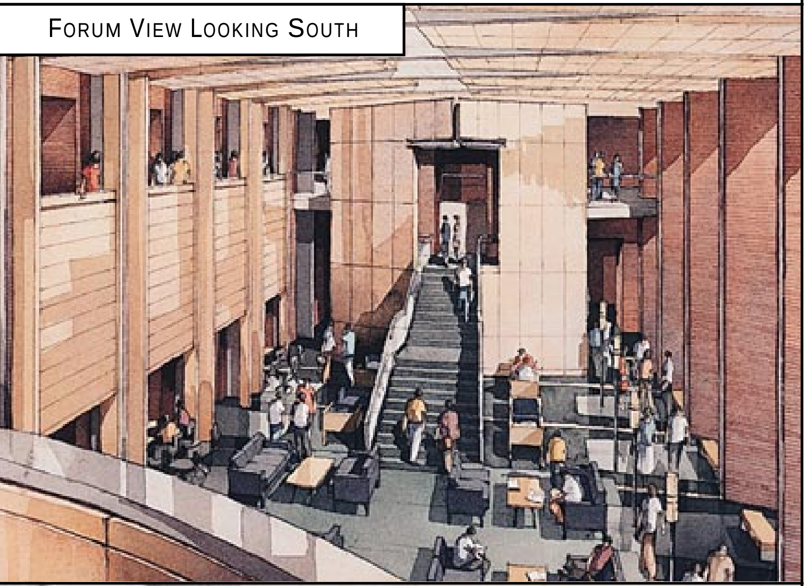
Entrance points and circulation patterns have been carefully designed to enhance access as well as communication between the different users within this building.

- The Locust Walk entrance, serving the majority of undergraduate students and faculty from Steinberg Hall-Dietrich Hall, provides a gracious prelude to many undergraduate classrooms, study and social lounges, café and support services located at both the forum level and first floor.
- The Walnut Street entrance is designed to accommodate the majority of MBA students entering campus from along Walnut Street. It will also serve as a primary entrance for visitors, executives and alumni. Most of the MBA classrooms, social and study lounges and support services will be housed on the second and third floors. Access to these facilities is provided by stairs located within the Walnut Street lobby and by elevators and escalators located in the center of the building adjacent to the classroom block.
- WEMBA students will have a suite of rooms on the ground floor adjacent to the Walnut Street lobby, serving as an interim destination for their program, which is conveniently located at a midpoint between the new Inn at Penn and the Steinberg Conference Center.
- A 300-seat auditorium and foyer on the ground floor have been designed to incorporate the specific program and technical needs for a variety of uses, including large lectures and guest speakers series held throughout the year. Located adjacent to the Walnut Street lobby, the auditorium will enhance the School's ability to host major student and faculty conferences as well as alumni events.
- Floors 4, 5, 6 and 7 are primarily devoted to academic department spaces. Faculty offices will ring the circumference of the red brick, rotunda structure that rises along Walnut Street.
- The top of the building is occupied by a colloquium area, which will host various faculty research events. With seating for up to 200 in the main presentation room, this space, as well as the other colloquium rooms, can also be set up to host meals along with smaller gatherings and presentations. The floor will provide access to a grand sky-lit East Hall, commanding views of both the academic core of Penn's campus and of Center City Philadelphia.

"The technological capabilities of the new complex reach far into the future to assure that Wharton remains a leader in innovation," says Gerrity. "This is an exciting project that will define Wharton and business education in the 21st century."

Jaye Berman

FORUM VIEW LOOKING SOUTH




MBA CAFÉ

FEATURE

REFORMING
SOCIAL SECURITY

ILLUSTRATION / PIERRE-PAUL PARISEAU

WITH SO MANY OPTIONS TO CHOOSE FROM,
PROPONENTS OF CHANGING THE SOCIAL SECURITY SYSTEM
AGREE ON ONLY ONE THING:
DELAYING THE PROCESS WILL BE DISASTROUS

Politicians have long thought of Social Security as one of the sacred cows of American society. Lay a hand on it and you face the wrath of voters in the next election.

But after repeated warnings that Social Security is headed for insolvency in the 21st century, Congress is expected to give serious consideration in 1999 to reforming the mammoth and frequently misunderstood system. Whether lawmakers will succeed is anybody's guess, but the stars appear to be aligned for some form of substantive change.

"I think there's a window of opportunity that [President] Clinton sees as part of his legacy," says Dick Tewksbury, WG'77, managing consultant in the Philadelphia office of Watson Wyatt Worldwide. "And it's a narrow window because very soon everyone's eyes will turn to the 2000 elections and any major decisions will get tabled again. So, whatever that window is, there might be aggressive movement to do something. It's a profound issue that people have been dodging for many years."

The reform efforts will largely focus on proposals to allow payroll taxes to be invested in the stock market, either by workers themselves or by the Social Security trust fund, as opposed to the current system in which the taxes are invested by the federal government in U.S. Treasury bonds. The sense of urgency to do something about the system arises not from any immediate threat of insolvency, but from events that will unfold over the next few decades.

"We're not running out of money this week or month or even this year," says Olivia S. Mitchell, International Foundation of Employee Benefit Plans Professor of Insurance and Risk Management and executive director of Wharton's Pension Research Council. "In that sense, it's not something we have to fix to prevent retirees from going into penury immediately." What Mitchell does predict, however, is that "the system will not be solvent around the year 2025, give or take a few years."

A report issued in April 1998 by the Social Security Advisory Board, a bipartisan panel that advises the President, Congress and the Social Security commissioner, forecasts a grim future for the system if it is left untouched.

The first gloomy milestone is expected to occur in 2013, when spending by the Social Security Old Age, Survivors, and Disability Trust Fund will exceed the revenue raised through the Social Security tax. At this point, an amount equal to all of the payroll tax income and part of the interest due to the trust fund from outstanding Treasury bonds will be needed to pay benefits.

By 2021, Social Security spending will be greater than all of the system's income, not only from payroll taxes but from interest on the bonds. "At this point, the government will have to begin paying back the funds it has borrowed from Social Security," the report says. "This will provide the government with a public finance issue that will need to be addressed because, in order to pay the funds that are due, the Treasury will have to redeem the bonds held by the trust fund." Only by cashing in the bonds will Social Security be able to pay the full amount of promised benefits until 2032.

Around 2032, though, all of the trust fund assets will have been used up and the ongoing income to the program will not be enough to pay all the benefits owed to people. To be specific, income from the trust fund in 2032 will be enough to pay only 72 percent of benefits. That figure will fall to 67 percent by 2070.

The second and third decades of the next century are critical because that is when the retirement of baby boomers will be in full swing, putting additional strain on an already

Mitchell

Many disillusioned young people already believe that Social Security "won't be there for them" when they retire.

stressed-out system. It's no wonder, says Mitchell, that people today are "sitting up and taking notice."

It's vital, Mitchell adds, that reform not be postponed because many disillusioned young people already believe that Social Security "won't be there for them" when they retire.

"One reason young workers today feel worried about the system is that they don't know what's going to happen," she notes. "They don't know if they should be saving more or working longer. That's why I propose that reform should happen sooner rather than later. People could then ... do what they needed to do to meet the new rules."

A Pay-As-You-Go System

How did Social Security get into this mess? Launched in 1935 as part of the New Deal, Social Security is a pay-as-you-go system, which means that the taxes paid by today's workers and employers provide just enough money to pay benefits to today's recipients. (By law, any Social Security income not needed to pay benefits must be invested in Treasury securities. Trust fund assets are allowed to build up only to the extent required to prevent exhaustion of the trust fund by what the government calls "short term economic fluctuations.") The pay-as-you-go aspect of the system generally makes Social Security different from most private pension plans, which are funded — meaning that benefits owed to retirees and current workers could be paid by money already in hand.

A key problem is the decline in the number of employees per beneficiary. In 1960, 5.1 workers paid Social Security taxes for each retiree. In 1996, the ratio was 3.3 to one. By 2030, as the number of older people continues to grow, the ratio will shrink to two workers per beneficiary.

