Wharton

ALUMNI MAGAZINE

Spring 1998

IN GOOD COMPANY

Wharton Grads Team Up To Build New Business

Senior Management Team, U.S. Filter Corp.

The Wharton School
University of Pennsylvania

J O I N T H E

GLOBAL ALUMNI NETWORK

REUNION WEEKEND IN PHILADELPHIA

Wharton Alumni Weekend
Friday, May 15; Saturday, May 16; Sunday, May 17, 1998

- Wharton Alumni Reception
- Executive Education Programs ► < "Improving Your Leverage in Negotiations" "Leaders Under Fire"
- Town Meeting with Wharton Dean Thomas Gerrity
- Alumni Workshops ► < "Career Transition – Utilizing Wharton's Resources" "Browse the Learning Technologies of the '90s"
- Picnic Lunch and Parade
- Alumni/Faculty Exchanges ► < "Perspectives on the Markets: Are Stocks Still a Buy?"
- MBA Reunion Class Dinners – WG'93, '88, '83, '78, '73, '68, '63
- Farewell Brunch

Registration materials and event calendar will be mailed shortly.
For more information, call Alumni Affairs at 215-898-8478 or check out the Reunion web site at http://www.wharton.upenn.edu/alumni

IN TAIPEI

11–13 June 1998
Innovation & Evolution:
Asia's Economic Emergence
Taipei, Taiwan, R.O.C.
5th Asian Regional Alumni Meeting

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IN MUNICH

25–26 June 1998
Labour at a Crossroads: Can Europe Rise to the Challenge of Global Markets?
Munich, Germany
3rd Wharton European Forum

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Cover Article

Wharton-heavy: It's no accident that the core management team of $4.5 billion U.S. Filter Corp. includes seven Wharton alumni. Call it "strategic acquisition."

From left: Benjamin Rand, WG'90, vice president, general manager, ultra-pure water group; Jeffrey E. Quigley, WG'89, vice president of finance; Andrew D. Seidel, WG'90, president and COO, wastewater group; Robert E. Joyce, Jr., WG'91, vice president and general manager; Frank R. Firsching, WG'90, vice president, regional manager, west region, and Bruce L. Beavis, WG'88, manager, material services (not shown: Anthony Horvat, WEMBA'89).

Photograph by Robert Burke

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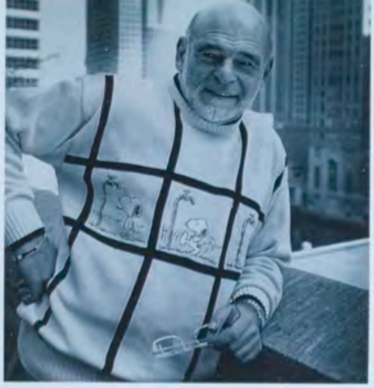

$10 Million Donated to Real Estate Center

Samuel Zell, Chicago financier and chairman of Equity Group Investments Inc., has donated $10 million to endow the Wharton Real Estate Center, the country's foremost center for real estate education and research.

The Center will be known as the Samuel Zell and Robert Lurie Real Estate Center at Wharton. Robert Lurie, who died in 1990, was Zell's business partner for 30 years.

Zell is widely recognized as one of the real estate industry's most successful investors. He founded the largest Real Estate Investment Trust (REIT), Equity Office Properties Trust, to consolidate his office property business, and is also chairman of the largest apartment REIT, Equity Residential Properties.

Equity Office Properties Trust owns more than 110 office properties and 16 stand-alone parking garages in cities across the country. Zell also has extensive non-real estate holdings, including Jacor, one of the largest radio station groups in the country, a major supermarket chain and a steamship line.

Zell's gift will enable Wharton to "further advance its leading role in the policy debate on real estate issues and to impact significantly the future of the industry," says Wharton Dean Thomas P. Gerrity. "Zell's contribution allows Wharton to continue to set the standard for leading-edge research and high-impact publishing."

Established in 1983, the Wharton Real Estate Center was created to foster excellence in real estate education and research, and to advance the professionalization of the real estate industry.

"The Center will stand as a tribute to Sam Zell's vision, dedication and commitment to the real estate industry," notes Peter Linneman, Albert Sussman Professor of Real Estate and director of the Real Estate Center.

The Center also assists in developing the curriculum for Wharton's Real Estate Program, which has been ranked best in the country for the past seven years.

"There is an enormous need to continue to study and professionalize the real estate industry as we move into the next millennium," says Zell. "Wharton's Real Estate Center is the leader in studying critical issues affecting our real estate. I am delighted to have the opportunity to help the Center continue its commitment to the industry, and make the best even better."

Thouron Scholars To Study in England

The two very distinct paths chosen by seniors John Bishop and Michael Gober during their years at Wharton converged this spring with their selection as Thouron Scholars.

The prestigious Thouron exchange program, established in 1960 by Sir John Thouron and the late Lady Thouron, provides fellowships for students from both countries. U.S. recipients of the award attend graduate school in England and earn the equivalent of a master's degree at a U.S. university.

Bishop grew up on a farm in Berryville, Ark., "population 3,000 and the biggest town around." He attended the University of Notre Dame in his freshman and sophomore year where he made Dean's list and played varsity football before transferring to Wharton as a junior.

Bishop (left) and Gober

"I came here for both academic and athletic reasons," says Bishop, and in both areas he has clearly excelled. He was elected captain of the Penn football team for the 1997 season and was a member of the Dean's List and the Sphinx Senior Honor Society. He spent the most recent two summers interning for a brokerage house and a software retailer.

Bishop, who graduated in December, plans to study philosophy, politics and economics at Oxford, with the short-term goal of working on Wall Street and a possible long-term goal of pursuing a PhD in finance or economics.

Michael Gober was born in Toronto and grew up in Long Island where

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PHOTOGRAPH / JERRY MILLEVOI

Undergraduate Business School Set for SINGAPORE

Wharton and the Singapore Institute of Management signed an agreement this winter to create a professional school of management, business and finance in Singapore.

Wharton will guide the development of a four-year undergraduate business program leading to a bachelor's degree in management beginning in the year 2000. The Institute will form the nucleus of a new private university, Singapore Management University (SMU), which will award graduate as well as undergraduate degrees. The first class is expected to graduate in 2005.

Singapore officials enlisted Wharton's guidance after touring top-ranked business schools in both the United States and Europe.

"This partnership will shape the next generation of business leaders for one of the world's fastest growing economies," notes Richard Herring, vice-dean and director of the Wharton Undergraduate Division.

Wharton will provide expertise in school administration, curriculum and course design, teaching methods and research infrastructure for the new institution over five years. In addition, the agreement will allow for the exchange of faculty and post-doctoral fellows and for the development of joint research programs in Philadelphia and Singapore. The Singapore government will support the university by providing land and grants.

The partnership expands Wharton's presence in Asia where the School already sponsors ongoing executive education programs for executives in Japan, Malaysia, China, Singapore, Taiwan and Thailand. Last November, Wharton signed an agreement with the People's Republic of China to provide management training for Chinese government officials.

WHARTON.ELECTRONIC.LIFELONG.CONNECTIONS

Consider a service that would allow you to:

... connect with 69,000 of the world's best business leaders

... get just-in-time access to job listings around the world

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... talk about hot issues in your profession with key industry leaders

No doubt you would sign up faster than you can log onto your computer. These opportunities will be arriving on your keyboard in a portfolio of online services designed by Wharton to keep you in touch with your classmates, School and fellow alumni.

The services complement Wharton's existing Web site (http://www.wharton.upenn.edu), which features news and information about student activities, faculty research and alumni network initiatives. In addition, after May 1, 1998, all alumni will be able to obtain personalized Lifelong e-mail addresses from the School.

Lifelong e-mail is a Wharton-based forwarding address you can use throughout your career, even as you change jobs or open new e-mail accounts in the future.

Using Lifelong e-mail, you will be able to subscribe to alumni mailing lists and gain access to Wharton Web sites of interest to alumni. You will be able to use the School's web site to change your password and forwarding address. The requirement for Lifelong e-mail is that you are a graduate of the School, that you have an existing e-mail account where your mail can be forwarded, and that we have your current mailing address.

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Donald Carroll: 1930-1998

Donald C. Carroll, dean of Wharton from 1972 to 1983, died on Feb. 24, 1998. He was 67.

During his tenure here, the School made significant progress in the areas of interdisciplinary programs and inter-school degrees, international outreach and executive education. In addition, a new wing was added to Dietrich Hall to create Steinberg Hall-Dietrich Hall, and the planning of the Steinberg Conference Center was initiated.

A Sloan Fellow, Ford Fellow and member of Phi Beta Kappa and other honorary societies, Carroll earned master's and PhD degrees in management from MIT.

"Dean Carroll leaves a legacy of outstanding leadership and commitment to this community, and he will be remembered as a great scholar, wonderful colleague and a dear friend," notes Wharton Dean Thomas P. Gerrity.

Christmas in April Celebrates its Tenth Anniversary

With the rehabilitation of 40 houses this month in west and north Philadelphia, Christmas in April of Philadelphia (CIAP) celebrates its tenth anniversary. The program's impact to date has been enormous:

Long and west Philadelphia homeowner

Since 1988, 8,400 volunteers have donated 59,760 hours to renovate 240 houses belonging to low-income, elderly and disabled families. The services provided by these volunteers are worth an estimated $7.2 million.

CIAP, founded by Wharton students and University of Pennsylvania physical plant workers, is one of 181 independent affiliates of Christmas in April*USA. All work is performed without charge to the homeowners, and roughly 95 percent of the labor is volunteer. One of CIAP's priorities for the future, however, is to hire an executive director to support the volunteer labor force and run the program year-round.

The 40 homes selected for renovation this month were referred to CIAP by churches, synagogues, community organizations, service groups and by self-referral. Hundreds of houses in Philadelphia, which has some of the oldest housing stock in the country, are screened each year by CIAP members.

John Long, WG'98, who is responsible for managing the renovations of 26 homes in west Philadelphia, notes that April 18 is the culmination of work that has been going on for months. In September the organization's fundraising committee started the process of soliciting approximately $130,000 from corporations and individuals. In January, Long initiated organized management teams — 26 groups of anywhere from 5 to 10 students, each in charge of a house — responsible for writing work plans and submitting detailed lists of the materials needed for each renovation.

And in mid-March, close to 1,500 volunteers began spending weekends working on the individual homes, with the last of the work being completed on April 18. "At the end of the day you can look back and see that you have done something tangible," notes Long, who built his own home in 1995 while working as an engineer for International Paper in Mobile, Ala., and plans to join McKinsey & Co.'s Dallas office after gradation. His wife, Kris Long, is co-executive director of the program.

"Most of the volunteers have no construction experience," Long adds. "They learn as they go. But the difference in the house between when the volunteers arrive and when they leave is significant."

Contributions to Christmas in April, which are tax-deductible, can be sent to the organization at P.O. Box 42752, Philadelphia, PA 19101-2752.

Summer Internships: Extending the Wharton Network

"We have the brightest and most talented students in the world," says Sue Kauffman DePuyt, director of student services and administration in the Wharton Undergraduate Division. "We want to make sure our alumni think of them for summer internships."