What's more, unlike a 401(k) plan, Social Security is not merely a retirement system. It is also an antipoverty program designed to redistribute income so that poorer workers have a safety net to help them in old age. "It was no accident that the Social Security system began in the Great Depression when many people had their savings wiped out," notes Andrew Abel, Robert Morris Professor of Banking, Finance and Economics.

As a social insurance program, the system has worked remarkably well. According to *U.S. News & World Report*, only one in 10 seniors is poor today, compared with one in three in 1959. Today, seniors are the age group least likely to live in poverty. About two-thirds of today's Social Security recipients receive at least half their income from the system. In fact, Abel notes, those people who joined the system in its first few decades "got very high rates of return" in the form of handsome benefits relative to what they contributed in payroll taxes.

Social Security also pays benefits to disabled workers who have not reached retirement age, to spouses and children of retired and disabled workers, and to spouses and children of deceased workers. In fact, retired people make up only 62 percent of all beneficiaries, according to the Social Security Advisory Board.

If you think most Americans understand how Social Security works, consider this unscientific piece of evidence: Marshall E. Blume, Howard Butcher Professor of Finance, tells how he once gave a talk to a community group about personal finance. Several educated, well-off attendees told him they believed that the Social Security "contributions" made by themselves and their employers over the years went to accounts with their names on them in Washington, to be drawn from upon retirement.

Three Options for Reform

At the heart of the debate over reform are questions about the fundamental nature of Social Security: should it have at its core the goal of redistributing income, as favored by the political left, or should it be more like a straightforward retirement plan, as favored by the right?

This is one reason why Social Security is so hotly debated. "You get into not only the fiscal aspect of Social Security, but people's values," says Jerry Rosenbloom, Frederick H. Ecker Professor of Insurance and Risk Management.

As a starting point, Congress will likely focus on three options that were contained in a 1997 report by the 13-member Advisory Council on Social Security. The council could not reach agreement on a single proposal, so they drafted three, each of which was supported by different members. (The advisory council has been replaced by the five-member Social Security Advisory Board, which has taken no position on the options put forth by the predecessor group.)

One proposal, dubbed the Maintenance of Benefits plan (MB) and supported by six council members, would keep the current Social Security tax and benefit structure pretty much as is. But, among other things, it would increase taxes on Social Security benefits, cover newly hired state and local government workers not currently part of the system (a move that would bring new revenue into the system), and eventually increase payroll tax rates. Most significantly, it would give the government the power to invest as much as 40 per-

cent of the Social Security trust fund in common stocks instead of Treasury bonds.

Another proposal, called the Individual Accounts plan (IA), also involves increasing taxes on benefits and initiating coverage of state and local workers. More important, though, this plan, which is supported by two council members, would create investment accounts for workers. These accounts would be paid for with an additional payroll tax of 1.6 percent. The individual accounts would be held by the government, but workers would have at least some choice as to how to invest in stock and bond index funds. The accumulated money would be converted to annuities when a worker retires. As these annuities become available, there would be offsetting reductions in benefits paid to people as part of the pay-as-you-go portion of Social Security.

The third option, labeled the Personal Security Accounts plan (PSA) and favored by five members of the council, goes further than the other options in giving people control over how their Social Security taxes are invested and in increasing the amount in personal accounts. Under this plan, fully funded accounts would replace a portion of pay-as-you-go Social Security. Five percentage points of the current 12.4 percent payroll tax would be diverted to personal accounts placed with private investment companies that offer more investment alternatives than the IA option. The rest of the payroll tax would pay for a flat monthly benefit of $410 (in 1996 dollars).

Like the MB and IA proposals, the PSA plan calls for higher taxes on benefits, coverage of state and local government workers, and acceleration of the already scheduled increase in the mandatory retirement age from 65 to 67 in the next century.

The council says all three options would go a long way to making Social Security solvent. Each plan would achieve more advance funding of Social Security's long-term obligations and give younger workers more of their "money's worth" by improving the returns on their retirement savings. Under the current system, by contrast, younger workers pay more into the system than they will ever get back when they reach their golden years.

Likely Elements of a Plan

It is impossible to forecast what Congress and the President might do, especially since the devil is in the details when it comes to reform. Mitchell and others, however, believe lawmakers are likely to reach agreement on a plan that allows some measure of individual investment, continues to require participation by workers and continues to pay basic, minimum benefits.

One argument against giving employees full control of their Social Security investments is that they may make poor investment choices, will not have enough to live on in retirement, and will "come back with their hands outstretched" for government help, says Mitchell. "So, the thought is that we have to keep something in place to protect people against themselves."

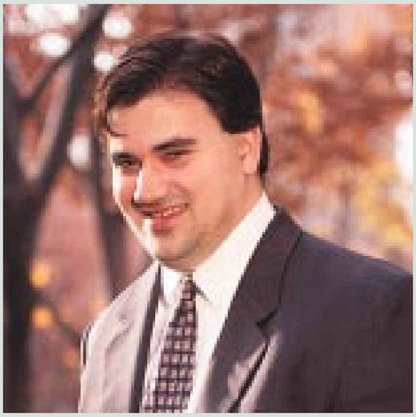
Another point of agreement among those with a stake in the debate, Mitchell says, is that there ought to be a safety net imbedded in the system. "If you have been a low-wage worker all your life, some amount of redistribution would be required to help people in old age," she notes. "But how much redistribution should there be and from whom to whom? Some libertarians would disagree [with the view that a safety net is needed] but that won't carry the day in the end."

One group that has analyzed the council's proposals is the Financial Economists Roundtable, which is comprised of several dozen economists, including Blume. In a 1998 position paper, the roundtable said an improved Social Security system should meet several goals. For one thing, it should become a partially funded system, gradually eliminating part of the current unfunded deficit with funding accomplished through mandatory individual accounts. Furthermore, it must assure that individual accounts are invested prudently and managed efficiently, stipulate that accounts are fully owned by workers, promote saving and preserve a safety net.

The MB plan was dismissed by the roundtable as a "cosmetic improvement only." The panel gave higher marks to the IA plan for moving toward a partially funded system. But it said the IA option does this too slowly and leaves unclear the issue of whether workers would truly own their own accounts. For instance, if a person dies before retirement, does the account balance revert to the government?

Although it did not specifically endorse the PSA plan, the roundtable did say that the PSA approach was better than the IA or MB proposals as a framework for change because it moves toward partial funding of Social Security through individual accounts, preserves a guaranteed monthly payment for retirees and provides transition financing.

Blume prefers that individual accounts be restricted to index funds and that any plan avoid excessive costs for investment management. Administrative costs could prove to be a nightmare, he says, but costs are something "nobody talks about." Also undecided, he says, is the type of role, if any, investment management firms or mutual fund companies should play in a revamped Social Security system.



Smetters

"Investing the Social Security trust fund in equities is a bad idea."

It is also interesting to wonder whether it makes any difference who handles Social Security investments, the government or individuals. Kent Smetters, assistant professor of risk management and insurance and formerly an economist at the Congressional Budget Office, believes it would be disastrous to have the government act as a money manager.

Supporters of the MB plan, for example, contend that investing some of the $655 billion trust fund in stocks would raise a lot of revenue and save the system without resorting to privatization. But Smetters says trust-fund investment would actually increase the burden on future generations. The reason: if the stock market goes into a steep decline, Congress would be unlikely to force elderly people to absorb the hit to their portfolios. Instead, legislators would probably raise payroll taxes paid by young workers.

"Investing the Social Security trust fund in equities is a bad idea," Smetters says. "It's just a gimmick where you're not trying to pre-fund Social Security, but you're having government borrow low by selling debt and investing high by buying equities. You and I don't borrow money and then invest in the stock market ... It's a foolish, highly leveraged investment."

Some economists would like to privatize Social Security entirely because they figure that rates of return under an individual account system would be much higher than they are under the current system. After all, the Standard & Poor's 500 has posted an annual inflation-adjusted return of 9.4 percent from 1926 to 1996, compared to 2.3 percent on intermediate-term government bonds, according to Ibbotson & Associates, a financial research and consulting firm.

However, in a paper co-authored with faculty members at Yale and Columbia universities, Mitchell argues that this assumption is wrong because it doesn't take into account the need to pre-fund the system. Pre-funding means raising revenue to close the gap between the benefits promised to retirees and the assets available to pay for them.

"My point is that if you stop paying tax into Social Security, then somehow revenue must be raised to pay [benefits to retirees]," Mitchell says. "One way to raise taxes is to tax workers. If you do that, you will cut down on the rate of return to individual accounts. There's only so much to reallocate. What we're trying to say is, if you let people keep all Social Security taxes and invest them, then you'll have to tax them some other way. There's no free lunch."

Managing Your Money

What about the impact that the investment of billions of Social Security dollars in stocks rather than Treasury bonds would have on the securities markets?

"If you're going to buy stocks, it means the government doesn't get that money," says Blume. "That means the government has to issue more bonds [to raise revenue], which will change the relative returns on different instruments. Returns on government bonds and corporate bonds will get higher. Rich people will then at least initially reduce their commitment to equities because bonds are now relatively more attractive — and you don't know how all this is going to play out in the end."

Congress will also have to think about whether Americans know enough about investing to handle the responsibility of individual Social Security accounts. To be sure, many people have become accustomed to contributing to 401(k)s, 403(b)s and other tax-deferred vehicles in recent years. But that does not represent everyone in the workforce.

Tewksbury

"I think there's a window of opportunity that Clinton sees as part of his legacy."

One way to prevent investors from hurting themselves is to limit their choices to plain-vanilla investment vehicles such as index funds consisting of both stocks and bonds. To foster a feeling of at least some control, says Blume, perhaps workers could be given three relatively benign choices: a mix of 40 percent stocks and 50 percent bonds, 50 percent stocks and 50 percent bonds, and 60 percent bonds and 40 percent equities.

"A significant portion of the population would need investment education," says Dennis Mahoney, W'79, associate academic director of the Certified Employee Benefits Specialists Program at Wharton and former manager of benefits at Penn. Such an effort would require a multimedia approach consisting of, say, written materials, videos and meetings at work with benefits experts. And it must be kept in mind, Mahoney says, that lack of knowledge about investing afflicts professionals with college degrees as well as blue-collar workers.

A Need for Action

In the end, Social Security reform can go down any number of roads. But faculty and alumni alike agree that the worst thing Congress could do is sit on its hands. "The biggest pitfall," says Rosenbloom, "is that . . . people think the problem will just go away."

For his part, Watson Wyatt Worldwide's Tewksbury, who works with corporate clients to develop and communicate benefit plans, says the elements in the advisory council's IA plan comprise a good first step. He dismisses the MB option because, he says, allowing government to invest Social Security taxes raises issues of conflicts of interest and accountability. The PSA plan, he says, is "just too dramatic a change at this point."

And how do Americans feel about the issue? It appears they have become less open to reform following the stock market's slide in August. A *Wall Street Journal*/NBC News poll in October showed that voters by 52 percent to 43 percent oppose the idea of turning part of Social Security into individual accounts. The *Journal* said this was almost the reverse of public opinion in April when the market was soaring.

Mitchell declines to publicly advocate any particular approach. But she does believe that whatever shape reform takes, it should be explained in such a way that it can be understood by all Americans.

"It's better to be clear who's getting income transferred to them and from whom," says Mitchell, who has been studying Social Security for 20 years and has testified on retirement topics before the U.S. Senate and the British parliament. "I don't think any benefit is [to be had] from confusing people. The Social Security system faces an insolvency problem. Let's do it calmly and surefootedly. And let's get started because if we wait 25 years, we'll all be unhappy."

This story was written by Stephen J. Morgan, a Philadelphia area freelance journalist and a frequent contributor to the magazine.

FEATURE

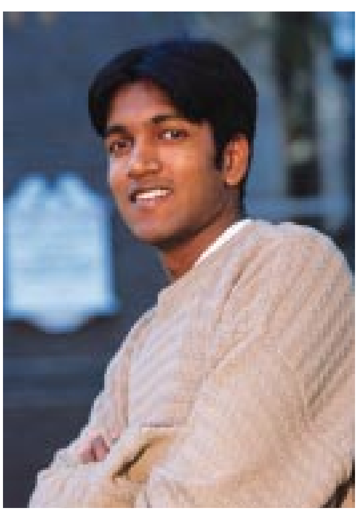
BEYOND SATs AND GMATs

Yes, Their Test Scores Are Terrific, But This Year's Entering Students Have Also Raised Money for a School in India, Managed an Orchestra and Won an International Math Olympiad. Meet Some Members of W'02 and WG'00

Interested in BMX racing? Ichthyology research? Medieval literature? Health care reform in Kenya? ■ We know people who are, and they can be found among members of the undergraduate class of W'02 and the MBA class of WG'00. ■ Statistics tell us that the 459 entering Wharton undergraduates had an average SAT score of 1426, that 38 percent are women and that they were chosen from an applicant pool of 3,855. The 765-member first-year MBA class had an average GMAT score of 678; 32 percent are international; and 30 percent say they want to major in finance, 20 percent in entrepreneurial management. ■ Behind statistics like these are individuals who have brought with them an intriguing array of experiences and accomplishments, and above all, a focus on excellence. ■ Meet some of the newer faces on campus.

Class of W'02

generated a donation of $4,800 — to establish a school for children working in the stone quarries of Harayana



Pranav Gupta

Pranav Gupta's high school years were busy. Some highlights:

He was student director of *In-site*, an interactive on-line teen magazine run jointly by his high school — the Academy for the Advancement of Science and Technology — and a Bergen County, N.J., newspaper called *The Record*. As director, he managed a team of 60 students from the Academy and 100 students from other schools, helped in the feature magazine's weekly production and took part in a conference, attended by newspaper executives from around the country, on how to manage electronic media.

interactive on-line teen magazine

Under the auspices of his school's biology department he conducted two ichthyology research projects. The first one — which studied the effects of sound on dopamine levels in the brains of fish and how that relates to Parkinson's Disease — was reported on two years ago by the *New York Times*.

And last year he wrote a proposal — which eventually generated a donation of $4,800 — to establish a school for children working in the stone quarries of Harayana, a state in India. The money will be used to rent a school room, hire a teacher, provide food and give incentives to children who attend. Gupta, a native of India who moved with his family to the U.S. in 1984, visited a similar school last summer in New Delhi.

He is in the middle of his freshman year in the Jerome Fisher Program in Management & Technology, has joined the Student Committee on Undergraduate Education (SCUE) and works part-time with the School of Arts and Sciences' Workstation Services division. "Although I got a lot of satisfaction out of doing research in high school, the results can't really be used for the immediate benefit of people," he says, explaining his decision to attend Wharton. "You don't see the effects of your research for years to come. In engineering and business, the knowledge you gain can be immediately applied to something useful."

two ichthyology research projects

PHOTOGRAPHS / JERRY MILLEVOI

produced a video of the school for the benefit of alumni

speaks French and Russian

Rick Wetmore

During his fourth grade year at the Haverford School in Haverford, Pa., Rick Wetmore produced a video of the school for the benefit of alumni who wanted to keep in touch. In sixth grade, he wrote an essay on videography as part of his audition to be a kid reporter on Kid Time News, a one-minute program that airs twice daily, six days a week, on local channel WB17.

His audition was successful, and he has been associated with Kid Time News ever since, either as a reporter, anchor or, as was the case last summer, producer.

"One of the more interesting stories I did was during middle school when I took a day off and went to Six Flags Great Adventure amusement park to report on the Batman roller coaster. The rest of my class went on a field trip to a landfill," says Wetmore, who gets paid for his work by the hour.

He has also covered the Pennstar medical emergency helicopter service, a speech by President Clinton at Bryn Mawr College and a Philadelphia Flyers hockey event. "I interviewed [Flyers center] Rod Brind'Amour and met [Flyers captain] Eric Lindros," notes Wetmore, who was born in Philadelphia and graduated from Episcopal Academy.

For his freshman year Management 100 course, Wetmore worked last semester with a mentoring project in southwest Philadelphia, using his experience with Kid Time News as a way to help publicize the program.

"I think the education offered at Wharton is probably the most practical education one can get," he says. "A degree from here will allow me to work in a communications environment, whether it's as a reporter, a producer or an analyst for the communications sector of an investment bank. I already have production tools. At Wharton, I want to learn business and management skills."