To ensure that they do, Wharton's undergraduate division and the University's Career Planning and Placement Service (CPPS) recently stepped up their efforts to place undergraduates in summer jobs sponsored by Wharton alumni. Both this year and last, for example, Richard J. Herring, vice dean of the Undergraduate Division, and Beverly Hamilton-Chandler, CPPS associate director, sent more than 500 letters to alumni five and ten years out of Wharton to encourage their participation in the internship effort. Members of the Wharton Undergraduate Executive Board as well as board members of the Huntsman Program in International Studies & Business were also asked to consider Wharton students for summer jobs in their companies.

"We are trying to extend the Wharton network that is already in place," notes DePuyt. For students, she says, it's an opportunity to experience the business world firsthand, get a "pre-career" look at specific functions and industries, and build personal skills in independent and teamwork situations. "Sometimes students even change their career plans based on what they experience during the summer."

Companies that hire the interns find that these students bring fresh perspectives to group projects; provide

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PHOTOGRAPHS / JERRY MILLEVOI

Failing FAP Fuels Follies '98

Plot (a term used loosely): A group of second-year MBA students who have failed FAP (Field Application Project) has been given one last chance by Dean Gerrity to graduate. Their assignment? To create a promotional film extolling the virtues of Wharton.

On their way there, these five feckless students dissect the best and worst of Wharton in the 22nd annual Wharton Follies titled *Hey! Get Your Hands Outta My Vance!*

Taking it on the chin are the dating scene (surprise surprise), the admissions department answering machine, the course auction system, the workload, the Wharton Wildmen hockey team, poets, the ethics committee, clubs, Vance Hall, students who think they aced job interviews, Philadelphia (average departure time after finishing final classes: 7.622 seconds) and so much more. Along the way faculty members Bruce Allen, Franklin Allen and Anjani Jain show up in the oddest places.

Then there's an American Gladiators skit on grade non-disclosure and "Put Your Pencils Down," a song modeled after "We Are the World," that flogs exam-taking students who keep writing after time is called.

Below are excerpts from a few particularly eloquent songs:

"I Just Can't Do Everything"
(to the tune of "I Just Can't Wait to be King," from The Lion King)

When you got to Wharton boy,
You thought you'd be a star
You'd DS all your classes
You were gonna raise the bar
You're joining up for every club
An officer you'll be
You'll run the WGA
And work for BCG
But b-schools got a bit more of a sting!
Oh, we just can't do everything!

First we've got classes
Then we've got recruiting
I'm barely getting passes
And this is like my 10th ding!

I ran to be a cohort rep
I run a business too
I'm on three quality circles
And the follies cast and crew
We've left the hardest classes for the spring!
Well, we just can't do everything!

"Finance 601" *(to the tune of "The confrontation" from Les Miserables)*

Should I spend my signing check right away
And purchase anything that comes my way
A new Nintendo, Harley bike
Everything I see I like
What value is it having all this dough
If all today's consumption I forgo ...
I won't make my decision rash
I want to maximize this cash
And have my assets earn and grow
And build a vast portfolio
To invest? Or to save?
"A miser or a spender be
Just maximize your NPV"
That's what I learned
In Finance 601!

"Put Your Pencils Down" *(a Follies original)*

When time is called
Put your pencils down
It affects us all
It brings us down
And future generations
will be watchin' what we do today
When time is called put your pencils down
I know that you've heard
That Wharton's a community
And your classmates are your closest friends
That makes it worse you see
It's your closest family
That's betraying you with just their pens
If they don't stop on time
Remember it's a crime
Just turn 'em in, on this we all depend.

A Dramatic Approach To Wharton

RICHIE

PHOTOGRAPH / JERRY MILLEVOI

During her sophomore year, Daina Richie, W'98, was asked by a friend to read a poem during a play staged by Penn's African-American Arts Alliance. "After reading the poem, I was asked to do some backstage work, and then I was asked to produce 'A Soldier's Play,'" says Richie. "Apparently I showed some leadership qualities because I was elected president of the group."

For someone who had no background, or interest, in theater until she came to Wharton, Richie has clearly found what she feels will be a lifelong passion. "I consider theater a lost art," she says. "With all the other media around — television, movies, music videos — it doesn't get as much exposure as it should. I would like to keep theater alive as an art form, especially in the black community."

Richie has served as president of the group in both her junior and senior years. She has also helped to produce "for colored girls who have considered suicide/when the rainbow is enuf" and interned last summer with a small nonprofit theater company in Philadelphia. Her area of expertise is stage lighting.

Working in theater "has been one of the most practical experiences I've had," notes Richie, who grew up in Philadelphia and attended Masterman High School. "It has allowed me to understand how funding works, how to interact with a huge administration and how to deal with people, including peers and friends."

The African-American Arts Alliance was founded in 1991 and produced its first play, "Fences," in 1993. Before then, Richie says, there was no particular demand for African theater on campus.

When she graduates in May, Richie's goal is to join a small company, either in management consulting or marketing, without completely giving up her interest in the performing arts. "Working full-time in the theater," she says, "isn't going to pay off my student loans."

Internships continued from page 4

staff support in accounting, finance, marketing, operations or management information systems; establish relationships for potential full-time hiring, and increase the company's visibility at Wharton. "It's a win-win situation for everyone," says DePuyt.

"We are especially hoping to get internships for freshmen and sophomores," notes Hamilton-Chandler, in part as a way for students to "determine which careers and environments they want to pursue. The more opportunities they can have to put their skills to work, and confirm their goals and interests, the better."

Jill Botwick, W'98, spent last summer as a marketing intern at Rite Aid Corp. in Harrisburg, Pa., where she had the opportunity to work with Beth Kaplan, W'80, WG'81, executive vice president, marketing. "It was a chance to put what I have learned at Wharton to the test," says Botwick, who plans to work in brand management for a packaged goods firm. "I did competitive analysis of the company's advertising, helped plan promotional activities nationwide and tracked some of the couponing activities. A lot of times, just sitting in a meeting and listening to Beth was a tremendous educational experience."

With a Little HELP *from* THEIR *Friends*

Looking for Talent? Check out 'The Network'

In 1991, Andrew D. Seidel, WG'90, took a position with an obscure water-treatment company in Southern California. Not long before his arrival, the company had been known as American Toxxic Control Inc., a name as unappealing as its spelling was peculiar. Plus, it had been in bankruptcy.

However, Seidel and other members of the company's new executive team saw tremendous opportunities for growth and consolidation in the water business and set out to improve the firm's fortunes. "The name was the first thing to go," Seidel recalls. "The [old] management team was the second."

Equipped with a new moniker — U.S. Filter Corp. — and new leadership, the company embarked on an ambitious acquisition campaign. Many of the acquired firms were what Seidel calls "corporate orphans," subsidiaries put up for sale by their parent companies due to lackluster profits. Because it was growing so rapidly, U.S. Filter also had to move fast to hire people to manage its new holdings. Hence, an acquisition program of another sort followed.

Seidel started recruiting fellow alumni. Over the next five years, six Wharton graduates — most of whom had worked at the Philadelphia office of Deloitte & Touche — joined U.S. Filter. They were Frank Firsching and Benjamin Rand, both of them classmates of Seidel's, along with Robert Joyce, WG'91, Jeffrey Quigley, WG'89, Bruce Beavis, WG'88, and Anthony Horvat, WEMBA'89.

"We were looking for talent," says Seidel. "The easiest thing to do is call people you know."

Many of the 750 students who graduate from the MBA program each year, as well as approximately 100 WEMBA graduates, fan out in different directions after the diplomas are conferred and never cross paths again. But others — some right away, some years later — decide to build on their school-days' relationships by starting companies from scratch or, like Seidel and his colleagues, by joining forces to help an existing small firm grow. Call it the buddy system, or networking or just plain common sense, but alumni who've done it — educators, a restaurateur, hedge-fund managers and others — say it's an arrangement that can be professionally beneficial and personally rewarding.

"The reason we went back to Wharton and Deloitte & Touche was trust," says Seidel, whose company has made about 130 acquisitions in the past seven years. "When you're growing this fast, you can't worry about politics and all this corporate stuff that goes on in companies. We all knew each other and I knew they'd give 110 percent if they had to."

Today, Seidel and his fellow alumni comprise the core management team of the Palm Desert, Calif.-based firm, the world's fastest growing water and wastewater treatment company. As of February, U.S. Filter had an annual revenue run rate of more than $4.5 billion, and in 1997 was featured for the third year in a row as one of *Fortune* magazine's 100 fastest growing companies. When Seidel joined the company, it had just $17 million in revenue.

"What we've been able to do is run this decentralized business organization without everybody killing each other," says Seidel, who today serves as president and chief operating officer of U.S. Filter's Wastewater Management Group. "Everybody has been heavily incented by stock options. And there's trust. No one person is going to do anything to damage the performance, reputation or future of the other person. You need that to get through a high growth company where there are very few rules and the rules change as you go."

Your PASSPORT, *Please*

On Fridays during their second year in the MBA program, Bradley H. Cary, WG'89, and A. Pendleton DuPuis, WG'89, often played golf. It was a time when they could talk about business and the future. Cary and DuPuis had known each other for years — both attended Hampden-Sydney College in Virginia — but they didn't become really close until their time at Wharton.

DuPuis majored in entrepreneurial management, Cary in marketing. During their strolls along fairways and greens, DuPuis continually tried to talk Cary into doing something entrepreneurial. "Eventually, I broke down and we decided we'd start something or buy something," Cary says. "Through a series of odd coincidences we came upon this business that was run by a husband and wife who had started it 12 years earlier. It was the right size and we could afford it considering neither of us had any money."

Just one month after graduation, Cary and DuPuis bought the assets of the Center for International Business and Travel, now formally known as CIBT Inc., and became president and executive vice president, respectively. Previously, the firm specialized in obtaining passports and visas for the leisure-travel market. But DuPuis and Cary decided on a new focus that they felt offered much greater growth potential — providing visa and passport processing services for corporations.

CIBT, which has since branched out into related corporate services, now serves more than half the companies in the *Fortune* 100 and has been ranked in the *Inc.* 500 the last three years. In addition to its headquarters in McLean, Va., CIBT has offices in Atlanta, Boston, Chicago, Houston, Los Angeles, Miami, New York, San Francisco and Washington. It has grown from six employees and annual sales of $400,000 to 105 employees and sales of just over $12 million.

"At the time we came into the industry, I believe the largest firm had about 20 employees," Cary says. "There's been a consolidation, and we're two to three times larger than the next largest company."

Cary and DuPuis bring different talents and temperaments to the business. DuPuis, who used to build flight simulators for an aerospace company, handles sales, account management and the financial and accounting department; Cary, who formerly worked in product management for a regional bank in Richmond, oversees management information systems and all operations. They make joint decisions on major issues, but each takes care of his own areas day to day.

Cary uses a golf analogy to illustrate his point: DuPuis usually slices the ball, while Cary is prone to hooking it. Each player eventually arrives at his ultimate destination, the middle of the fairway, but from a different direction.

Despite their differences, Cary says he and DuPuis are able to make decisions quickly, which they believe is essential for entrepreneurs. "The key for us is we have complementary skills. Without that, it might have proven difficult to work together."

SEIDEL, FIRSCHING, BEAVIS, RAND, JOYCE AND QUIGLEY
U.S. FILTER CORP.

DUPUIS (LEFT) AND CARY
CIBT INC.

WARREN, DARRINGER, TAUSCH, STEVENS AND TSAI
INTEGRITY CAPITAL MANAGEMENT, L.L.C.,

COST (LEFT) AND TRESTER
PRICESCAN

PHOTOGRAPH / ANTHONY WOOD

CIBT was slow in getting off the ground. "We thought we could come in and immediately grow," Cary says, "but the reality was we had to learn the business and learn the market and establish the right strategy. Since then, we have completely outpaced even our most optimistic expectations for the growth of the company."

A Hedge FUND

Sometimes the decision to start a business with fellow alumni takes place after graduation. Consider Integrity Capital Management, L.L.C., a start-up hedge fund in New York. Four of the firm's principals are Wharton graduates: Bruce S. Darringer, W'91, chief operating officer and general counsel; Ross L. Stevens, W'91, managing principal and chief executive officer; Andrew K. Tsai, W'93, chief investment officer, and Stephen R. Warren, W'93, chief financial officer.

The fund, which holds more than 450 positions, is highly-diversified, with investments in stocks, bonds, currencies and commodities in more than 20 countries. Its objective is to produce consistently high risk-adjusted returns that exhibit low correlation with major market indices and traditional portfolios.

"Our edge is in exploiting an extremely large number of small inefficiencies in contrast to a more common approach of exploiting a small number of large inefficiencies," says Darringer, an attorney and derivatives specialist.

From its establishment on July 1, 1997, through Jan. 31, 1998, the fund posted a net return of 28.1 percent, compared with 11.3 percent for the Standard & Poor's 500 index. During that period, the fund had a negative 0.24 correlation with the S&P 500. As of Feb. 1, 1998, total assets under management exceeded $160 million, according to the firm.

It was Stevens, armed with a PhD in finance from the University of Chicago, who developed the idea for the fund. At the time, he was working at Goldman Sachs Asset Management. He enjoyed his responsibilities there, but after kicking around the idea with Darringer, his best friend, Stevens decided in early 1997 that the kind of innovative fund he wanted to launch was best done in a "boutique environment."

Stevens then talked to Warren, a colleague at Goldman Sachs. Warren, in turn, suggested Stevens talk to Tsai, who was at Lehman Brothers. A fifth non-Wharton partner, Frederick W. Tausch, was brought on board to be director of technology. Stevens says it wasn't easy for the principals to decide to start the firm because each already "had a clear-cut career path. This was an uncomfortable decision to make."

Darringer describes Stevens as "the center of the wheel trying to pull in the team. . . We realized it would be great to take a chance at this point in our lives and try and make history by building something from scratch."

Surfing for the RIGHT Price

Another company launched by Wharton alumni in 1997 was PriceScan of Bryn Mawr, Pa. The privately held firm was founded by David Cost, W'85, a former consultant in management information systems, and Jeffrey J. Trester, who received a PhD from Wharton in 1993.

Cost is president and CEO. Trester is director and an "angel investor" (an early-stage venture capitalist) in PriceScan. He also is founder of Jeffrey J. Trester & Company, an investment advisory firm whose practice includes venture consulting, and a senior research fellow at Wharton's Financial Institutions Center.

PriceScan is a free, Internet-based service that offers comparative price and product information on computer hardware, software and supplies. In short, it helps shoppers find the items they want at the best price. Instead of spending hours poring over magazine and newspaper ads, people can tap into PriceScan and get the information they need in a matter of minutes.

For instance, a consumer may be interested in a personal computer but doesn't know what make and model he or she wants. But let's say the consumer does know that the PC has to have certain features, like a Pentium II processor, 32MB of RAM and a built-in modem. By entering these features into PriceScan, the prospective buyer will get a list of products, sorted by price, that satisfies these specifications. PriceScan also provides a list of vendors selling the product.

"The site gets refreshed every day," says Cost. "We use data from vendors' ads, their Web sites and catalogues."

Cost and Trester's dream was to do for consumers what organizations like Bloomberg did for individual investors — level the playing field by making price information more transparent. The pair seem to be succeeding. In less than a year of operation, they say PriceScan has millions of users, and not all of them small buyers.

"We have a large number of business users," says Trester. "Parts of Fortune 500 companies don't buy computers without checking PriceScan."

Trester and Cost were introduced through a mutual friend at Penn in 1993, but they didn't consider going into business together until a few years later.

"We found we had a lot of similar takes on where the information superhighway was going and very similar opinions on who was doing it right," says Trester. "At one point David, who was a computer consultant at the time, was helping me select a printer. He noted that there were enormous price discrepancies in the consumer market and that it would be practical to do Web-based price comparisons."

Their common Wharton background has been pivotal. "Coming from the same school with that common outlook about business, economics, management and finance — and having a common [business] language — has been very beneficial," Trester says. "We can communicate without misunderstanding."

Going forward, the company wants to expand to include sporting goods and other products to attract more price-savvy shoppers. Says Trester: "You should see the fan mail we get. For some of these people, it's a religious experience."

A *Place* Called FORK

Sometimes there can be a big gap between the emergence of an idea and its implementation, with plenty of detours along the way. Just ask Ellen Yin, W'87, WG'93.

To earn money to go to college, she was a bus girl at a French restaurant in her hometown in New Jersey. While an undergraduate, she waited on tables and tended bar at La Terrasse and the White Dog Café on Penn's campus. It was then that Yin decided she wanted to own a restaurant.

"I almost transferred from Penn to Cornell's hotel school," she says. "But I decided I was already in Wharton. I compared curricula and just felt that Wharton offered a more well-rounded education."

Yin majored in entrepreneurial management and drafted several business plans for fictitious restaurants. Even after earning her BA she dreamed of opening her own place. Instead, she joined a small advertising agency that happened to have restaurants as clients. She later worked as a fund-raiser for the American Heart Association before returning to Wharton to get an MBA in health care management.

For the next several years, Yin worked first with Coopers & Lybrand's Health Care Group and then with Thomas Jefferson University Hospital in Philadelphia. Meanwhile, she was confiding her career frustrations to a good friend, Roberto Sella, WG'93.

A couple of years ago, Yin decided to take the plunge and open a restaurant. "I put together a business plan, hired a lawyer to help me develop the partnership and started pounding the pavement for financing," she says.

The result is Fork, an American bistro consisting of 2,500 square feet and 68 seats at 306 Market St. in Philadelphia.

PHOTOGRAPH / ANTHONY WOOD

YIN
FORK, AN AMERICAN BISTRO

CANEDA (LEFT) AND MILLER
CHILDREN'S ACADEMIES FOR ACHIEVEMENT

Goodrich (left), Geisenheimer and Cassidy
Madison Investment Partners Inc.

Drean
Triago S.A.

Opening day was Oct. 15, 1997. Yin says start-up costs totaled $300,000, two-thirds of which was financed through a loan from the Small Business Administration, while 80 percent of the remaining $100,000 was put up by the business' three main partners — Yin, Sella and Anne-Marie Lasher. Lasher is Fork's executive chef and an alumna of the White Dog Café.

Yin says Sella, Fork's sommelier, has been a valuable partner. "When you know each other's strengths and weaknesses, things are easier to divide up," Yin explains. "And I think he is much more supportive than somebody who is just a pure financial backer ... We both had a similar understanding about how the restaurant should be set up and run. It's a bonus for me that he went to Wharton, but the most important thing in a partnership is finding someone you trust."

A Different Kind of School

In the 1980s, when officials in the federal government began talking about decommissioning underused military bases and other facilities, Deborah Miller, WG'94, became inspired. Wouldn't it be terrific, she thought, if those buildings could be converted into top-quality schools for at-risk youngsters?

At the time, Miller was an entrepreneur helping foreign companies start businesses in the United States. She had no background in education. But she met lawyer Carmen Caneda, WG'94, while both were enrolled in WEMBA, and the two women worked together on an independent study project to explore Miller's idea. After graduation, they formed Children's Academies for Achievement, a not-for-profit organization in New York City. Miller serves as chair, Caneda as vice chair.

In September 1997, CAA opened its first school, Samuel DeWitt Proctor Academy Charter School in West Trenton, N.J. Proctor Academy, the first public boarding school of its kind to be chartered in the United States, will serve as the model on which future CAA schools will be based. (A charter school operates under the authority of a state-issued charter that permits a private entity to manage a school's operations outside the regulation of the surrounding school district.)

Forty-eight seventh- and eight-graders are enrolled at Proctor Academy, which is housed at an underused facility for deaf students on a 108-acre campus. The academy is supported by private and public funds. By law, the students were chosen by lottery from a pool of interested applicants.

CAA hopes that Proctor Academy is educating 140 students in grades 7 through 12 by the year 2001. Indeed, in the future CAA may also open schools at decommissioned military facilities, since Miller hasn't forgotten her original notion of using bases for sites.

"Boarding is the key component that makes Proctor Academy different," Miller explains. "We have children from very intact families who feel their kids are too sensitive to withstand the pressures of the streets, drugs and gangs ... We see ourselves as an option for the welfare system so that mothers can find jobs. We see ourselves as an option for kids who have been orphaned as a result of the AIDS epidemic. We serve kids who have academic potential but who wouldn't survive if they didn't have this setting."

Miller says she and Caneda would not have had the confidence to start CAA had it not been for the education research they conducted at Wharton, which laid the groundwork for CAA, along with encouragement from the faculty.

The two women have raised $1 million for CAA over the past four years, but it hasn't been easy because neither had a background in teaching or social work. "The most difficult part," Miller notes, "was acceptance of each of us in the world of education."

Investing in "MOM-AND-POP" Companies

As entrepreneurs, Emile J. Geisenheimer, WG'75, his wife, Susan F. Goodrich, WG'76, and B. Martha Cassidy, WG'81, are newcomers. But their resumes reflect many years of success in business.

Among other things, Geisenheimer held senior executive positions with North American Philips Corp. (now Philips Electronics North America) over a period of 12 years. He then joined Nazem & Company as a general partner and developed its health care practice. Goodrich was a communications-industry executive for 15 years, most recently in the music industry as senior vice president at Capitol-EMI Records Group, and has held top positions at Time Warner. Cassidy spent 13 years as an investor in private equity and was a founding partner of APEX Specialty Materials, a producer of synthetic fiber, where she continues to serve as managing director. Before that, Cassidy was an active principal of Rutledge & Co., a buyout fund.

"We both had a similar understanding about how the restaurant should be set up and run. It's a bonus for me that he went to Wharton, but the most important thing in a partnership is finding someone you trust"

– Ellen Yin, W'87, WG'93

Now the three are principals of Madison Investment Partners Inc., a New York City firm that provides private equity financing for management buyouts, recapitalizations and growth. Geisenheimer founded the firm in 1993 while he was still at Nazem. He left Nazem in 1995 to devote all his attention to Madison. Goodrich joined him that same year and Cassidy followed in 1996.