Andrey Golovicher

Three years ago, 5,000 students from all over the world entered the International Soros Math Olympiad sponsored by investor George Soros. Andrey Golovicher was chosen to represent his native country of Belarus. He survived the first round and went on to round two in Moscow. He survived that, and went to Paris for the finals.

There 100 student finalists were given three hours to solve seven math problems, six of them calculus. Golovicher won first place.

"I was elated," he says. "My father has a PhD in physics and from early childhood on I was encouraged to read scientific books. I find myself having a proclivity for math and science." The prize was a two-week stay in Paris and $500.

Golovicher, who speaks French and Russian in addition to English, moved to Philadelphia three years ago from Belarus. His father works for a consulting firm and his mother is a doctor. He chose Wharton, he says, "because of its business tradition and great diversity."

He enjoys the U.S. for a number of reasons. "You can just feel the freedom here," Golovicher says. "Even right now, when people says things are improving in Belarus, it's still a static country with political difficulties and business problems. America offers many more opportunities."

kid reporter on Kid Time News

won first place in the International Soros Math Olympiad

mentoring project in southwest Philadelphia

Michael O'Leary

The summer after his ninth grade year in high school in Woodbridge, Va., Michael O'Leary proposed that the county government build a BMX (bicycle motocross) track. His proposal would solve several problems at once. His parents wouldn't have to continue driving 90 minutes to get him to the nearest track; the kids of Prince William County would have something to do, and O'Leary could compete in his favorite sport much closer to home.

BMX racing, for those who don't know, takes place on a dirt track about 1,300 feet long. Competitors jump over hurdles, careen around berms and generally go as fast as possible for approximately 45 seconds, at which point the race is over. It can get pretty aggressive. "Most of the injuries are broken arms and legs. Fortunately nothing too serious has happened to me, just some stitches in one of my knees and a couple of concussions," says O'Leary, who was U.S. national bike motocross champion, class 16 novice, in 1996.

So far, the track hasn't been built, but the outlook is very promising. A parents group helped O'Leary and others raise $10,000 of the $20,000 needed for construction; many of the negotiations over government regulations and zoning requirements have been conducted, and the proposal was part of a bond referendum in November's election. "The referendum passed, so it appears the county will work on constructing a track, hopefully by this summer," says O'Leary, who served on the Prince William County Youth Advisory Council during his junior year.

His second passion, aside from biking, is information systems. He took three years of programming in high school and both his older siblings work in the field.

O'Leary also does dirt jumping, a biking sport that is "more oriented to tricks" than BMX racing. He enjoys it all. "I've made so many friends through biking," says O'Leary, who was a high school debater in addition to his other activities. "I've visited places all over the country that have biking trails. It can be a very relaxing, uncompetitive atmosphere."

U.S. national bike motocross champion

high school debater

Beverly Wee

Beverly Wee's first big break came at age 14 when she was chosen for a supporting role in a Chinese drama on Singapore TV. "It was about a group of young people, all good tennis players. I was one of them," she says.

Since then she has also been involved in the TV station's English drama unit — landing a role last year in a sitcom called "Under One Roof" — and in theater productions. Wee appeared regularly in the Singapore Arts Festival and was part of a worldwide re-launch of the musical *Grease*, performed last April to celebrate the show's 20th anniversary.

"It was a lot of juggling — getting to rehearsals, keeping up my grades, being in the school choir for six years, doing some modeling, but I loved it all," says Wee.

She also happened to love economics, which inspired her to apply to Wharton. "I've always been interested in business. Many of our family friends are involved in the banking industry, so I grew up in an environment where the table conversation would be about things like how the markets are doing."

At Wharton, Wee has already done a fashion show for Asia Pacific Heritage Week, volunteered at the student credit union, joined a new student group focusing on management and the performing arts, and signed up for a study trip to Turkey under the auspices of the Awareness of International Markets (AIM) club. "I'm sure I'll get involved in theater before I leave Penn," she says.

supporting role in a Chinese drama

love economics

fashion show for Asia Pacific Heritage Week

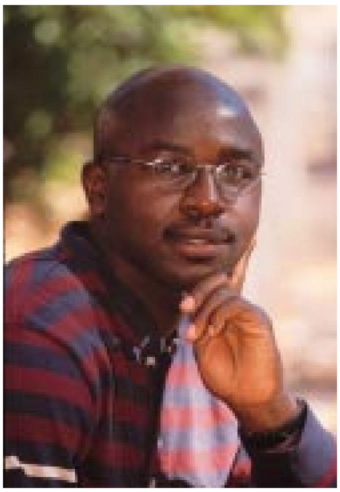
Class of WG'00

upgrade health services in developing areas

PhD in comparative literature

Humphrey Wattanga

In 1986, when Humphrey Wattanga and his family were living in Nairobi, his father lost his job as an accounts clerk. Wattanga's parents moved to the countryside to take up farming, leaving Wattanga to live alone in a one-room apartment near his school. He was 12.



"There are no good schools in the countryside, no classrooms, no books," he says, explaining his decision to remain in Nairobi. "In a place like Kenya, education is the only way out." Wattanga was accepted into one of Kenya's best high schools, achieved the country's top score on an SAT-equivalent test and was hired after graduation to work in the accounts department of Unilever's Nairobi office. It was the first time he had ever seen a computer.

Wattanga decided to attend medical school in Kenya, but dropped out in 1992 after student protests led the government to shut down college campuses across the country. He was accepted at Harvard, where he graduated in 1996 with a degree in biochemistry.

While at Harvard, Wattanga started a student group called maisha bora, Swahili for "better life." "The main objective was to be a resource for students who are interested in improving health care systems, especially hospitals, and health care access in disadvantaged populations," he says.

Although Wattanga wasn't able to secure funding to continue the group, he is still set on a career in health care. He wants to use his skills, especially in information technology, to upgrade health services in developing areas.

This summer he plans to work in South Africa. "It is the most advanced country in Africa. If I can understand, and help solve, the difficulties in health care there, then I should be able to work effectively later on with smaller systems in other countries."

degree in biochemistry

Kenya's top score
on an SAT-equivalent test

Peter Allen

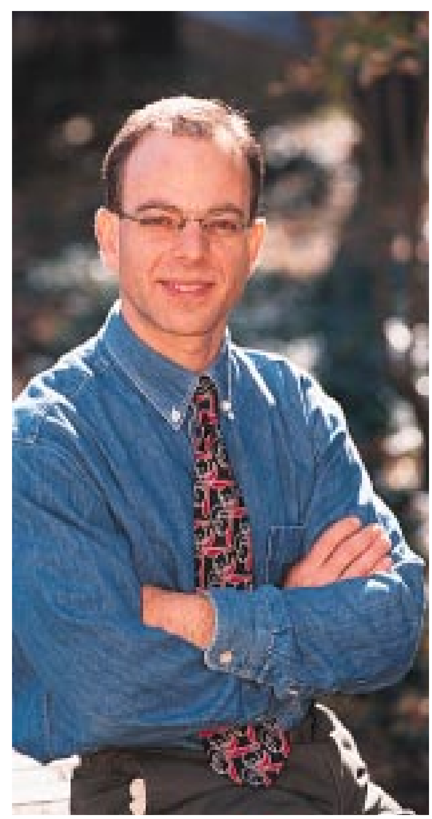
Peter Allen's route to Wharton was a somewhat circuitous one.

He graduated from Haverford College, majored in English and the classics, and earned a PhD in comparative literature at the University of Chicago, with a specialty in medieval literature.

He taught at Princeton from 1984 to 1986 and at Pomona College in Claremont, Ca., from 1986 to 1992. In 1992, he received tenure as an associate professor of French, comparative literature and media studies, and published a book called *The Art of Love: Amatory Fiction from Ovid to the Romance of the Rose* (University of Pennsylvania Press).

"I had become interested in the movie industry while I was in Los Angeles and thought I might want to do screenwriting," he says. "But I wasn't a true schmoozer. And I wanted to get back to the East Coast."