Madison, with its focus on buildups and consolidations, invests in companies that fit a special niche.

"There are tens of thousands of companies that were formed by entrepreneurs after World War II, Korea and Vietnam, and owners of these family businesses are looking for opportunities to exit," Geisenheimer explains. "But they're small, and opportunities to exit are limited by that small size. We buy these companies and put them together. We're not interested in high-tech, Internet or new software companies. We're interested in the bread and butter of America, the mom-and-pop shop, small manufacturing companies."

As stand-alones, the opportunities for these companies to grow are limited. But when they are combined, the new organizations can become regional or national players.

Madison Investment Partners gives Goodrich and Geisenheimer a chance to work together again — they had done so for a time at a consulting firm years ago before they were married — as well as to fulfill personal goals. Geisenheimer left Nazem, which was involved in venture-capital investments, to focus his efforts on buyouts, which he prefers.

For Goodrich, who worked at Citibank early in her career, it was a chance to return to finance. In addition, she says, she wanted to be part of a smaller company "to have much more control over my destiny. I made a lot of contacts in my 15 years in communications and felt I could really [take advantage of] those connections. With buyouts exploding, it just seemed to make sense."

Goodrich and Geisenheimer got to know Cassidy through a fellow Wharton alumnus. "Martha fits in here perfectly," says Geisenheimer. "She's a great partner and comes with a strong background in the buyout industry."

Geisenheimer calls his wife his "major adviser" and jokes that "we have an enormous philosophical commonality of view about many things, as long as we don't talk about politics ... Susan's skills on the people side are very strong. I tend to have skills on the technical side."

A Friendship in FRANCE

Antoine Drean, WG'92, and Bruno Ladriere, WG'92, are close friends, which is why they were able to go into business with one another and then split up, with no hard feelings.

Drean is a born entrepreneur who at age 23 ran his own mergers-and-acquisitions firm in his native France before entering Wharton. After completing his MBA requirements, he was so eager to start another company that he flew back to Europe without attending graduation ceremonies.

"When you are an entrepreneur and you take off two years for studies, you want to rush," says Drean. "I finished

Continued on page 28

This story was written by Stephen J. Morgan, a Philadelphia area freelance journalist and former director of media relations at Wharton.

FEATURE

Alive and Well and Working in...

Atlanta

ILLUSTRATION / PIERRE-PAUL PARISEAU

Talk to residents of Atlanta, and they will tell you the city is one of America's newer, and most beautiful, urban areas. With a metropolitan area population of close to 3.5 million, the city is clearly popular with everyone from sports teams — the Atlanta Braves, Atlanta Hawks and Atlanta Falcons, not to mention the 1996 Olympics — to business teams, including Delta Airlines corporate headquarters, The Coca-Cola Co. world headquarters, UPS world headquarters, CNN, Southern Bell, Georgia Pacific and others. ▪ More than 300 alumni have chosen to live in Atlanta, where it seems that southern hospitality reigns and the living is, if not easy, at least enjoyable. All that's lacking is an ocean. ▪ On the following pages are brief profiles of Atlantan alumni in a variety of industries.

Ronald D. Balser, W'60

Chairman and CEO, Management Compensation Group, S.E., Inc.

Job Description: Works with Fortune 500 companies to provide the design, administration and funding of non-qualified executive benefits

Previous Job: Founded predecessor company which worked with closely-held businesses. In 1974, the passage of the Employment Retirement Income Security Act put limits on qualified plans, at which point we transitioned into working with Fortune 500 businesses

Most Notable Regional Business Trend: The decision-making second-tier executive group is getting younger. In 1974 the average age of both the top executive group and the second-tier executive group was 54. Now the top executives are in the 51-year range and the second tier is around 45. Younger people are making bigger decisions than ever before

Likes Best About the City: Its gracious lifestyle and beauty

Likes Least About the City: Crime

Interesting Fact About Yourself or Your Company: My business partner is my wife, a magna cum laude graduate of Boston University and president of the company. It has been a real plus for the business. She is more of a thinker while I am more intuitive

Favorite Restaurant: The Blue Ridge Grill (regional American)

Favorite Hotel: Ritz Carlton, Buckhead

A. Russell Chandler, III, WG'70

Chairman and CEO, Whitehall Group Ltd.

Job Description: Private investment firm

Previous Job: Mayor of 1996 Olympic Village. Worked as a volunteer for eight years getting Atlanta chosen for the Olympics, developing the entire concept of the village, financing it through the legislature and then staffing and managing it during the Olympic games

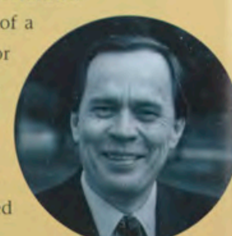
Most Notable Regional Business Trend: It's amazing to me how much Atlanta continues to grow. I moved back here 13 years ago because of the quality of life, but now the city seems to have doubled in size. The economic growth has been incredible. A lot of people have made the decision to move here, but at some point [the increase in population] starts to have a negative impact on that decision.

The Olympics brought major redevelopment to the city. We cleaned up blighted areas, created more exciting environments and built housing for 4,000 students in center city. That has brought more enterprise, but again, it will be 10 to 15 years before we know the real impact of these changes

Likes Best About the City: As a southerner, I feel at home here. It's a very progressive and vibrant business environment and the people are very friendly. Mountains are close by. I kayak and hike and my wife enjoys horseback riding. We can be at our house 4,000 feet in the mountains within two hours

Likes Least About the City: The traffic situation, which is a result of the city's growth

Interesting Fact About Yourself: I'm at a point in my life where I feel like I have had great opportunities and done well, so I can make more of a contribution to the quality of life for my children and grandchildren. I am very active, for example, in the upcoming governor's campaign. I can do things now because I enjoy them, not because I am being compensated for them



Favorite Restaurant: Abruzzi (Italian)

Favorite Hotel: Ritz Carlton, Buckhead

Valerie Jackson, WG'73

President of Jackmont, Inc.

Job Description: Ownership and advisory role in company co-owned with husband Maynard Jackson, former mayor of Atlanta. Company has diverse interests including restaurant ownership, food services and real estate. I also do on-air broadcasting, public speaking and community project work

Previous Job: Hosted public affairs show called *Prime Time* from 1984 to 1994 on PBS station GPTV; special adviser to the mayor's office of economic development during husband's second and third terms from 1977 to 1981 and 1990 to 1994

Most Notable Regional Business Trend: Growth of hospitality industry. In addition, the city is attracting business because of climate and employment conditions

Likes Best About the City: Climate and the southern hospitality

Likes Least About the City: It doesn't have the level of nightlife and good restaurants with live music that I was used to in New York

Interesting Fact About Yourself: A lot of people don't know my strong business background because they see me more as a broadcaster/First Lady/public speaker. I had planned to have a full-time career in business but then I met Maynard Jackson and he made me an offer I couldn't refuse. See myself getting back into business full-time

Favorite Restaurants: The Fish Market and Mumbo Jumbo

Favorite Hotels: Ritz Carlton and Marriott Marquis

Teodoro F. Dagi, WEMBA'95

President of Cordova Technology Partners, LP, and Professor of Neurosurgery at The Medical College of Georgia

Job Description: Early-stage technology venture fund identifies, invests and grows technology-based businesses. Interested in life sciences, communications, information technology, agribusiness and core industrial technology

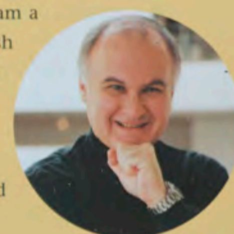
Previous Job: Practicing neurosurgeon

Most Notable Regional Business Trend: Increase in health information technology and small businesses in general. Entrepreneurial climate

Likes Best About the City: Sense of opportunity and energy. It's a growth city

Likes Least About the City: The infrastructure is not yet fully developed, and culturally it has a ways to go

Interesting Facts About Yourself: I am a harpsichordist, I restore vintage British roadsters and, if I had a voice, I would sing opera



Favorite Restaurant: Toyotaya (Chinese/Japanese)

Favorite Hotel: Ritz Carlton, Buckhead

Egbert Perry, WG'78

Managing Principal, The Integral Group

Job Description: A real estate and construction management firm with a focus on urban communities

Previous Job: Before my partner, Clyde E. Gumbs, W'75, WG'78, and I started The Integral Group in January 1993, I worked for 13 years at H. J. Russell & Co., a local real estate construction, property management and construction management firm

Most Notable Regional Business Trend: Growth in the Southeast region is absolutely phenomenal so there is a significant amount of new investment taking place ... The push for reurbanization is alive and well. A lot of people are working hard to reestablish the visible significance of cities. As this occurs, there is a demand for the public sector to be more efficient in responding to the needs of citizens, which in turn places a significant amount of pressure on local officials to find optimal ways of delivering more for less. That's what creates opportunity for private enterprise

Likes Best About the City: Quality of life. It's a cross between the hustle and bustle of the northeast and a slower, smell-the-roses feeling. Lots of green space; you can look outside anywhere and see trees

Likes Least About the City: I am concerned that the growth is not being managed on a regional basis quite as well as it ought to be

Interesting Fact About Yourself: I have decided I will pursue vision and vocation at the same time. I am more concerned about making a difference than making as much money as possible ... I don't feel I have to do well and then do good. I feel I can do both at the same time

Favorite Restaurant: Patti Hut Café (West Indian food)

Favorite Hotel: For clients, Ritz Carlton, downtown; for friends, Marriott Suites

Virginia Hepner, W'79

Senior Vice President and Group Executive of Wachovia Bank

Job Description: Responsible for our company's foreign exchange and derivatives activities

Previous Job: Have held various positions in corporate banking and capital markets during 18 years at Wachovia (with time out to earn an MBA from Kellogg)

Most Notable Regional Business Trends: Consolidation of financial service providers ... Big growth in Southeast of small business and entrepreneurial sectors, especially in the software and consulting industries; increase in globalization by even middle market companies; and continued growth of growing foreign investment in the U.S.

Likes Best About the City: The lifestyle, which allows for a lot of flexibility. I'm married and have two small children ... You can live in the country or in town and still have lots of space. Very upbeat environment ... People get involved in the community, especially business people. It's an extremely civic-minded city

Likes Least About the City: It's a newer city so you don't have historic buildings like the Philadelphia Art Museum; also lacks a vibrant downtown, although it's improving

Interesting Fact About Yourself: According to my five-year-old son, I am a great baseball player

Favorite Restaurant: Thai Chili (good neighborhood Thai restaurant)

Favorite Hotel: Ritz Carlton, Buckhead

Mark Bernstein, W'81

Vice President and General Manager of CNN Interactive, a division of Cable News Network, Inc.

Job Description: Head of the world's leader in on-line and information delivery, a service first offered in August 1995. The division's products include the CNN interactive websites and CNN Interactive/PageNet pager news and information service. CNN Interactive is also the leading news provider on the Pointcast Network and has a staff of 200 employees in editorial, technical, marketing and business development

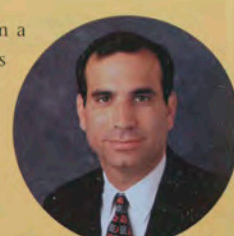
Previous Job: Senior Counsel, Turner Broadcasting

Most Notable Regional Business Trend: The growing reliance on high technology and an expanding information technology industry

Likes Best About the City: Sense of community, friendliness of people, great weather, racial diversity

Likes Least About the City: Traffic

Interesting Fact About Yourself: I'm a founder and past president of Hands On Atlanta, a clearing house that places individuals in a wide variety of volunteer projects. More than 14,000



people have been involved to date. Recipient of the United Way Golden Rule Award for community service
Favorite Restaurant: Ninos (Italian)
Favorite Hotel: Ritz-Carlton, Buckhead

Karl Webster Barnes, WG'80

Manager, Supplier Diversity Program, The Coca-Cola Co.

Job Description: Manage a program designed to increase business opportunities for minority and women entrepreneurs who do business with the Coca-Cola system. Just completed a five-year billion dollar expenditure goal with that target audience
Previous Job: Marketing materials manager involved in buying all sustaining and permanent merchandise with the Coca-Cola trademark on it, from the clocks in restaurants to the scoreboards in stadiums to the neon sign in Times Square
Most Notable Regional Business Trends: Atlanta is becoming more like Houston and Los Angeles in the sense that it is not defined by its core center but by the metropolitan area ... The Atlanta region is expanding. While it has always been a transportation center, it is now becoming a global transportation center. Many corporations headquartered in this region can fly from here to anywhere in the world ... The high-tech industry is booming, helped along by Georgia Tech
Likes Best About the City: Atlanta is my home. And it's the southernmost point in the U.S. where you have four seasons
Likes Least About the City: It is car-focused ... All the people who live in the suburbs don't want to contribute to their fair share of the rapid rail system but want the benefits of it, including access to all that the urban area provides, like entertainment and sports events
Interesting Fact About Yourself: I am involved in the Georgia Trust for Historic Preservation as well as several other organizations that are trying to preserve old neighborhoods
Favorite Restaurant: Any restaurant that serves Coca-Cola

Mitchell Williams, WG'90

President, Greenwood Ice Cream Co., Ltd.

Job Description: We manufacture and distribute bulk ice cream, sherbets, sorbets and frozen desserts to the food service community. Oversee 25 employees
Previous Job: Audit supervisor with Coopers & Lybrand before coming to Wharton where I was an entrepreneurial major
Most Notable Regional Business Trend: Atlanta has benefited from corporate relocations. Many people realize that the costs of doing business are very high in New York and other northeastern cities. The world has changed so much that you can operate from anywhere. You don't have to be on Wall Street.

This has brought a tremendous number of jobs to the state. Also, most of the big cities in the country are bounded by water on one side, which means land is somewhat limited. These cities cannot grow in a 360-degree direction. Atlanta can. Plus we have very good, very modern transportation systems

Likes Best About the City: Residents are proud of Atlanta. They talk it up. And southern hospitality is alive and well in Georgia. People are charming and gracious
Likes Least About the City: Everybody will tell you that we need to be closer to the ocean. There is no beach nearby
Interesting Fact About Yourself: I like sea kayaking
Favorite Restaurant: Carbo's Café (continental)
Favorite Hotel: Marriott Marquis

A Marketing Professor's Shopping List

PHOTOGRAPH / PETER OLSON

When Stephen Hoch Cruises the Aisles, It's Usually Not to Make Purchases But to Research Topics Like How Consumers and Managers Make Decisions and the Impact of Private Labels on National Brands

Stephen J. Hoch, the John J. Pomerantz Professor of Marketing, remembers the time he bought a huge box of store brand, or private label, cheerios for his two daughters. "They took one bite and said to me, with great indignation, 'Dad! These aren't real cheerios! What are they? *The store brand?*'"

It was a story that Hoch has repeated several times to executives in the food marketing business, the point being that retailers should never offer a bad quality store brand in any of their product categories because a single bad product can tarnish the store's image. "It's one reason Disney is very conservative about how, and to whom, they are willing to license their characters," says Hoch. "The company knows that their good name on a bad product can severely reduce brand equity."

Hoch, as it turns out, knows something about store brands and Disney, and a lot about the whole process of shopping.

"Shopping sounds like such a mundane activity," he says, "but it goes back to the reason I returned to school for my PhD. I am interested in studying how people — whether they are consumers or managers — make decisions."

Specifically, Hoch — who earned his undergraduate degree in biology from Stanford, his MBA in marketing from UCLA and his PhD in marketing, with a minor in psychology, from Northwestern — is interested in how consumers decide what to buy, and how those decisions affect retail merchandising, pricing and promotion strategy.

Most recently, he has looked into the impact of private label merchandise on customer/competitor relationships and has researched strategies adopted by the pharmaceutical industry to cope with price pressures from the health care system. He has studied the effects of Internet shopping on retailers and manufacturers, and he is an expert on such subjects as price elasticity, scanner data, shelf management, consumer preference and the psychology of forecasting.

It doesn't hurt that Hoch actually enjoys the shopping experience. A self-described house-husband who likes to cook and garden, he is adept at cruising the aisles of grocery and hardware stores. And while he doesn't particularly relish clothes shopping, he has practically trademarked the Hawaiian-shirt-plus-earring look around Wharton, a fashion statement inspired by his southern California upbringing and what he calls a desire "for a certain level of uniqueness."

After earning his MBA in 1976, Hoch joined the consumer products division at Walt Disney Productions, the second MBA the company had ever hired, and within 18 months was running Disney's recorded music division. During his tenure, the division released "Mickey Mouse Disco," an album set to the music of *Saturday Night Fever*. The album went gold and, with catalogue and character tie-ins, earned millions for Disney.

"I was given a lot of responsibility and the opportunity to run a company," Hoch says. "I had to think about customers, about how to develop new products and about what goes into purchasing decisions. It was a terrific job."

He left Disney in 1979 to pursue his doctoral degree and in 1983 joined the faculty of the University of Chicago Graduate School of Business where he taught for 12 years before coming to Wharton in 1995.

While at Chicago, he directed a five-year study on micro-marketing that involved a Chicago grocery chain called Dominick's Finer Foods and 20 leading consumer packaged goods companies. He and his research colleagues took "gigabytes of scanner data that retailers were collecting, and still are, to try and understand how managers make decisions."

Once you understand that, Hoch says, then you can take steps to improve managerial and company-wide performance.

While managers' decisions are important, he adds, the kinds of decisions consumers make in everyday purchasing are not. "What brand of detergent I buy is not going to have a big implication one way or another. These are low-stakes decisions. But because millions of them are being made every day, they have huge implications for retailers and manufacturers who are trying to meet consumer demand."

Hoch is also involved in the Decision Processes Interdisciplinary program, which includes researchers from throughout the University in such areas as psychology, medicine and Wharton's marketing and operations and information management (OPIM) departments. "We all have a basic interest in issues related to decision making," says Hoch. "What's interesting is that everyday people as well as professional decision makers don't actually make decisions the way they should if they want to optimize their performance."

The program, which also facilitates interdisciplinary research for PhD students, is engaging in what Hoch terms "'inreach,' which I define as making sure we reach across departments and disciplinary boundaries within the university to tap the creativity and inspiration that comes from looking at the same problems but from different angles. This kind of effort is one of the big bonuses of being at Wharton. It allows me to interact with people who can stimulate my own thinking. Hopefully I can do the same for them."

The ABCs of Soups

The five-year study of Dominick's was a hands-on project, to say the least. "We used Dominick's 86 stores as a kind of living lab and ran about 350 different kinds of experiments on all aspects of what I call 'the front door,' where the store meets the consumer," Hoch says. "We looked at how products were displayed and organized on the shelf; at pricing and promotion; and at which products were carried or not carried and how that affected sales and profits, among other things."

The research team asked whether a traditional supermarket retailer — one with many different sales going on every week — could effectively shift to a pricing strategy called EDLP, or everyday low pricing. Its answer was no. "Very few supermarkets actually pursue a pure EDLP strategy because it is hard to make work," Hoch says. "The only two success stories in the retail industry are Home Depot and Walmart, both of which offer consistently low prices and no weekly promotions. It has allowed these chains to drive a lot of the competition in their respective markets out of business and it supports my intuition that in any market there is only one retailer that can really have a low price image."

In the Dominick's study, Hoch and his colleagues tried a number of experiments aimed at understanding consumer purchasing behavior. For example, they rearranged — by type — the 100+ cereal brands that supermarkets typically stack on shelves according to their manufacturer, to see whether that re-grouping would increase sales. "We put all the raisin brans together, all high fiber cereals together, all fruit cereals together, etc., and we did the same thing with soups, except that we arranged them alphabetically," says Hoch.

To the researchers' surprise, sales went down five percent. "We realized that by making it easier for consumers to find certain items, it lessened the chance that they would come across, and buy, an additional item or items that they may not have originally planned to purchase," Hoch says. "In other words, opportunistic sales dropped."

One of the most significant conclusions reached by Hoch and his team during the study was that micro-marketing — i.e. customizing assortment and pricing to a particular geographic location — was difficult for supermarkets to implement.

"The potential for doing real micro-marketing, using stores as the delivery device, is probably not profitable," Hoch says. "The cost and control systems that retailers would need to implement micro-marketing are significant, especially as related to assortment, while the returns are modest at best."

Shopping the Net

When Hoch decided to rent a ski condominium for his family this winter, he did what many Net-savvy consumers these days do. He checked out the Internet. "We all know the Internet offers vast new sources of information," Hoch says. "If you are interested in buying a car, for example, you can visit several sites that provide invoice prices, specifications in terms of performance, physical characteristics and so forth. You don't have to leave your office or home for this information, and it's all free and easy to access, at least for now."

Part of the reason it's so easy, of course, is that almost anybody — retailers, manufacturers, individuals — can create web sites offering information on just about every product and service imaginable, or offer the product/service itself. At the same time, search engines get increasingly more sophisticated in terms of helping the consumer locate, process and compare data. Middlemen, whose jobs have traditionally been to broker information, are in many cases no longer necessary.

The result of this disintermediation, says Hoch, is that eventually "you the consumer become inundated and confused from the sheer overload of data. It's like walking into a Chinese restaurant that offers 400 different items. Unless you are with someone who is an expert on the restaurant, you have a problem. You don't want that many choices. You want some subset of those choices that are good. So you might ask the waiter for a recommendation or look for combination plates.

"At some point the cost of information increases when you get too much of it," Hoch says. "Right now manufacturers provide data because it costs next to nothing to do so. Should there, in fact, be a higher cost of providing information — or if manufacturers perceive that this huge inundation of data on the Internet becomes too burdensome to consumers — then the flow of data might decrease. At the moment, no one knows how the pricing structure or provision of information will evolve."