Allen became less interested in academics and more interested in public policy and business issues, especially health care. He worked as a volunteer for the Gay Men's Health Crisis in New York and wrote a book entitled *The Wages of Sin: Sex and Disease from the Middle Ages to the Age of AIDS*. Before his acceptance into the health care management program at Wharton, he spent a year as a scholar in residence at the College of Physicians in Philadelphia.



"My goal now is to go into management consulting," he says. "It involves problem solving, analysis and dealing with people. I feel like those are the skills I can bring to the business world."

scholar in residence
at the College of
Physicians in Philadelphia

economics degree from Columbia

BA in music

Jackie Flores

It's hard to tell which would be more physically taxing: taping 15 dance shows in two days for MTV or working on the trading floor for a year for UBS Securities.

Jackie Flores has done both, and learned from each. The UBS experience was especially instructive. "For a shy person to go onto the trading floor with a group of intimidating people was difficult," says Flores, who graduated in 1994 with an economics degree from Columbia before joining UBS. "It was like getting hazed by a big fraternity. The experience toughened me up."

She spent the next three years at ING Barings as an associate in their emerging markets fixed income sales group, with a focus on Latin America. Although Flores was born in New York City, her early childhood was spent in Ecuador and Argentina. She speaks Spanish, Portuguese, French and some Italian.

Flores began dancing at age 3, first ballet and then tap and jazz. She was taught by instructors from the Joffrey Ballet and took classes at the Broadway Dance Center, working on weekends to supplement her scholarship.

In the late 1980s she was chosen to be one of the regular dancers on a show called Club MTV. "The pay was measly. I did it more for the enjoyment of being on television," Flores says. The first time Flores' mother, who doesn't get cable, saw her daughter on the air was during a visit to Mexico City. "We passed by a TV store and there I was, dancing on 30 sets."

The show was cancelled in 1992 and Flores has clearly moved on. Although she is taking ballet classes at Penn and has signed up for the Wharton Follies, she is looking to a future in Latin America, either consulting or working with a multinational. "One thing I learned through dance is how important it is to have interests and a personal life outside of your profession," she says. "It gives you perspective."

John Bancroft

At age 11, "I knew that I loved the sound of the French horn," says John Bancroft.

It wasn't just an infatuation. Bancroft graduated from Indiana University in Bloomington with a BA in music in 1993, spent two summers working for the Pacific Music Festival in Japan, and moved back to Los Angeles (his hometown) after college to be the orchestra manager for the Disney Young Musicians Orchestra.

The Orchestra, which is composed of approximately 75 talented young musicians from all over the U.S., performs mainly on television. "They might have Dudley Moore as the emcee for the show, or maybe Itzhak Perlman giving a master class. It's a wonderful combination of arts, education and the excellence of Disney," Bancroft says.

He then moved on to the Colburn School of Performing Arts, a private, non-profit institution that offers musical education to predominantly pre-college age students. "When I arrived there, the school had suffered a devastating loss due to internal fraud, which meant that a lot of managerial control changes were being instituted," Bancroft says. "So I did many different jobs and received a lot of firsthand experience."

Working for groups like Disney and the Pacific Music Festival "piqued my interest in business," he adds. "I was able to see how powerful the results are if you have an excellent business model and put it to use in the arts and entertainment field."

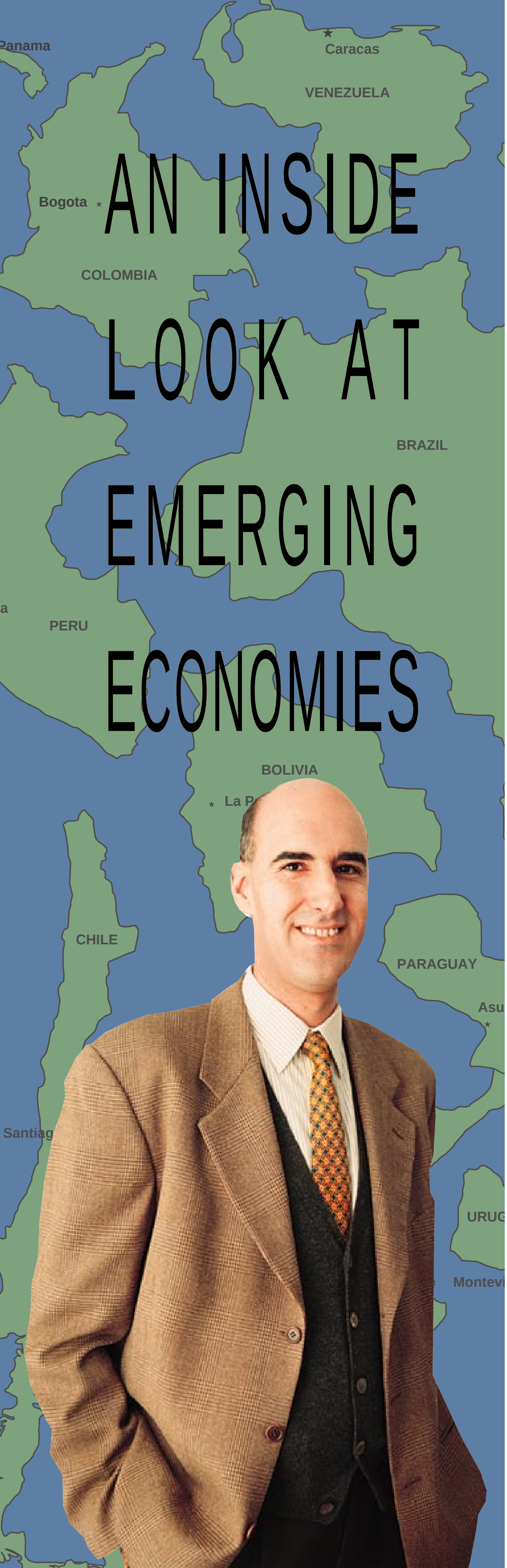
Bancroft's goal one day is to run a large symphony orchestra, perhaps in Philadelphia, Cleveland or Los Angeles. "I may go into consulting for a while when I graduate but I will definitely come back to the arts," he says. "I want to bring the best managerial skills possible into the nonprofit sector."

regular dancer on a show called Club MTV

orchestra manager for the Disney Young Musicians Orchestra

FEATURE

AN INSIDE LOOK AT EMERGING ECONOMIES



Professor Mauro Guillén Analyzes the Role of Business Groups in South Korea, Argentina and Spain. Within Their Histories Lie Clues to Overall Economic Performance

The Asian financial crisis has hit Korea hard. But Taiwan is thriving. In Latin America, Venezuela is in trouble, but Argentina looks like a winner. What's going on?

To some people, the term "emerging economy" evokes a one-size-fits-all image of developing countries struggling, with mixed success, to share in the prosperity of the global marketplace. Mauro Guillén, however, doesn't see it that way. By focusing a part of his research on the rise and fall of business groups within these countries, he has uncovered differences in how individual economies perform in both internal and external markets.

"One emerging economy out of 40 goes down and suddenly investors start panicking and getting out of all the others. We must begin differentiating among these countries in a more sophisticated way," says Guillén, an assistant professor of management whose major areas of interest include multinational and comparative management.

"After the Mexican economy collapsed in 1994-95, the next country singled out for investors' rage was Argentina," he notes. "That doesn't make any sense. Not only are these two countries very far from each other geographically, but the products they export are different, they don't compete in the same global markets and they don't trade with each other. Wall Street has just one category for emerging economies so their response to any economic news is the same, regardless of the individual circumstances."

Guillén brings an unusual perspective to the issue of emerging economies, an area he has studied since 1992 when he joined MIT's Sloan School of Management. A native of Leon, Spain, Guillén graduated from the Universidad de Oviedo with a BA and PhD in political economy and from Yale University with a master's and PhD in sociology. He has been at Wharton since 1996.

Most recently he has focused on the rise and fall of business groups in emerging economies, including, for example, the Korean chaebol (e.g. Samsung, Hyundai), the Indian business houses (e.g. Tata, Birla) the conglomerates of Indonesia (e.g. Salim Group) and the Latin American and Spanish grupos (e.g. Perez Companc in Argentina and El Corte Ingles in Spain). While his research includes data from Brazil, Colombia, India, Indonesia, Mexico and Taiwan, he has concentrated primarily on the emerging economies of South Korea, Argentina and Spain.