The bottom line, says Hoch, is that everyone is willing to pay for convenience, even people who are income-constrained, because they have less and less time to devote to shopping. "People used to spend four hours a month mall shopping; in the last 20 years, it's gone down to two hours.

"Consequently, going shopping on the Internet is not necessarily a good use of someone's time unless the person is going to make a career out of consistently buying a particular product ... I spent six hours looking for that ski condo on the Internet. Was it worth my time? We'll see how good the condo is ... It may be that next time it will be more efficient for me to get someone else to be my agent."

Store Brands: How They Stack Up

Hoch's most recent research has taken him into the world of store brands and private labels — terms that refer to brands which are available only at a particular store or chain. The products tend to be less expensive than the national brands, but not necessarily of lower quality.

In supermarkets, drugstores and department stores, store brands typically make up 15 to 20 percent of sales, Hoch says. The bigger department stores, like Nordstrom's or Bloomingdale's, carry upwards of 20, sometimes even 50, different private labels, not necessarily affiliated specifically with the store.

Hoch's main interest has been in the packaged goods (food) area, partly because he has had access to tremendous amounts of scanner data from both manufacturers and retailers. He is especially intrigued by analgesics.

"In the headache relief category, about 25 percent of sales come from the store brand, which tends to be significantly cheaper than national brands," he says. "Yet given that both categories are chemically identical and in some sense regulated to be that way, I was surprised that 100 percent of sales are not store brand."

In looking at the whole issue of why store brands do well or don't do well, Hoch originally focused on quality. Now, after several years of research, he has identified at least three parties that have a big impact on whether or not a store brand succeeds.

"Eventually you the consumer becomes confused from the sheer overload of data. It's like walking into a Chinese restaurant that offers 400 different items. Unless you are with someone who is an expert on the restaurant, you have a problem."

The first is the consumer. "Consumers care about convenience and quality," Hoch says. "But they also care about value. They don't want to give up quality *and* they want to pay what they think is a good price. Clearly store brands are positioned for that value orientation."

The second influential party is the national brand. These manufacturers — because of substantial resources, product innovation capabilities, big advertising budgets and the ability to offer a broad assortment of sizes, flavors, colors, etc. — are able to make life difficult for the store brand. "National manufacturers can always offer a bigger assortment than any individual retailer because they sell to many retailers instead of just one," says Hoch. "They can easily crowd out private labels."

The third party at this table are the retailers themselves, "who, I've discovered over the past few years, are the biggest determinant of how well a store brand does," Hoch says. "When a retailer is selling its own brand, not only is it a retailer, but also a marketer and a manufacturer in the sense that it has to source the products, make them, warehouse them, promote them and develop new ones."

Clearly the relationship between the manufacturer and the retailer is dramatically altered. A manufacturer sells a national brand to a retailer, who then resells it to the consumer. The retailer in that case is the manufacturer's customer. But once the retailer introduces a store brand, especially a successful one, the retailer is not just the manufacturer's customer but also its competitor.

"I've looked, in a strategic sense, at how the national brand/manufacturer and the store brand/retailer should think about this new kind of relationship," says Hoch. "One view is that the manufacturer should think of that retail brand as simply another brand they compete against. But for a long time manufacturers didn't have that view. They saw these private brands as cheap, inferior goods bought by income-constrained people they didn't want to serve.

"Now that private labels are actually much higher quality, it's a different story. It's a more complicated and ambiguous relationship that calls for new approaches. At some point, the national brand needs to figure out how to coordinate and coexist better with the store brand. I call it, 'When your customers are also your competitors.' It could even be thought of as sibling rivalry."

This dynamic, Hoch says, takes place in many industries and not just on the retail level. "Oftentimes in the high-tech area, for example, you have one manufacturer selling a key component to another manufacturer, who in turn is selling the same end product that the original manufacturer is selling.

"The first manufacturer can take a number of different approaches. It can simply refuse to sell products to competitors. It can engage in 'search and destroy' tactics to destroy its competitor. Or it can acknowledge that in the new business order, cycle times are very fast and relationships are in a constant state of evolution. A company that is your competitor today may become a customer tomorrow or may even become a part of your company. So trying to sell more, steal more market share or drive someone else out of business may not be the right approach."

Hoch's research has shown that not all manufacturers will be affected equally. "For the lead manufacturer in a particular product category, there is not much of a downside to competing with store brands. For non-leaders, it's more problematic because in some sense the store brand is like a second-tier national brand. One approach is for the manufacturer to become a manufacturer of store brands. This is not a common occurrence in the packaged goods industry — except for commodity businesses, like salt, and products based on continuous process technology, like paper — but it is in the generic drug industry."

Hoch recently did a major study looking at which retailers do well in this whole area and which don't. "One conclusion I reached is that if the retailer is willing to put its own name on the package rather than a made-up name, sales increase. This approach leverages off of, and makes it clear, what the identity of the product is. A retailer can benefit from that association."

In his current research, Hoch is applying his knowledge about store brands to the generic drug industry, a product group which has been seriously affected by managed care's cost containment pressures as well as consumers' increasing sophistication about their own health care. "The payment system has made it in consumers' best interest not to treat health care decisions as mundane," he says.

One notable development has been generic drugs' increase in market share over the last 10 years. "The U.S. Food and Drug Administration recently told the top 200 managed care organizations that it knows of no instance where an FDA-approved generic drug is not as good as the prescription branded item," says Hoch. "If I were a drug manufacturer, I would realize that the handwriting is on the wall.

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Tale of Two Brothers: Robert Hernandez, WG'68, and William Hernandez, W'70

Bob Hernandez graduated from the University of Pittsburgh, earned his MBA from Wharton and in 1968 joined what was then U.S. Steel.

His brother Bill earned his undergraduate degree from Wharton and his MBA from Harvard, and worked for Borg-Warner and Ford Motor Co. before joining PPG Industries in 1990.

Today, they hold almost identical jobs: Bob, who is four years older than Bill, is vice chairman and CFO of $23 billion USX Corp. in Pittsburgh. Bill is senior vice president and CFO of $7.5 billion PPG, a few city blocks away.

"It's hard when we have family get-togethers not to sit there and talk business," says Bob.

Their route up the same corporate ladder wasn't all coincidence. Bill initially planned to go to engineering school until his older brother showed him an economics textbook. "It turned out I loved microeconomics," says Bill. "It was a way of applying math that made sense of the world." He was accepted at Wharton where his first two undergraduate years coincided with Bob's two years in the MBA program.

HERNANDEZ

Bob (left) and Bill (right)

At USX, Pittsburgh's largest industrial enterprise, two-thirds of the company's revenues now come from the energy side through its Marathon Group, and one-third from steel production through U.S. Steel. Huge changes in the auto industry alone have required USX to make a lighter, more corrosion-resistant product to meet clients' needs, says Hernandez. "I own a Jeep Grand Cherokee and much of that steel is ours. Everything but the roof is galvanized." USX is also the largest domestic producer of tubular steel used primarily in energy applications.

With more automotive producers going abroad, the company recently announced a joint venture in Slovakia with VSZ, the country's largest steel producer, and is looking at other international deals as well. Marathon already has an established international presence. One of its latest projects is a venture in Russia to develop a large off-coast oil field. "There will be a number of follow-up projects if this works out," says Hernandez.

"Our biggest challenge right now," he adds, "is to regear our thinking to a strong growth mode after years of trying to improve our balance sheet."

Over at PPG, international expansion is also a priority. "The business has become much more global over the last five years," says Bill Hernandez. While the company has always been heavily involved in Europe and somewhat involved in Asia, "we are looking at a lot more projects in Latin America." Today almost half of PPG's business is coatings. The second largest component is glass and fiberglass. Commodity and specialty chemicals make up the remaining 20-25 percent.

PPG "has had record earnings per share every year for the last several," says Bill Hernandez, and the "challenge is to continually ratchet up that performance. We are known as a strong, well-managed company. But we can't afford to get complacent."

The Hernandezes obviously don't share proprietary information (or own stock in each other's company) but they do have lunch several times a year with other CFOs to trade ideas. The group meets in the Duquesne Club where the Hernandez' father for many years was a chef.

The two brothers also run marathons together, occasionally vacation together and a few years ago worked together, along with others, to refinance the Pittsburgh Pirates.

Is there a sense of competition between the two? Bill says no, pointing to differences in their backgrounds. Bill worked for several companies before joining PPG, while Bob has stayed with one company since graduation. Also, "Bob primarily came up through the treasury and operations route, while I came up more through the controller and general management route," Bill adds.

Bob concurs. No real competition between the two. But, he adds, "When you talk to Bill, tell him I've already explained to you that while he may be the younger brother, he is also the much older looking one."

"If I look older," responds Bill, "it's due to having three daughters. But I'm still better-looking."

Siobhan Mullen, WG'88: Space-Age Entrepreneur

MULLEN

After reviewing Siobhan Mullen's career path, it's not all that surprising to find her president of an aerospace company, one of whose projects includes construction of a space port for international launch vehicles and their payloads.

She earned degrees in physics and optical engineering from the University of Rochester in 1983, joined the space and communications group at Hughes Aircraft where for two years she supervised satellite construction and testing, and then spent a year at TRW working on the company's free electron laser system. In 1988 she received her MBA/MA from the Joseph H. Lauder Institute of Management and International Studies at Wharton, trekked for several months throughout Asia, and subsequently joined Honeywell Europe in Brussels to conduct a worldwide space study tied to Honeywell's ambitions to position itself globally in the space industry.

"My job with the space study involved finding out where money was being spent, where R&D was going, what strategic directions companies were going in, etc.," says Mullen. "In doing that, it became obvious that miniaturization was happening and that satellites could be smaller yet have a wide range of capabilities. I could also see that the demand for information was growing rapidly worldwide, 24 hours a day, which in turn gave birth to a new industry in the late '80s, early '90s, of constellations, or large networks of small satellites, all working together in one giant network that covered the earth."

In 1992 Mullen founded Akjuit Aerospace, Inc., named after an Inuit word referring to a winter constellation that is also a symbol of inspiration and hope. She and a

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Raul Henriquez, WG'84: Teaming up With Latin America

Shortly after Raul Henriquez graduated from Wharton, he and his cousin started a commodities company whose prime asset was an in-depth knowledge of the coffee market. "We developed expertise in coffee futures which to this day has secured us a very comfortable position in that industry," says Henriquez. "We continue to have one of the most important futures desks in coffee in the world. Our success there led to the desire to branch out into emerging capital markets and general securities."

HENRIQUEZ

Today, Miami-based Hencorp Becstone & Co. is a broker/dealer catering to Latin American institutions that want to access the world capital markets. "We feel we are in an excellent position to service our clients' needs because we have developed a very good trading and brokerage capability and are fully bilingual. We treat Latin American institutions the way they like to be treated," notes Henriquez. "We try to make our operation almost an extension of their own ... We want our clients to feel like we are a part of their team."

Those clients, who include midsized and large institutions, "are interested in everything from hedging their portfolios through the futures market to investing in emerging markets," says Henriquez. Recently, to enhance their capabilities in the emerging markets, Hencorp Becstone entered into joint ventures with Refco, one of the major futures brokerages in the world. "Since 1995, we have been doing business as Refco Emerging Markets, which our group manages out of Miami," says Henriquez.

Net revenues for Refco Emerging Markets and Hencorp Becstone were more than $35 million last year, and trading volume exceeded $20 billion.

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DRIVING CHANGE

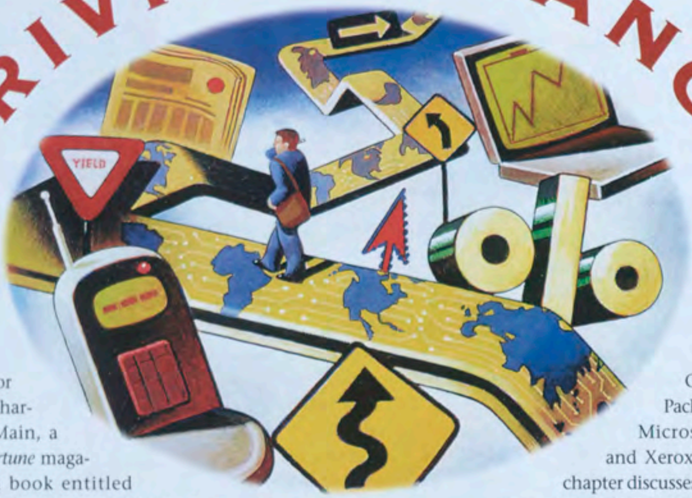

ILLUSTRATION / JOHN O'LEARY

This past winter, Yoram (Jerry) Wind, the Lauder Professor of Marketing at Wharton, and Jeremy Main, a former editor at *Fortune* magazine, published a book entitled *Driving Change* (The Free Press, 1998). Their book is based on nearly a decade of research conducted at the SEI Center for Advanced Studies in Management, a think tank at Wharton that looks at the future of business.

Driving Change includes in-depth studies of many of the world's leading corporations, including ABB Asea Brown Boveri, AT&T, Astra Merck, General Electric, Hewlett-Packard, Honda, Medquist, Microsoft, 3M, SAP, Toyota and Xerox, among others. Each chapter discusses the experience of companies that have put new ideas into action and analyzes which ideas worked, which didn't, and what lessons were learned. The result is an analysis of the qualities that all corporations will need to thrive in the century ahead.

We interviewed Jerry Wind shortly after the book's release in January. Below are his comments.

Q ···► WHAT CHARACTERISTICS WILL CORPORATIONS NEED TO SUCCEED IN THE FUTURE?

WIND: We consistently saw four operating principles needed to govern the 21st century enterprise. First, the successful corporation will be dynamic. The pace and scope of change have already reached levels where business executives who were comfortable until recently with five-year plans now are afraid to predict what will happen next year. New technologies, especially information technology, new products, new competitors, and new markets are all emerging so fast that corporations must be ready to grasp the new before the old has even started to decline.

Second, the leader must be capable of creating an integrated strategy, an integrated architecture, and be able to pursue cost reductions and efficiencies while also pursuing growth.

The new corporation must also be effective. Today's problems do not come from a lack of ideas and theories. Many of them — total quality management, for example, or even reengineering — provide a good perspective for creating a new kind of corporation, if properly applied. But they have failed to live up to expectations, mostly because of poor execution.

Finally, the new enterprise must be responsible. Business is forced by sheer self-interest if nothing else to treat its employees and the rest of society better than it has. American business has two personalities. The most common view portrays business as unfair, greedy, ruthless and dishonest. The other personality is trying in an enlightened way to respond to a whole set of urgent pressures from customers, from competitors, from technology and from society. At its best, this business is smart and innovative, supplies us with excellent products and services, responds intelligently to the customer, balances the needs of the other stakeholders, copes with globalization, has imaginative ways of getting the best from its employees and making their work more satisfying, and contributes, sometimes generously, to charities and the community. Most companies are in fact a mixture of these two personalities, the good and the bad.

Q ···► How should companies deal with perpetual change?

Wind: First, companies should develop a process for monitoring changes in their competitive environment and for spotting opportunities in technology, globalization and consumer markets. A number of companies are moving now to appointing senior executives in charge of watching and understanding each of their competitors. A number of organizations today have chief information officers who oversee the technological environment. That's important because many of the strategic alliances being formed are really designed to address these issues of technology.

Second, a company should decide on stretch objectives. If you're trying to come up with "better, cheaper and faster" new products, you cannot do it by improving new product development activities by two percent or by five percent. You must strive to *double* the effectiveness of any new product development efforts, then figure out how to restructure the whole process.

Third, strive for creative, strategic change. One of the biggest problems for corporations, especially large corporations, is lack of creativity. Many of the strategies are the "me too" type. The key is for companies to employ approaches that lead to more creative strategies.

A good example is 3M. Their culture encourages innovation and creativity and gears everything in the company towards that goal — including performance measures, organizational structures, processes and reward systems. It's not simply saying "I want to be innovative." It's designing the organization to support and encourage innovation.

Q ···► How important is leadership versus a system?

Wind: Leadership is key. Individuals drive most of the changes we see at the corporate level. Whether it's Lew Platt, WG'66, at Hewlett-Packard or Al West, WG'66, at SEI Corp., the individual leader drives change.

They cannot do it by themselves. The more enlightened companies are empowering more individuals and teams. But in the end, it's really the leaders driving the change.

Business is going to be stressful, risky, and uncertain, possibly even more than it is today. We may also find that the new enterprise overburdens management. For example, the carrot-and-stick approach to changing corporate culture and behavior loads a lot of luggage on compensation plans. We want performance appraisals, promotions, salary, and bonuses to depend on a manager's performance as team members *and* on their contributions to improving quality *and* on their focus on the customers *and* on their willingness to learn, their contribution to diversity and whatever else their bosses may think is critical.

The leader may be burdened similarly with an excess of new roles, all deemed essential. The leader must show by example that teams matter and spend time working with them. The leader must demonstrate a commitment to ethics, to quality, to alliances and partnerships. Without the leader's active intervention in all these and a few other areas the company won't change. That's a heavy load to carry.

Q ···► How will new technology impact the corporations and industries of the future?

Wind: It's hard to imagine a company in any industry that cannot benefit from technology if it makes the right type of innovative moves. But there are exceptions. The long-term viability of a business such as Blockbuster Video is questionable, considering the disintermediation being brought about by the Internet and other technological advances. If someone can get video on demand, or pay TV or movies distributed electronically without leaving their house, why would they go to rent a video at a store? It is not so much a matter of industries being eliminated by technology, but more a notion of how can you, within any given industry, use technology to your advantage to reshape the nature of your business.

Q ···► Will the corporation of the future retain some traits of the old corporate model, or will it be an entirely new entity?

Wind: Don't look for a clean break. There are no stark either/or choices; adopting new characteristics doesn't necessarily mean killing the old ones. Rather, we see a shift in the balance. Hierarchies will not disappear. Teams will not become all-powerful. Executives will not defer to their employees for all decisions. There will be a mix of old and new, the balance varying from company to company depending on the leader, the industry and the country. Family firms in India and China, the Korean *chaebol*, the Japanese *keiretsu*, the entrepreneurial American corporations, and the constrained social model of business in

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Why No Wage Inflation? A New Deal at Work

By Peter Cappelli

The combination of tight labor markets and low wage inflation is perhaps the most important puzzle presented by the contemporary economy. To understand it requires rethinking our traditional perceptions of employment and the wage setting process.

To begin with, tight labor markets no longer imply job security, as evidenced by a Conference Board survey last year in which 63 percent of employers said they no longer offered long-term job security for loyalty. In another 1997 survey, this one by the American Management Association, 49 percent of the companies interviewed reported that they eliminated jobs during last year, despite an economic expansion. For virtually all of these companies, the causes were internal — restructuring their operations and competencies — and were not associated with any current decline in business. In addition, more than 30 percent of these companies were hiring new employees at the same time that they were eliminating jobs elsewhere, resulting in a "churning" of their skill base.

New management techniques that essentially bring the market inside the firm reinforce the sense that employees are in competition to keep their jobs. Benchmarking, for example, conveys information to employees about how their wages and costs stack up against those in other organizations even as employers point out that certain functions are candidates for outsourcing. Workers clearly seem to have gotten the message. Ninety-four percent of employees in a 1997 Towers Perrin survey report that they see themselves and not their employer as responsible for their job security. Employees understand that pushing up labor costs is not the way to do it.

While employees do seem to be switching employers more frequently now, the employment relationship has not become one of free agency. Except in a relatively few fields where jobs are almost perfectly portable, such as computer programming, employees are not yet hopping from job to job in search of higher pay. What we see instead is what I term "serial monogamy" — open-ended relationships that both sides understand can be terminated at any time. Employers these days frequently rely on contingent compensation — based on productivity gains — to bind key employees to them; for executives the compensation is paid out of shareholder value. Neither approach puts as much pressure on labor costs. Employees who see jobs as more temporary than in the past are also less likely to move simply for a raise in salary given that the raise, as well as the job, may not last long.

More Recruiting, Better Screening

Employees today are changing occupations less frequently. At the same time they increasingly see themselves as having a functional orientation in which they define themselves by their particular skill, not their company affiliation. A person is a marketing manager rather than a Xerox manager.

In the past, companies had compensation structures that maintained pay differentials between areas and jobs by raising wages across all jobs when the market went up in one area. Companies are less interested in doing that now and, in general, are less interested in having common compensation structures across jobs and functional areas. This is partly because managerial employees in particular are not moving across functions and occupations. In some companies, market-driven increases do not even spill over to other jobs in the same field. Special "hot skills" premiums in fields like computer programming raise wages, temporarily, only for jobs based on those skills. If the company changes operating systems or for other reasons no longer needs that skill, the premium goes away as well.

Meanwhile, new accounting techniques such as profit-and-loss responsibilities at operating levels punish employers for raising wages. Wage increases for new hires are especially resisted because of the danger that they could lead to demands for increases among current employees. Instead, many companies are investing in recruiting, seeking out non-traditional applicants such as welfare recipients or retirees and doing a better job of screening. In some cases, employers support these new hires with social services and other arrangements to increase the retention rate. In other cases, relatively modest investments in training allow employers to lower their standards for applicants yet get the new employees quickly up to speed. While arrangements like these increase labor costs, they do not bid up wages in the market and may well be less expensive than raising wages to get better applicants.

High Marks for TQM & Teamwork

A final component of the tight labor market puzzle is the fact that skill requirements continue to rise. Fifty-one percent of the employers in the 1997 National Employer Survey conducted here at Penn report that the skills needed to perform typical front-line jobs adequately have gone up in the past three years; only two percent thought they had declined. If the demands are rising, shouldn't the shortage of workers be even worse and the pressure on wages greater?

This is not the case because most workers already have the skills needed to meet these rising demands. The demands are mainly associated with new work systems like TQM and teamwork that push more responsibility and decision-making onto employees. Virtually every study indicates that employees like these new systems. One of my studies indicates that employees are even more satisfied with the level of their pay when these systems are present. Another study found that where employers pay more, it is not because they are hiring in more qualified applicants. The higher pay seems to be a premium to encourage greater effort and attention on the part of the employees.