Guillén defines business groups as a collection of firms that operate in a wide variety of industries under unified entrepreneurial guidance. These business groups grew, not because they were seeking financial diversification, he says, but "as a result of their ability to set up new business ventures across a variety of industries quickly and at low cost …

"These conglomerates exist in emerging economies but they are not all the same," Guillén says. "In Korea, for example, they are all powerful and very prominent. In other countries they are not as important. I have been trying to look at their histories, see how they have grown or shrunk over time and then figure out exactly what the conditions are that give rise to their success or failure."

Guillén takes a "resource-based" approach in his analysis of business groups. He divides resources into three types – inputs (labor, capital and raw materials), process-related knowledge (technology and operations proficiency) and markets (distribution channels and contracts with foreign and domestic customers or with the state). However, having the necessary resources is not enough for a business group to sustain its competitive advantage over time, Guillén argues. Also necessary are "certain limits to competition," especially in the areas of foreign trade and foreign direct investment. Guillén's research shows that business groups thrive in countries following an "asymmetric development strategy" combining high levels of exports and outward investment with low levels of imports and inward investment (e.g. Korea). They decline in countries following a "symmetric development strategy" with high levels of trade and investment in both directions (e.g. Spain).

Looked at another way, host countries that restrict foreign multinationals provide "opportunities for local entrepreneurs to start diversifying across industries," especially if it is feasible for them to simply buy technology from foreign multinationals and manufacture the goods – ranging from TV sets to cars to memory chips – themselves.

Conversely, to the extent that countries or governments dismantle this protectionism, business groups find it necessary to refocus. The result is that they become proficient in a few areas rather than "mediocre in 20." This, in turn, has important implications for governments and managers alike, as well as the country's overall success within the larger global environment, notes Guillén.

First, "when governments give advantages to certain entrepreneurs or firms and restrict access by foreigners they should expect the growth of powerful business groups that will most likely try to derail attempts at liberal economic reform."

Second, if the government encourages local and foreign firms to focus on the domestic market alone, without engaging in exports or outward investment, it will be encouraging business groups to enter into coalitions with foreign multinationals to share this domestic market. "Such an 'inward looking' strategy is not a particularly healthy one for the country at large," Guillén notes. Furthermore, since multinationals in this situation are not encouraged to export their products, they will try to maximize their profits by charging high prices for domestic goods and services. "Consumers are the losers," Guillén adds.

Business groups emerge in part because of their connections to the government, Guillén says. "If you cut these ties, as the Koreans are trying to do, but don't open up competition by letting foreign companies operate without restrictions, then you won't see these business

Excerpts from Three Case Studies:

I. The Rise to Dominance of the South Korean Chaebol

Establishing and nurturing ties to the government has been essential to the chaebols' growth ...

The state policy-making apparatus created by General Park in the 1960s preferred to deal only with a handful of entrepreneurs, for obvious control reasons, and persuaded the favored ones to enter risky undertakings by expanding their license in already established and profitable industries, protecting them from foreign imports and lending them money at subsidized rates.

In addition to favoring a few entrepreneurs, the Korean state exhibited an early bias against foreign-owned enterprises, making it possible for the privileged domestic entrepreneurs to increase their exports and outward foreign investment without having to face significant imports and inward foreign investment.

These Korean entrepreneurs learned how to produce, at low cost, massive amounts of different types of goods. They neither designed nor marketed the products because rapid economic development could not wait for research or marketing capabilities to be created from scratch. Rather, they focused on manufacturing – oftentimes merely assembling – products to specification for Japanese, American and European multinationals and retailers. This pattern of original equipment manufacturing (OEM) was first used in textiles, shoes, toys and electrical appliances, and later extended to more technologically advanced industries.

Until the early 1990s, more than 80 percent of Korea's exports were accounted for by OEM contracts.

Thus the chaebol established ties to the state to secure critical resources inside the country and to foreign MNEs in order to access technology and export markets. Increasingly the chaebols are manufacturing products with their own brands, but they still rely heavily on foreign technology.

The chaebol have opposed attempts by the state to reduce asymmetries in foreign trade and investment, knowing that their pattern of diversification and growth owes much to them. In the early 1980s an attempt to increase imports and inward foreign investment represented a shift from nationalist to pragmatic policies. The chaebol responded by mobilizing politically to water down reforms.

II. The Vicissitudes of the Argentine Grupos

The rise of business groups under erratic populist conditions is exemplified by the case of Argentina.

The [establishment] of the Argentine grupos economicos begins in the early 1950s. The groups diversified into new industries ... by gaining concessions and permits from the state and borrowing technology from foreign multinationals.

The Argentine grupos have always been ideal local partners for many of the manufacturing and service multinationals venturing into the country in spite of the frequent zigzags in policies regarding foreign investment.

Under the Menem presidency beginning in the late 1980s, the business groups have been exposed to increased competition due to tariff cuts, but they have benefited from the crackdown on the unions' power, renewed technical, licensing and marketing ties with foreign multinationals, and Latin America's most ambitious privatization program, affecting more than 60 state-owned manufacturing and services firms valued at $26 billion. Of the 54 companies privatized by February 1993, one or more of the top ten Argentine business groups participated in 32 of them, and in 25 of those 32 instances they were joined by at least one foreign MNE, which typically provided capital and process-related knowledge.

While the Argentine grupos have not accumulated group-level capabilities to the same extent as the Korean chaebol, they too developed the ability to set up new ventures or to take over privatized companies quickly and in a cost-effective manner.

Cabinet ministers and other top political appointees have frequently been recruited among the managerial ranks of the largest groups, especially when an asymmetric economic strategy, as opposed to a symmetric one, was to be pursued. The Argentine business grupos, though, have not always succeeded at influencing policy-making in their favor.

groups decline." It's one of the reasons that economic reforms in several Latin American countries – Argentina, Brazil, Colombia – have not eroded the position of the business groups: They are moving into industries not fully open to foreigners, such as telecommunications, electricity and natural resources.

As trade and foreign investment become more symmetric, Guillén says, "competitive pressures from both foreign multinationals and non-diversified local firms will intensify, probably inducing business groups to divest from certain industries and concentrate on those that promise the highest growth and returns." That is what happened in Spain over the last 15 years, accompanied by the decline of the business groups. To a certain degree, it is happening in Mexico as well, influenced in part by the North American Free Trade Agreement (NAFTA), Guillén says.

What happens to these theories when real world events – such as global economic crises – intervene? While it's difficult to predict outcomes, Guillén says, certain facts are indisputable. For example, the chaebol in Korea have grown too large to be allowed to go bankrupt. "It's very difficult to lay off 35,000 workers ... We are seeing this with Kia which sells autos in the U.S. The company is technically bankrupt. The government took it over one year ago and is now trying to privatize it. The problem, of course, is that nobody wants to assume all the debt.

"Meanwhile, while the business groups continue to operate, the small firms suffer tremendously. One of Korea's biggest problems is that the small business sector is in terrible shape. Many companies are going bankrupt, but we don't hear much about them."

Whatever the outcome, it's clear that conglomerates in Latin America have responded to the economic downturn very differently than those in Asia. "In Latin America, they have actively sought to adapt to the new situation," says Guillén. "They haven't resisted the need for change. In Asia, they have resisted fiercely. In Latin America they have sought foreign investors, organized trips to New York and London to lure foreign capital and so forth. The Koreans, Malaysians, Indonesians and Indians don't seem to want that.

"The Koreans are extremely nationalistic. They will always flatly oppose direct foreign involvement in any industry they consider important. They don't trust foreigners, partly because of the hardships they suffered at the hands of outsiders during their colonial past."

Another difference between the two continents is the size of the business groups. "The Asian groups are much bigger – in some cases 10 times bigger – than the groups in Latin America," Guillén says. "It is much easier to adapt when you are one tenth the size of a Hyundai or Samsung."

Guillén recently completed a book entitled *Developing Difference: Organizations, Globalization, and Development in Argentina, South Korea, and Spain*, in which he urges the business community to work harder at understanding and supporting differences among the economic systems of individual countries.