A new, more market-based relationship exists between employer and employee, and employers have found ways to manage it in the face of tight labor markets without raising wages, much to the benefit of many areas of society. Inflation does not seem to be an immediate problem, but one that might be is the fact that employers who have not been able to meet their hiring needs are simply letting vacancies stand empty rather than raise wages to fill them.

But there is a risk to not filling vacancies: During expansionary times, employers could find themselves without the manpower to take advantage of the upswing. The best way to minimize that risk is by investing now in efforts to seek out qualified applicants and find ways to retain them. For years, the big problem in most companies was how to get rid of unwanted employees. Now the problem has shifted to finding and then keeping those employees whose skills are scarce. The key to competitiveness may lie in solving that problem.

Peter Cappelli is professor of management, chairman of the management department and director of the Center for Human Resources.

THOURON *continued from page 2*

he attended Hebrew Academy High School in Cedarhurst. He is a dual-degree student, earning both a BA in English from the college and a BS with concentrations in finance and operations and information management (OPIM) from Wharton. He has spent this past semester writing his senior thesis on Sir Walter Scott and doing independent research at Wharton on the European Central Bank's monetary policy.

Gober participates in the Program for Awareness and Cultural Education (PACE), a student-run organization that leads workshops on multicultural issues such as gender and race. He landed a role earlier this year in the Hillel theater group's "Conversations With My Father" and founded an intercollegiate academic journal on the Internet.

"I am interested in international business, but my long-term goal is to get involved in international policy and decision-making," says Gober, who plans to attend the London School of Economics.

What he has liked best about Wharton, Gober adds, "is the students' commitment to success and achievement. I think it's unusual, and I understand that this unusualness is perceived both on campus and by the corporate world at large."

In addition to covering tuition, room and board for two years, the Thouron award grants students sufficient funds to travel and experience British culture firsthand.

Coincidentally, the newly named principal of the London Business School is a former Thouron scholar who came to Wharton from England. John Quelch, WG'74, a native of London, has spent the last 20 years as a marketing professor at Harvard Business School where he is considered a world authority on global brands. He takes over the leadership of LBS in July.

CONNECTION *continued from page 3*

To subscribe to your Lifelong e-mail address, go to the alumni network page at www.wharton.upenn.edu and follow the links for the Lifelong e-mail address.

The Class of 1997 was the test market for the rollout of Lifelong e-mail. More than two-thirds of the undergraduates and MBAs from that group have already activated their accounts. In addition, the technologically savvy MBAs from that class dedicated their Class Gift — a record $170,000 — to helping the School launch the development of the Wharton Alumni Virtual Community.

The Alumni Virtual Community is not merely an expansion of the School's existing Web site. It will afford a variety of new methods of exchanging information, expanding the capacity for alumni to leverage more effectively the community of Wharton business leaders around the globe.

More information on the continuing development of the Wharton Alumni Virtual Community will be available in the Summer issue of the *Wharton Alumni Magazine.*

FRIENDS *continued from page 12*

exams and got back here."

The company that Drean founded in 1992, Triago S.A., handles private placements, mainly for private equity funds, in both primary and secondary markets. Drean had discussed his plan to start the company with Ladriere and another student, Nicola Topiol, WG'91. Drean's idea was to bring both classmates with him, but he felt compelled to hire non-Wharton folks. "Wharton MBAs can be too expensive," Drean says with a laugh.

Topiol, who works in the United States, never did join Triago full-time, although he continues, on a part-time basis, to help Drean find business. Ladriere, who became a consultant after graduation, eventually joined Triago as a partner in 1993, but only after it was clear that the fledgling firm had gotten on its feet and could provide Ladriere with a steady paycheck. That decision underscored an essential difference between the two men.

"Antoine is an entrepreneur by nature," says Ladriere. "I'm more risk-averse than Antoine. I'm more comfortable in a large group. Entrepreneurs tend to be perfectionists and you can't grow a firm without being an entrepreneur. I was probably more nervous than he was [at Triago]."

Ladriere left Triago in 1997 to become an investment officer with the agro-food team at Paribas Affaires Industrielles, the principal investment branch of Bank Paribas in France. Still, Ladriere enjoyed his four years at Triago. "It was a very valuable experience in that you're on the front line," Ladriere says. "You don't have a parachute."

In addition, there were the benefits of working with a friend. "We had a very good atmosphere," Ladriere says. "We had the same sense of humor, which is important. It's important to work with somebody you like, who shares values, culture and a common background."

Ladriere also came to understand the potential pitfalls of being in business with a friend.

"Your friendship may impact your professional relations," he says. "Sometimes it's good, sometimes not as good. If you disagree with somebody who is a friend, you may think that your business conflict will impact your friendship. And that's not easy to deal with because he's a friend."

Ladriere's departure was amicable. He never had a written contract with Triago; his arrangement with Drean was based on a handshake. He and Drean remain fast friends and see each other regularly.

"Bruno knew everything about our investors and our sectors, and I trust him today," Drean says. "That's because I know Bruno well and because we share the same ethics."

MULLEN *continued from page 23*

management team have already raised close to $22 million of the $100 million needed to fund the company's first major initiative, SpacePort Canada.

SpacePort Canada, already under construction on the Hudson Bay in Churchill, Manitoba, is intended to serve as a privately owned, privately operated airport for orbital and sub-orbital launches, with the first launches slated for the year 2000. "Other launch sites in the world are currently government-owned and operated and launch only their own countries' vehicles," says Mullen. "This is our most visible project because it's more capital intensive than the others. Also, people are aware of what a launch site is because they have seen shots of Cape Canaveral on TV."

Customers expected to launch from SpacePort are companies involved in data communications, multimedia communications and voice communications worldwide. "These kinds of satellites require higher inclination orbits closer to the poles, as opposed to the big TV satellites that now orbit around the equator," says Mullen.

In addition, Akjuit will provide on-orbit support for existing and proposed satellites with SpacePort's ground station architecture, and will use those same satellites and architecture to capture data to create a geotechnical database, among other projects.

Although only 30 full-time employees work directly and indirectly for Akjuit, the company is closely allied with a technical team of 21 separate companies led by Raytheon, whose role is to develop, construct and establish operating procedures for SpacePort Canada. "These companies provide funding, technology know-how and most important, tremendous credibility," says Mullen. "They have a vested interest in making sure this project survives."

Akjuit's headquarters are in Winnipeg and a U.S. office was recently opened in Colorado Springs. Mullen lives in Toronto, but spends more than half her time in an airplane.

She grew up in New Hampshire and Pennsylvania, and attended junior and senior high school in Wellsboro, Pa., a small town in the north central part of the state. "I have always been interested in science and space," says Mullen, whose father was a theoretical physicist. "It was a shock to me to finally realize that not every child grows up looking at the moon and the rings of Saturn through a telescope."

She has a pilot's license (which she hasn't had time to renew), was trained as a classical pianist, and loves trekking and mountain climbing. Her partner, whom she met while climbing in India, runs Canadian Himalayan expeditions.

"In life, it's a gift to be able to work with one or two other people who have vision and the drive to turn an idea into reality," Mullen says. "To be involved in a project where there is an entire team of those kinds of individuals — from the technical people to the office staff — is absolutely exhilarating ...

"We have an opportunity to lead the launch service industry of the next generation. Canada, because of its international acceptance, is the perfect location to accomplish this."

HENRIQUEZ *continued from page 23*

Henriquez was born in El Salvador where his family has long held interests in real estate, banking and construction, not only in Salvador but also in the U.S. The family moved to Miami in the late '70s, and Henriquez attended Georgia Tech and the University of Florida before going to Wharton.

Hencorp Becstone has done so well that Henriquez and his cousin operate independently of the family business although they continue to serve as informal advisers.

Despite spending the majority of his time in Miami, where he lives with his wife and three children, Henriquez has not lost enthusiasm for his birthplace. "El Salvador has a promising future as an industrial country," he notes. "The government has instituted a strict monetary policy, inflation is under control and there is a stable currency."

Henriquez and others had anticipated an increase in investment and savings rates in El Salvador as a result of pension reforms expected in 1997. "These reforms have been delayed, much to my chagrin," Henriquez says. "It's what happens when political considerations prevail over economic ones ... The entire privatization initiative, including privatization of the telecommunications industry, has been set back, but I do believe that progress in all these areas will be made this year. The electrical utilities were privatized in January and we expect the national telecommunications company to be privatized in the coming months. Certainly the country, which has obtained an investment grade from major credit rating companies, is set to see an increased inflow of capital investment from abroad."

HOCH *continued from page 21*

And in fact, they have realized it and are taking steps to deal with this.

"First, whereas in the food business almost no leading national brands manufacture store brands for retailers, in the pharmaceutical business many of the drug companies are also drug retailers. Case in point: Medco is a big mail order drug firm owned by Merck. Second, 70 percent of generic drug manufacturing capacity here in the U.S. is owned by the major pharmaceutical companies. They, unlike other businesses, know they have to vertically integrate.

"What's fun about being an academic," adds Hoch, "is learning what is happening in one domain and seeing if it applies to another. In the case of brand names and pharmaceuticals, I started out at first assuming that what I know about the packaged goods industry would apply to generic drugs as well. Sometimes it does and sometimes it doesn't. The challenge is to figure out the differences." *R.W.S.*

DRIVING CHANGE *continued from page 25*

Europe are going to react in different ways — though perhaps not so different as in the past. Each company will have its unique response.

But the new enterprise must also be good at the old basics of running a business well: cash flow, finance, marketing, and timing.

Q ARE TRAITS OF THE 21ST CENTURY CORPORATION UNIQUE TO U.S. FIRMS?

WIND: The ideas of the new enterprise are applicable around the world, but the flexibility of U.S. business has given it a huge advantage. Call it willingness to suffer pain now for gain later, or call it ruthlessness, but the American company has proven ready to do what it takes to change. Japanese companies remain so committed to lifetime employment, and European companies, with the exception of the British, so committed to their social contract that they haven't been able to extract any comparable advantage from the new management. There has been some shifting toward a less rigid commitment. But Japanese business isn't creating new companies or new jobs at anything like the rate we see in the U.S., while European companies are losing opportunities and contributing to a brutal level of unemployment. American companies may seem less humane but they have created millions of new jobs.

Q WHAT IMPACT WILL THE UNPRECEDENTED MERGER AND ALLIANCE ACTIVITY HAVE ON THE 21ST CENTURY CORPORATION?

WIND: There will be a movement toward the "networked corporation." Companies cannot continue looking at themselves as a single entity that can do everything, but they must link with other providers in various competence areas. There will be an increasing number of strategic alliances in all stages of the value-added chain. Companies recognize that if they want to accomplish certain things, they will need certain competencies. Increasingly companies are realizing that they do not have to develop all of these competencies internally. They can form strategic alliances to do this, or outsource.

Sometimes mergers and acquisitions are not just about scale, but because of the need to have a complementary product line or a better entry into different geographic markets. Then you can get some economies of scale and scope.

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