This theme of difference applies not just to emerging economies but to globalization in general, says Guillén. "I differ from many other academics and journalists in that I don't think globalization produces convergence, in the sense of only one best practice, or only one market theory. Nor should it. Countries should not try to adopt the same economic model because how could everyone possibly succeed if they imitate each other? The name of the game is to decide what your strengths are and play to those strengths in the global economy. Globalization should be an opportunity for countries and firms to differentiate themselves from others, to promote diversity, to enhance their own performance."

Look at Germany and Japan, says Guillén. The Germans have focused on producing high quality manufactured goods rather than inexpensive, standardized goods. "Germany has three luxury automobiles on the market. Even VW, which is their 'mass producer,' manufactures very high quality cars. The same is true for machine tools and specialty chemicals. On the other hand, Germans are not known for their high-tech or service industries.

"Japan is absolutely outstanding at manufacturing relatively high quality (but not top quality) standardized goods, such as VCRs, TV sets and autos."

Taiwan is another example. "Taiwan is next door to Korea and Indonesia, but unlike them, it doesn't harbor huge conglomerates that have made unwise investments in manufacturing. The Taiwanese economy is made up of small and medium-sized firms, which can easily adapt to economic changes. Taiwanese companies don't have excess capacity right now, while the auto industry in Korea is running at 40 percent capacity.

"Several decades ago, Germany, Japan and Taiwan chose to emphasize different approaches. For the most part they have been successful in this strategy."

In his study of Korea, Spain and Argentina, Guillén interviewed approximately 250 business group leaders, government officials, labor organizers and top managers. He conducted surveys analyzing how companies access foreign markets and how they view foreign investment.

What does he see as the future of these business groups that play such a prominent role in so many emerging economies?

In Korea, he says, the chaebol have been in trouble twice before but have essentially been bailed out by the government. "This third time, it is much more serious because the conglomerates have gotten too big and invested too much. Everyone says investing is good and saving is good, but those high savings rates are actually a curse because when you have so much money you start making unwise decisions about how to spend it.

"This is precisely what is wrong with some of the emerging economies. Korea thought it could be the number one semiconductor manufacturer in the world, the number one auto producer, number one in steel, number one in electronics. They came close.

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III. The Rise and Fall of the Groups in Spain

The country initially pursued an asymmetric development strategy until the late 1970s, combining relatively low imports and inward investment with increasing exports. As a result, several diversified business groups formed around banks, large chemical or steel companies and in instances where entrepreneurs diversified out of traditional light industries like food and beverages. These groups generally grew on the basis of connections to the state and foreign partners.

While the industrial crisis of the 1970s hit Spanish industry hard, it was the subsequent process of market liberalization and integration with Europe that caused the definitive decline of many of the groups. Protectionist trade barriers and restrictions against foreign multinationals were lifted during the 1980s. As a result of the reduction in trade and investment asymmetries, some of the business groups collapsed under international competitive pressure, while others succeeded in refocusing on one core activity or were acquired by foreign multinationals.

By the mid 1990s, only the industrial groups organized around such banks as BCH and BBV or large retailers had survived.

Moreover, foreign companies and investors were allowed to take over many privatized public services and state-owned manufacturing companies without the collaboration of a local partner.

Although some of the groups and the banks resisted liberal economic policies, especially in their core industries, they were unable to derail the considerable political and social momentum created in favor of membership in the European Union, which required the abandonment of nationalist policies towards imports and inward foreign investment.

Investing in Others

Below we profile four Wharton alumni who, for a number of different reasons, have chosen to become involved in community service. • In the first profile, "community" refers to people who have been diagnosed with cancer. In the second profile, "community" is one country's population of children orphaned by civil war. And in the third profile, "community" refers to the thousands of foster children in this country who need supportive and stable homes. • The effort, experience and managerial expertise that these alumni bring to their tasks are making a dramatic difference in the lives of others.

Richard Bloch, W'46: Leading the Charge Against Cancer

Four months ago, the columnist Ann Landers ran a letter from a woman urging people who have been diagnosed with cancer to read a book called *Fighting Cancer*.

Richard Bloch and wife Annette

Based on previous experience with this type of endorsement, Richard Bloch, the book's co-author and publisher, set up 25 incoming phone lines for the volume of calls he thought might result. "That didn't begin to handle the demand," he says. Telephone company computers recorded 383,000 calls the first day, 360,000 the second day and 160,000 the third day. More than a million calls — including repeat efforts by those who encountered a busy signal — were logged in the first four days.

"People are desperate for accurate information on cancer," Bloch says. "They don't know where to turn."

Bloch and his wife Annette have spent nearly two decades trying to address this need. Their goal has always been to provide free sources of reliable information, along with encouragement and support, to individuals diagnosed with any form of cancer. The couple's commitment reflects a pledge Bloch made to himself back in 1978, when he was thrown one of those unexpected curve balls that end up changing your life.

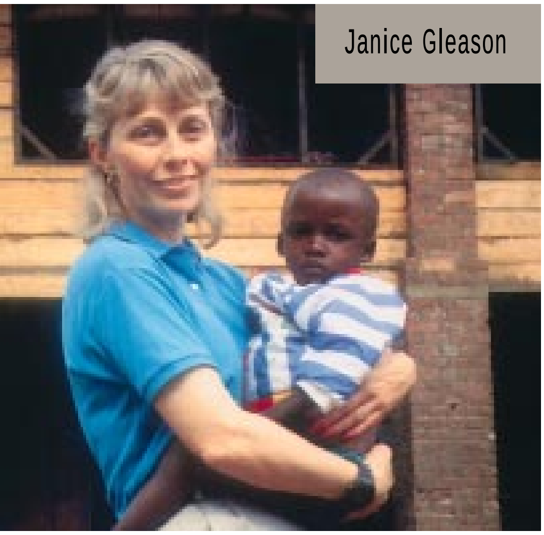
At the time Bloch was president of Kansas City-based H&R Block, the hugely successful tax preparation firm that he and his brother Henry founded in 1954. A persistent stiff neck and pain in his arm was diagnosed as terminal lung cancer and Bloch was told that he had 90 days to live. Bloch did what he strongly encourages every person diagnosed with cancer to do: he asked for a second opinion.

"If a person gets a qualified independent second opinion, his or her chances of recovery from any kind of cancer are dramatically increased," Bloch says. "Cancer is extremely complex. There are many, many options. There is no way any single physician can know the latest and best treatment for every form of the disease ... You have one chance to beat cancer. If you don't take advantage of it, there is no second chance."

A specialist at the M.D. Anderson Cancer Center in Houston recommended a two-year program that included surgery to remove Bloch's damaged lung, two ribs, part of a third rib and affected nerves, followed by a regimen of chemotherapy and radiation.

Continued on page 28

Janice Gleason, WEMBA'85: Reaching out to Africa's Orphans


Janice Gleason

In 1995, Janice Gleason traveled to Rwanda to visit Rosamund Carr, a friend of Dian Fossey, the American researcher who, until her death in 1985, had brought worldwide attention to the plight of endangered mountain gorillas in Rwanda, Zaire and Uganda. Gleason's visit came shortly after the genocide in this small central African country during which more than a million people had been killed and more than 300,000 children orphaned.

Fifty of those orphans were being cared for by Carr in a burned-out sugar mill on her plantation. "These were children who had the weight of the world on their shoulders," Gleason says. "I fell in love with them. That's how it all started."

Gleason returned to the U.S., rounded up shoes, jackets, games, books and whatever else she could collect, and delivered them two months later to Carr's plantation.

Today she helps support three orphanages with 550 children and serves on the board of a non-profit organization called Wildlife Concern International. While the foundation's primary mission is animal preservation, it also set up a program called "For the Children" to funnel money and supplies to orphanages.

How Gleason got to Africa in the first place begins back in the 1980s.

A Fla.-based consultant specializing in direct mail marketing, she had decided to broaden her business skills by attending the Wharton Executive MBA program. In the class behind her was John Ruggieri, WEMBA'86, a New Jersey-based pharmaceutical executive. The two met at Wharton, married in 1987, had a son (now 11 and in school in England) and commuted between Florida and New Jersey until 1990, when Ruggieri sold his business and Gleason scaled back her consulting work. That year they began a trip around the world.

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Hugh Dugan and Kerry Moynihan, WEMBA'91: Networking for Foster Children


Kerry Moynihan (left) and Hugh Dugan

When SOS Children's Villages-USA — a private, non-profit organization that provides homes for abused and neglected children — was looking for people to serve on its board of trustees, it turned to Hugh Dugan, U.S. delegate to the United Nations in New York.

When Dugan was looking for others to serve with him, he turned to Kerry Moynihan, a classmate from the Wharton Executive MBA program.

"Being in school with someone offers very good insight into what their capabilities are on a day-to-day basis, as opposed to just looking at someone's bio," says Moynihan, a partner in executive search firm Korn Ferry's Washington, D.C. office. "You know this person can deliver."

SOS Children's Villages-USA, an affiliate of a worldwide organization founded in Europe 50 years ago, first approached Dugan because of his high-profile job and his work with youth groups throughout the world. In 1994, for example, the International Olympic Committee awarded Dugan a gold medal for a resolution he wrote at the U.N. calling for the reinstitution of the historic Olympic truce that encouraged countries to "cease hostilities during the games." "It became the most supported resolution in the history of the U.N.," says Dugan. He also serves on the board of the YMCA and, in the course of his work at the U.N., has been involved with UNICEF.

In other countries, SOS is known almost as well as the Olympics. "It's

Continued on page 28

BLOCH *continued from page 26*

If the treatment worked and he was cured, Bloch vowed to spend his life supporting others who are diagnosed with cancer. It did work — and Bloch has more than upheld his end of the deal.

In 1980, he and Annette — co-author of the couple's three books on cancer — set up the R.A. Bloch Cancer Foundation devoted to projects that help cancer patients conquer their disease. The Blochs' approach is an activist, energizing one based on giving people the information, guidance and encouragement necessary to defeat this particular enemy. Indeed, the cover of *Fighting Cancer* features a pair of boxing gloves and the book is dedicated to people with cancer "who want to do everything in their power to help themselves and their doctor so they will have the best chance of beating their disease."

In 1982, Bloch sold his interest in H&R Block and "retired" from the business to concentrate full-time on his foundation and related activities.

Among the services offered are a toll-free hotline (800-433-0464) donated by Sprint and staffed with volunteers who have had cancer. There is also the Physicians Data Query (PDQ), a government-supported service that provides up-to-date reports to doctors about the latest cancer treatments available. The foundation launched the service and prints out the medical reports for patients and their physicians.

All services of the foundation are free, and no contributions of cash are ever solicited.

Annette and Richard Bloch have also funded more than a dozen cancer survivors parks — sculpture gardens in cities throughout the U.S. that are designed to give messages of hope and courage to those diagnosed with cancer.

Like any businessman, Bloch is constantly working on new initiatives. "One of our goals is to get institutions to offer multi-disciplinary second opinions, in which all the physicians who could possibly treat a specific cancer sit down together with the patient and discuss his or her case from beginning to end so that the patient can make an informed decision" on the treatment options available.

Patients, Bloch adds, "are often afraid to irritate their doctor by asking too many questions. But patients need to remember that in this situation they are the boss."

He is also working on a pamphlet for clergy to give to people who have recently been diagnosed with cancer. "Being told you have cancer is one of the first times an individual realizes he is mortal," Bloch says. "And one of the first people that individual may want to talk to is a minister or rabbi or priest. We know these clergy have not been trained to truly help a cancer patient. Clergy can console, they can say prayers, but they don't know how to empower a person and get him to act on his own behalf."

Bloch's energy is a testament to the message of hope that he promotes. His workday, in an office at H&R Block, frequently starts at 4:30 a.m. ("I never did that for money. This is so much more important," he says); he plays tennis regularly; he and his wife, whom he met in Philadelphia when he was a student at Wharton, recently returned from a three-week vacation to Europe. The couple has three daughters and seven grandchildren.

Bloch's reward comes in part from the knowledge that he is helping others. Every day, he says "we get the most gorgeous letters from individuals who thank us for saving their lives."

GLEASON *continued from page 27*

One of their stops was Kenya. "We became very interested in Africa and in the preservation of wildlife," says Gleason, who is on the board of directors of the Dian Fossey Gorilla Fund International. Between 1990 and 1995 she and her husband visited Africa 25 times. In 1996 they bought a 50,000-acre spread in Kenya that is both a cattle ranch and a refuge for wild animals. "The ranch employs 120 people," Gleason says. "It's a huge business and we want to get it to a break even point. Right now it's a labor of love."

The couple divides their time between Africa and Florida, where Ruggieri recently enrolled in a doctoral program in wildlife ecology at the University of Florida.

Gleason's work with orphans has taken many forms. She has pledged to pay the high school and college expenses of the children on Rosamund Carr's plantation, although she admits that "it will be a miracle if 10 of them go on to college." And she has supported grassroots efforts to provide tin roofs for homes where children are cared for by community volunteers. "I try to work with local people who are trying to help themselves," she says. "We don't need to come in and tell them what to do. With assistance, they can reach their own goals."

DUGAN AND MOYNIHAN

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one of the few volunteer organizations abroad that is successful," says Dugan. "It's the largest charity in Germany. One-third of every household in Norway contributes to it. When I mention SOS to colleagues at the U.N., it's an instant ice breaker because most of them have SOS villages in their countries."

In the U.S., SOS villages — stable and nurturing permanent homes for foster children — have been established in Coconut Creek, Fla., and Lockport, Ill. A third village will be located in Milwaukee, Wisc., and one is also being planned for the Washington, D.C. area. Around the world, 371 villages in 128 countries help more than 200,000 children.

Dugan spent a week in June in Austria attending SOS's international assembly held at the very first village created. Board meetings occur three times a year and committee meetings are held monthly by phone. Dugan, who is also the treasurer of SOS's American chapter, visits the Washington D.C. headquarters several times a year.

Moynihan joined the 10-member board in August. He sees the organization as a "private sector kind of solution that works. They are doing enormous good. Anybody who has any feelings for children has to be sensitive to a mission of this type. I've seen through friends involved in the foster care system how difficult it is to get children into good foster homes. The law and social agencies that are supposedly designed to help can be a hindrance at best and an outright obstacle at worst."

Moynihan also served for five years on the board of the WEMBA scholarship fund set up in 1990 and intended "typically for people who are self-employed or coming out of the public and/or non-profit sector." Moynihan himself was the first recipient of that scholarship.

Dugan credits his Wharton education with giving him the financial expertise to work with "an enterprise that is non-profit by nature but has to meet all the financial requirements and constraints of any organization. It's a wonderful opportunity to apply more of my Wharton skills in the diplomatic arena, promoting an interest that I support." ▼

ENTREPRENEURIAL CENTER

continued from page 4

should call the office of Wharton Entrepreneurial Programs at 215.898.4856.

The anniversary year also marks the arrival of Mark Dane Fraga as managing director of Wharton Entrepreneurial Programs. He will be responsible for managing the Sol C. Snider Entrepreneurial Research Center, strengthening the academic program of entrepreneurial courses offered through the management department under the Goergen Entrepreneurial Management program, and building a stronger environment that supports entrepreneurial activity among students.

Fraga comes from Greater Philadelphia First, the Philadelphia area's CEO civic leadership organization, where he spent four and one-half years as program director for economic development initiatives. He has a BA in history from Penn and a master's degree in modern British history from Oxford. ▼

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But Korea is a tiny country after all, and a lot of other countries are trying to compete against them. The average debt/equity ratio among the largest chaebol in Korea is probably 500 or 600 percent. In the U.S. it's about 200 percent.

"Korea will be helped if there is no recession, if the U.S. and European economies keep on growing fast and if China doesn't collapse. Otherwise, the country will experience a glut in a number of industries, including cars, memory chips and steel – commodities where manufacturers compete on the basis of price.

"What would help countries like Korea is less protectionism in the world and continued growth in the major economies. They need to find markets for what they are making.

"In the '70s and '80s, the Koreans started out with the benefit of low wages and low costs. But now there are other countries coming up behind them with even lower costs. This is the problem. It's a constant race. You move up and you don't realize other people are moving towards you from below. You end up getting caught in the middle." ▼